

PRESS STATEMENT RE ADDITIONAL FILINGS WITH  
THE OFFICE OF GOVERNMENT ETHICS

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Mr. Casey's accountant and his investment advisor have reviewed, at his request, his trust, custodial and other personal records for the last ten years. This review brought to light additional security holdings emanating from pre-1970 transactions. Most have little or no value. Only one produces any income. In addition, this review revealed bank loans on which Mr. Casey and co-signers are contingently obligated. Mr. Casey also reported an interest in a patent and a computer which is related to a business previously disclosed.

LOUISVILLE COURIER-JOURNAL (KY)  
28 August 1981

## 'Libyan connection' says a lot (all bad) about CIA management

SPY AGENCIES are supposed to be able to keep secrets, but maybe the Central Intelligence Agency has gone too far. Evidently, some who work at the agency haven't been told that the Libyan regime of Colonel Khadafy is considered by the U.S. government to be a band of troublemakers and terrorists, not friends.

That's one explanation for reports that former CIA agents, and at least two who were then still on the "Company" payroll, have shipped explosives to Libya and trained terrorists there.

The more likely explanation, however, is that CIA management, because of rapid turnover at the top in recent years, has gotten dangerously lax.

Whatever the reasons, the results have been shocking and disgraceful. As *The New York Times* reported this week, active and former CIA agents were even able to lure a group of Green Berets, members of the U.S. Army's elite Special Forces, to Libya to participate in the terrorist training program. One sergeant told how he checked first with Army counterintel-

ligence — and was informed that the mission was "legal and aboveboard."

Neither the CIA nor the Army has yet explained publicly how the mission came to be given a clean bill of health. But the sergeant, after arriving in Tripoli, meeting with the head of Libya's spy agency and being shown an explosives factory, got cold feet and returned to America.

"I know the agency (CIA) does bizarre things," he later explained, "but working for Libyan intelligence was too much."

CIA Director William Casey has a big job on his hands. He's got to find out what went wrong, and why. And it would help, obviously, if he and congressional oversight committees could end the agency's reputation for doing "bizarre things." That reputation makes it dangerously easy for ex-agents, and others who claim "connections" with the CIA, to con honest folks with unusual skills — such as Green Berets — into thinking they're serving their country, while they're actually abetting international thugs.

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ON PAGE 22

BOSTON GLOBE  
28 AUGUST 1981

### More of Casey's former clients named

Associated Press

WASHINGTON -- CIA Director William J. Casey represented the Korean and Indonesian governments as a lawyer before joining the Reagan Administration, according to information filed Thursday with the Secretary of the Senate.

Sen. Barry Goldwater (R-Ariz.), chairman of the Senate Intelligence Committee, submitted a list of 117 clients and said it supplemented a list submitted by Casey at his confirmation hearing in January. Goldwater said the names were supplied by Rogers & Wells, the New York law firm with which Casey was associated from 1976 to 1981.

The Intelligence Committee conducted a preliminary inquiry into Casey's past financial dealings last month after the CIA chief's hand-picked deputy, Max Hugel, resigned while denying allegations of former business associates that he engaged in improper practices.

ARTICLE APPEARED  
ON PAGE A12THE WASHINGTON POST  
28 August 1981

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# CIA's Casey Had Over 100 Clients, Senate List Shows

By Charles R. Babcock  
Washington Post Staff Writer

CIA Director William J. Casey has filed a new list with the Senate Intelligence Committee of more than 100 legal clients, including large corporations such as Pan Am, Kennecott Copper and Merrill Lynch and the governments of Indonesia and South Korea.

Sen. Barry Goldwater (R-Ariz.), chairman of the committee, sent the new listing to the secretary of the Senate yesterday, noting that it supplemented what Casey had supplied the committee at his confirmation hearing early this year. The earlier submission covered only the last two years.

Casey's former law firm, Rogers & Wells of New York, told the committee the list represented clients for which Casey "had billable time or otherwise received credit" from 1976 to 1981.

Casey came under intense criticism in Congress last month after Max Hugel, his choice to run the CIA's clandestine arm, was forced to resign because of allegations of financial wrongdoing while a businessman. Goldwater and other senators called for Casey's resignation because of errors in judgment but, after a hearing July 29, agreed he was fit to serve.

A CIA spokesman declined to comment on the new list yesterday. The committee staff is checking Casey's records while preparing a report on the Hugel affair that is expected to be completed soon after the Senate reconvenes in two weeks.

A Justice Department official said yesterday that Rogers & Wells was a registered foreign agent for Indonesia in 1977 and 1978, trying to obtain "U.S. foreign tax credits for Indonesian income taxes paid by U.S. oil companies." Casey's new list of clients also included Pertamina, the Indonesian national oil company.

It could not be learned immediately whether Casey had registered separately as a foreign agent or whether he would have been required to do so.

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NEW YORK TIMES  
28 AUGUST 1981

## Casey Amends List of Law Clients Submitted to Panel on Intelligence

By EDWARD T. POUND

Special to The New York Times

WASHINGTON, Aug. 27 — William J. Casey, Director of Central Intelligence, has provided information to a Senate committee showing that he did not disclose more than 70 law clients in a financial statement filed at Senate confirmation proceedings earlier this year.

In a statement submitted Jan. 27 to the Senate Select Committee on Intelligence, Mr. Casey, who practiced law in Manhattan, listed 43 clients.

However, he recently notified the committee that he had "billable time or otherwise received credit" from his law firm, Rogers & Wells, for 117 clients in the period 1978-81, according to a document filed in the Senate today by the panel.

A committee spokesman said today that the additional information was provided by Mr. Casey at the request of the committee.

The supplemental list of clients shows that Mr. Casey has done work for two foreign governments, those of South Korea and Indonesia. He also represented Pertamina, the Indonesian state oil company.

### Firm Registered as Foreign Agent

Records at the Justice Department show that Rogers & Wells registered as an agent for Indonesia for the period of July 1977 through July 1978. Mr. Casey did not register, and he declined through an intelligence agency spokesman to answer any questions about the supplemental list that he had submitted to the committee.

"Mr Casey is continuing to respond to the requests of the committee" and believes it would be "inappropriate" to comment, said Dale L. Peterson, the agency spokesman.

The Foreign Agents Registration Act of 1938 requires the registration of anyone who does business or public relations on behalf of a foreign government. Lawyers engaged in legal work for a foreign country, and not political activity or lobbying, are not required to register, according to lawyers familiar with the act.

The nature of Mr. Casey's work for South Korea, Indonesia and Pertamina has not been disclosed.

A committee spokesman declined to say whether the panel had sought additional information from Mr. Casey on his work for the foreign interests.

### Headed Export-Import Bank

Mr. Casey was chairman of the Export-Import Bank from 1974 to 1976. In that period, more than \$50 million in United States-guaranteed loans were granted by the bank to help finance a nationwide satellite communications system in Indonesia.

The additional filing by Mr. Casey also showed that he had performed work for two concerns that have been linked in the past to organized crime figures. The companies are Caesars World, which operates casinos, and SCA Services Inc., a waste disposal concern.

Spencer Davis, a spokesman for the intelligence committee, said today that in January Mr. Casey gave the panel a list of clients for the previous two years. Mr. Davis said that at the time the panel asked Mr. Casey for a five-year list and recently renewed its request in the wake of the controversy over the director's finances.

According to Mr. Davis, Mr. Casey explained recently that he filed a two-year list of clients with the committee last January because he had submitted the same list to the Federal Office of Government Ethics. Mr. Casey said that the ethics office had asked for a two-year list and that he had inadvertently given the same list to the committee, Mr. Davis said.

UPI  
27 August 1981

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R W

(CASEY)

WASHINGTON (UPI) -- TWO FOREIGN GOVERNMENTS, A FORMER POP SINGER, A LAS VEGAS HOTEL, AMERICA'S LARGEST CITY AND ONE NEWS AGENCY WERE AMONG WILLIAM CASEY'S LEGAL CLIENTS BEFORE HE BECAME CIA DIRECTOR, ACCORDING TO A LIST ISSUED TODAY.

THE SENATE INTELLIGENCE COMMITTEE RELEASED A LIST OF CASEY'S 117 LEGAL CLIENTS DURING THE PERIOD 1976-1981. IT SUPPLEMENTS AN EARLIER LIST SUBMITTED BY CASEY WHICH COVERED ONLY THE LAST TWO YEARS BEFORE HIS NOMINATION TO THE CIA JOB.

THE LIST, SIGNED BY COMMITTEE CHAIRMAN SEN. BARRY GOLDWATER, R-ARIZ., WAS FILED TODAY WITH THE OFFICE OF THE SECRETARY OF THE SENATE. IT WAS GIVEN TO THE COMMITTEE BY CASEY'S FORMER LAW FIRM, ROGANGELLEDY CTT LIST DOES NOT INDICATE WHICH CLIENTS HAD BEEN PREVIOUSLY REPORTED BY CASEY FOR HIS JANUARY CONFIRMATION HEARINGS, BUT PANEL SOURCES THAT THAT CASEY'S ORIGINAL LIST INCLUDED ONLY 48 CLIENTS.

CASEY CAME UNDER FIRE EARLIER REGARDING HIS PAST BUSINESS PRACTICES IN THE WAKE OF THE RESIGNATION OF MAX HUGEL, A REAGAN CAMPAIGN COLLEAGUE OF CASEY, AS HEAD OF THE CIA'S CLANDESTINE SERVICES.

BUT THE INTELLIGENCE COMMITTEE, AFTER A DAY-LONG HEARING WITH CASEY ON JULY 29, VIRTUALLY EXONERATED HIM WHEN IT FOUND UNANIMOUSLY THAT HE WAS FIT TO SERVE AS HEAD OF THE INTELLIGENCE AGENCY.

HOWEVER, THE COMMITTEE ALSO SAID THAT SOME LOOSE ENDS WERE STILL BE BE CLEARED UP AND THE PANEL'S STAFF CONTINUES TO WORK ON A FINAL REPORT ON CASEY, EXPECTED TO BE COMPLETED AFTER CONGRESS RETURNS FROM ITS SUMMER RECESS ON SEPT. 9.

IT SHOWS THAT CASEY'S CLIENTS INCLUDED THE GOVERNMENTS OF SOUTH KOREA AND INDONESIA AS WELL AS PERTANINA, INDONESIA'S STATE-OWNED OIL COMPANY, THE BANDUE DE PARIS AND THE SAUDI AMERICAN LINES.

OTHER CLIENTS WERE SINGER CONNIE FRANCIS, CAESAR'S WORLD, THE CITY OF NEW YORK AND NASSAU COUNTY, AND THE ASSOCIATED PRESS.

THE LIST ALSO MENTIONS THE FILM CORPORATION OF AMERICA, TWENTIETH CENTURY FOX, LOCKHEED AIRCRAFT, PAN AMERICAN WORLD AIRWAYS, KENNECOTT COPPER, AND THE WASHINGTON, D.C. LAW FIRM OF FULBRIGHT AND JAWORSKI.

OTHER CLIENTS INCLUDE OIL AND MINING COMPANIES AND OTHER INDUSTRIAL AND MANUFACTURING FIRMS, A PRIVATE SECURITY COMPANY, PRIVATE ESTATES AND INDIVIDUALS, CONSTRUCTION FIRMS, SERVICE COMPANIES, AND INVESTMENT FIRMS.

UPI 08-27-81 06:00 PED

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NEW YORK TIMES  
26 AUGUST 1981

## Team of Ex-Green Berets Trained Terrorists for Libyan Government

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

Special to The New York Times

HONOLULU, Aug. 24 — Four years ago, 10 men trained by the Army Special Forces to be America's elite commando troops went to work for the Government of Libya, training terrorists.

According to participants in the operation, and Federal investigators who have since tried to reconstruct the events, the men went to Libya with the knowledge and endorsement of the United States Army. They apparently believed that they were infiltrating the Libyan Government on behalf of the Central Intelligence Agency.

Nine were retired members of the Special Forces, better known as Green Berets. The 10th, who recruited the others for the mission, was a master sergeant in the Green Berets and was on active duty. He had been recruited by a former agent for the Central Intelligence Agency.

### Its Organizer Is a Fugitive

The belief of the 10 men that the mission was intended by the C.I.A. as an infiltration of the Government of Col. Muammar el-Qaddafi was apparently shared by ranking Green Beret officers.

Whether it was remains uncertain. The C.I.A. denies any involvement; many participants, and some Federal investigators, believe the mission had at least the tacit approval of the agency.

What is certain, say the Federal investigators and the participants, is that the operation was organized, financed and directed by Edwin P. Wilson, a former Central Intelligence agent. In 1976, according to the investigators, Mr. Wilson closed a business deal with Colonel Qaddafi to sell his expertise in intelligence, arms and explosives to Libya for the training of terrorists.

Mr. Wilson was indicted in 1980 by a Federal grand jury on charges of illegally exporting explosives to Libya. He is now a fugitive, believed to be living in the Libyan city of Tripoli.

Mr. Wilson's use of Green Berets, like other aspects of his relationship with Libya, has generated problems for the United States Government and raised questions about the way Federal authorities handled the matter.

The Justice Department is investigating the case and calling many of the Green Berets before a grand jury for questioning in July 1979, produced no in-

said, was the lack of any Federal law prohibiting the training of terrorists outside the United States by American citizens.

### Slow to Accept Responsibility

The Army and the intelligence agency, investigators said, have been slow to accept responsibility for the activity of those who were employees or former employees when the operation began in 1977.

An informal Army review of the case, begun after the Justice Department started its investigation, ended inconclusively, according to Defense Department officials.

Lieut. Col. Harold Isaacson, a spokesman for the Special Forces, with headquarters at Fort Bragg, N.C., said that the involvement of former Green Berets in the Libyan operation, like the activities of former Green Berets in general, was not the responsibility of the Special Forces. Army officials said that inquiries had determined that the one active-duty officer involved, and the superiors who endorsed his role, had apparently acted in good faith, believing the mission was sanctioned by Central Intelligence.

William J. Casey, the Director of Central Intelligence, recently ordered a review of agency policies to guard against the transfer of information and technology by former agents to such countries as the Soviet Union and Libya. The review was prompted by the case of Mr. Wilson and Frank Terpil, another former agent, in which agency connections were used in getting the explosives to Libya illegally and in the training of terrorists there. Mr. Casey said the agency's general counsel was "reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

### Call to Fayetteville

The involvement of the Green Berets in the Libyan training operation began on July 21, 1977, when Luke F. Thompson, then a Special Forces master sergeant, received a phone call at his home in Fayetteville, N.C., from a man who identified himself as Patry Loomis. Mr. Thompson played a key role in numerous covert operations in Vietnam and Latin America in the 1960's and 1970's, according to intelligence officials.

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Mr. Loomis called military counterintelligence officials at Fort Bragg to report on the conversation. "I thought it might be something subversive, you know, maybe a foreign power trying to lure us into something," he said.

### Talked All Night, He Says

That evening two counterintelligence officials from Fort Bragg drove to Mr. Thompson's house and the three talked over the conversation that Mr. Thompson had had until early the following morning, Mr. Thompson said.

The next day, Mr. Loomis called again, this time to arrange a meeting with Mr. Thompson and the men he was recruiting. They picked the Sheraton Motor Inn in Fayetteville. The time was to be the following day, July 23.

Mr. Thompson notified the counterintelligence officers. "They told me to keep cooperating," he said.

On the day of the meeting, the counterintelligence officers called Mr. Thompson. He recalled: "They said: 'We've checked this to the top and it's legal and aboveboard. You can pursue it as you desire.'" Satisfied that he was dealing with a Government operation, he said, he went to the meeting.

### Says He Was in Deep Cover

Mr. Loomis and a Washington lawyer, the account by Mr. Thompson continued, escorted Mr. Thompson and three recently retired Green Berets to his room. After turning up the volume on the television, according to Mr. Thompson, Mr. Loomis identified himself as a Central Intelligence agent. "He said he was with the agency and had just recently come out of deep cover in Indonesia in the aircraft industry," Mr. Thompson said.

Mr. Loomis offered no details about the operation, saying that information would be provided outside the United States, but he did explain that the men would receive \$4,500 a month, plus bonuses. He told them to fly to Washington several days later and he gave each man several \$100 bills.

Investigators later determined that Mr. Loomis had approached Mr. Thompson shortly after being dismissed from the C.I.A. for helping Mr. Wilson obtain explosive timers for Libya.

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THE WASHINGTON POST  
26 August 1981

## JACK ANDERSON

### CIA Said to Plan New Links With Anticommunists

The Central Intelligence Agency is preparing to join forces with totalitarian regimes and anticommunist factions in the conduct of covert operations around the world.

This could open up a Pandora's box of CIA-sponsored coups and revolutions. It could throw us into an uncomfortable embrace with extremists who are morally objectionable, with dictators who oppose U.S. principles, even with terrorists whom we claim to abhor.

CIA chief William J. Casey is eager to stir up mischief for such unfriendly regimes as Libya, Iran, Cuba and Angola. And he isn't too particular whom the CIA finds to do the dirty work.

In a top-secret planning document, he recommends "that consideration be given to improving the capability of the agency to rapidly escalate existing aid to anticommunist forces."

America's allies are apprehensive about CIA meddling in the world's trouble spots. To overcome this problem, Casey urges "that increased conditioning of allies to the necessity (and, indeed, the opportunity) for covert operations against Soviet sur-

rogates and revolutionary forces be coordinated by the NSC [National Security Council]."

Not only allied leaders but American policy makers are concerned about the clandestine activities that Casey advocates. They warn that the CIA will wind up supporting revolutionary forces and exile groups, with no control over what these groups do.

Casey argues that the dismantling of the CIA's covert capabilities now leaves President Reagan "with no reasonable option other than increased cooperation with anticommunist forces abroad."

This was tried by President Carter in an undercover effort to bring down Ayatollah Ruhollah Khomeini in Iran. It was a hit-and-miss operation that is described in secret papers as clumsy and "chaotic," lacking central control and policy objectives. State Department strategists were moved to send Carter's national security adviser, Zbigniew Brzezinski, a blistering secret memo.

The clandestine operation, they wrote, was "clinically schizophrenic, withdrawn, confused and characterized by bizarre fantasy."

The CIA has been especially inept at staging covert military operations. The agency sponsored an invasion of Cuba that ended in the Bay of Pigs fiasco. In Laos, the CIA recruited an army of Meo tribesmen to harass the communists and then abandoned them to be slaughtered. Similarly,

the CIA armed Kurdish mountain tribes and encouraged them to attack Iraqi forces, only to withdraw support after the political signals were changed and leave them to the mercy of the Iraqi army.

Yet CIA strategists are eagerly planning to invest in new military adventures and other clandestine projects that once again would employ surrogates of dubious reliability. As far back as last May, Casey began his top-secret planning, with sights on Africa and the Middle East. My associate Ron McRae has uncovered a document, dated May 9, 1981, labeled "Draft Covert Operations Planning Document Africa-Middle East."

Casey contended that Soviet encroachment in Africa can be reversed. "The supply of Cubans available as trained surrogate forces," he wrote, "has probably been optimized." He argued, therefore, that the Soviets would be unable to supply any more Cubans to counteract a clandestine U.S. offensive.

"The end of requirements in either Angola or Ethiopia could release up to 10,000 Cubans," he wrote, "but the outlook for such availability appears slight, even in the absence of covert interventions by U.S. or allied powers."

Casey asked for "improved logistical capabilities," meanwhile, to support anticommunist forces, calling this a "critical need . . . especially in Angola."



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NEW YORK POST  
MAY 11 1981

# CIA SPOOKS ARE LOSING THE GAME

By JEFF WELLS  
AMERICAN spies are losing the international espionage game, caught in a squeeze between Moscow and Washington, a top intelligence analyst says.  
Dr. Roy Godson brought the gloomy news to New York yesterday in a rare case of soul-baring by the prestigious National Strategy Information Center.

The spywatch outfit is in a unique position to critique the problems of embattled CIA director William Casey, and his politically entangled staff.  
It has five of its former top members in the Reagan Administration: Casey, Secretary of the Army John Marsh, Director of Arms Control and Disarmament Agency Eugene Restow, chief SALT negotiator, Gen. Edward Rowley and chairman of the Board for International Broadcasting, and Shakespeare.

Godson, a professor of government at Georgia Tech and attached to the New York-based center's Washington office, was on Reagan's CIA transition team.

But the picture he painted of Casey's prospects, without coming out and saying that they should quit, was hardly inspiring.

He said that since Casey's only major appointment, deputy chief of clandestine operations Max Hugel, resigned last month after a sex-fraud case, Casey has found himself surrounded by Carter appoint-

## Casey status shaky again

Godson said seven of the CIA's upper echelon are Carter appointees, tough political infighters and "old boys" determined to preserve the status quo, which has seen America's intelligence operation flounder drastically in the '70s.

They deliberately tried to bloody Casey over the Hugel affair," Godson said.

Casey's position doesn't look strong, we can only hope that he has learned a lesson about what he is up against.

Godson said the stake is a proposed change in the intelligence operations, the restrictions on domestic criminal standards.  
Without the American intelligence on all four fronts—covert action, counterintelligence, collection and analysis—will remain badly beaten by the Soviets.

He said that Presidents Nixon and Ford began to diminish the power of the America has opened itself to subversion by Russians, Cubans and other foreign powers.

HONOLULU STAR-BULLETIN  
24 August 1981

## How Sen. Inouye Views the New Political Situation

HAWAII'S senior senator, Daniel K. Inouye, is home from Congress for the August recess. The *Star-Bulletin* Editorial Board asked him to meet with it to discuss the changed situation in Washington. Here are the highlights of the conversation.

### CIA Problems

*Q: You used to be the head of the Senate Intelligence Committee, and have a lot of friends and contacts over there. Could you share with us your thoughts about*

*Director William Casey and some of the problems he's had at the CIA, and also the business of Max Hugel, the deputy director who wound up almost running that agency, then quit?*

*A: Well, the deputy director of operations, the fellow we refer to as DDO, is second only in importance to the director himself. It's a very sensitive position, one where the fellows who are below the DDO must have good communication and complete trust and confidence. Max Hugel on his own was a successful businessman but he had no intelligence experience. The reason Casey wanted him, according to the testimony, was to use his background and connections as a businessman, international businessman, so we can involve our business people in our intelligence gathering. Whatever that means.*

*Much of the campaign — the campaign against Hugel — did not come from the Senate nor did it come from the House. It must have come from the agency. Somebody must have done some bird-dogging and research, and looking around, snooping around, into files, because I don't have the time and the inclination, nor do other committee members, to check out on this fellow. We feel if he's honest and he can keep secrets and if that's the fellow Casey wants, then so be it. But then little things kept sprouting up. I think these little things were leaked to the press by some of the fellows in the agency.*

*Now, Casey's nomination was approved because we thought with Casey being as close as he is to the president, it would be a plus for the intelligence community. The stories against Casey, brought about by so-called exposes in the *Washington Post* and other papers, for the most part were minor, inconsequential, and nitty. Now, for example, as a lawyer Casey must have handled hundreds upon hundreds of clients, and he is supposed to report as part of his disclosure, the names, occupations and the nature of the case of any client that paid him more than \$500. So he had to go through a computer printout. He missed one, one that had nothing to do with his integrity, just something it missed. But it hit the front pages.*

*The articles suggested that something was being hidden. Secondly, he had a client who was friendly with Mr. So-and-so who had connections with the syndicate; the equation being therefore Casey was close to the syndicate. My, God! If you use that kind of argument, you can condemn me for anything you want.*

*I think in this case, the press people responsible went a bit overboard. I suppose it's part of reporting, but, well,*

*Q: Sen. Barry Goldwater said Casey should quit, though. Remember?*

*A: Yes. But afterwards, he realized he was a bit premature and should have waited until everything came in.*

EXCERPTED

ARTICLE APPEARED  
ON PAGE 4THE SPOTLIGHT  
24 August 1981

# Underground Dual Loyalists in Washington

## At Stake is Control of U.S. Intelligence, Foreign Policy

*Foreign agents now have day-to-day control  
over America's espionage and covert-action  
operations.*

EXCLUSIVE TO SPOTLIGHT

By George Nicholas

A brazen attempt by influential "Israel-firsters" in the policy echelons of the Reagan administration to extend their control to the day-to-day espionage and covert-action operations of the CIA was the hidden source of the controversy and scandals that shook the U.S. intelligence establishment this summer.

The dual loyalists, whose domination over the federal executive's high planning and strategy-making resources is now just about total, have long wanted to grab a hand in the on-the-spot "field control" of the CIA's worldwide clandestine services. They want this control, not just for themselves, but on behalf of the Mossad, Israel's terroristic secret police.

An exceptionally well-informed and responsible U.S. intelligence source—a brilliant young attorney who quit a key national-security post only a month ago to protest the takeover by senior officials whose first loyalty is to Israel—said the high-handed intrusion of Mossad agents into some of the most sensitive enclaves of American statecraft has given rise, for more than a year, to growing concern, dissension and internecine conflict in the inner circles of Washington's intelligence and security establishment.

The resentment and friction are even more acute among America's overseas espionage and covert-action stations. In France, the CIA contingent, commanded by Israel-firster Aaron Meyer, tacitly collaborated in the Mossad's campaign of terror and disinformation that ousted the pro-American Giscard government.

This brought to power Francois Mitterrand, the socialist-communist candidate who had the personal support of Israeli Prime Minister Menachem Begin, a bitter foe of former President Valery Giscard D'Estaing.

But in other nations American CIA station chiefs have resisted—and, at times bitterly protested—the brash demands by Mossad agents who expected U.S. intelligence support for their violent intrigues against the local government.

In Spain, Britain, Argentina and Austria, where the Mossad's saboteurs and destabilization experts are hard at work against national leaders who have drawn the ire of Premier Begin, senior U.S. clandestine-services officers have refused to make common cause with Israel's hit men.

In Spain, according to this source—who has had access to command-level intelligence memoranda before he quit and decided to talk to The SPOTLIGHT's investigative team in strict confidence—the three ranking officials of the CIA station have offered to resign rather than collaborate with the Mossad in replacing the legally elected government with a regime "less friendly to the Arabs."

Yet The SPOTLIGHT's best-informed sources, several of them intelligence officials with decades of experience, concurred in the view that gaining a large measure of control over the "input" of America's global intelligence network was a prime goal of the Israeli government and of its inner circle of agents and supporters in Washington.

These experienced sources were interviewed under a pledge of strictly protected anonymity in the course of the special inquiry—now 2½ months long—devoted by The SPOTLIGHT's investigative team to the crisis in American intelligence caused by the unprecedented infiltration of the Mossad. The sources assessed the situation, with visible concern, as "extremely dangerous" and "unconstitutional and unlawful." One said it is "simply unbelievable... there is no precedent for it in our history, or, so far as I know, in the history of any other nation."

# RADIO TV REPORTS, INC.

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FOR PUBLIC AFFAIRS STAFF

PROGRAM Issues & Answers STATION WJLA TV  
ABC Network

DATE August 23, 1981 12:00 Noon CITY Washington, DC

SUBJECT Secretary of State Alexander Haig

SANDER VANOCUR: Our guest, Alexander Haig, Secretary of State, who met with President Reagan in California this past week to deal with crises all over the world, with the increasing militancy of Libya's President Qaddafi, with the continued turmoil between the Israelis and the Arabs in the Middle East, and with the constant threat of a nuclear war with the Soviet Union.

Secretary of State Haig will be interviewed by diplomatic correspondent Barrie Dunsmore. And I'm Sander Vanocur, ABC News chief diplomatic correspondent.

\* \* \*

VANOCUR: Our guest is Secretary of State Alexander Haig.

Mr. Secretary, you were once Chief of Staff at the White House. Had you been Chief of Staff at the White House last week, would you have gone and telephoned President Reagan and told him about the engagement off the Libyan coast?

SECRETARY OF STATE ALEXANDER HAIG: Well, it's hard to say. I think each situation has its own unique factors, and no one is the same as before.

I think, in this instance, Ed Meese was exactly right. I spoke to Ed very briefly after we first learned of the incident. And I think we both concluded that until we knew more, it would not be worthwhile to notify the President. And I think Ed did so before the issue became a matter of public knowledge, and when we had the full facts before us -- that is, both Cap Weinberger and myself and Bill Casey.

22 August 1981

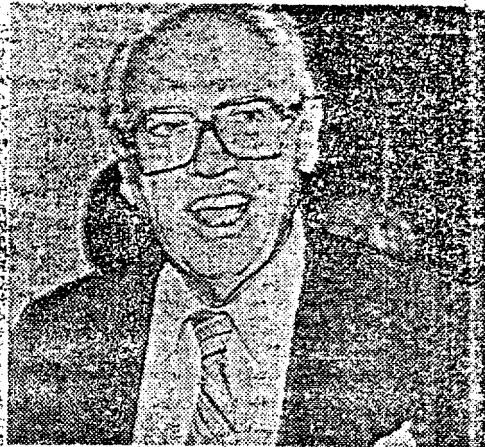
## CASEY: He has assets, but not the ones we need in a CIA director

THE DIRECTOR of the CIA either has a bad memory or more money than he can count, or both. William J. Casey, whose career in the CIA has already taken some unfortunate turns, has discovered he failed to acquaint the Government Ethics Office with assets totaling more than a quarter of a million dollars.

Mr. Casey had help from the New York Times in remembering his assets. The Ethics in Government Act of 1978 requires federal officials to list all holdings worth more than \$1,000. The Times discovered that Mr. Casey had omitted 10 holdings.

Mr. Casey has a lot of money, some of it obtained in ways that have aroused comment. A civil suit filed by unhappy investors in one of Mr. Casey's firms resulted in a declaration by a federal judge that Mr. Casey had not been sufficiently careful with other people's money in some of his business dealings.

Mr. Casey's fitness for his CIA position was examined by the Senate Select Committee on Intelligence, which did a rather poor job, absolving him from any



Too much about Casey needs clarification, wrongdoing even before its staff had completed its investigation. The committee promised it would follow up on points that need clarification. New points keep cropping up.

Running the CIA is a sensitive task. It should be the responsibility of a person with training in intelligence-gathering and a strong sense of public responsibility. Mr. Casey doesn't fit that description.

WASHINGTON POST

22 August 1981

STAT

## JACK ANDERSON

**Show and Tell:** When CIA Director William J. Casey sent 20 cartons of documents on his past business dealings over to the Senate Intelligence Committee, it made an impressive show of full disclosure. But it turned out that the mountain of evidence was a veritable molehill: One box of material, 19 boxes of copies.

HOUSTON CHRONICLE (TX)  
21 August 1981

## *CIA stays in limelight*

For an organization that deals in secrecy, the Central Intelligence Agency spends a lot of time in the limelight. Entirely too much time.

Early in July, CIA Director William J. Casey said in an agency newsletter that "the difficulties of the past are behind us" and that, henceforth, the CIA would have a lower profile. That was not exactly the best forecast the CIA ever made.

The month wasn't half over before the CIA's spy chief made page one, resigning after allegations concerning stock transactions. Some senators demanded Director Casey resign and he was summoned to Capitol Hill to explain. Only a few days later, there were leaks about a proposed CIA operation in either Libya or Mauritania, depending on who is to be believed.

By the end of July, Casey had been cleared by his congressional questioners and analysts were saying that the real question is whether Casey could provide good intelligence. And that, of course, is the heart of the matter.

Many presidents have expressed dissatisfaction with the intelligence material put before them. President

Eisenhower in 1956 created a presidential advisory board "to further the availability of intelligence of the highest order." President Kennedy waited until after the 1961 Bay of Pigs failure to appoint such a board. Presidents Johnson, Nixon and Ford named advisory boards, but President Carter did not. Now, the Reagan administration is considering reviving this advisory group. Director Casey has, as part of an administrative shakeup, formed a National Intelligence Council to coordinate data from various geographical areas.

The "difficulties of the past" referred to by Casey in his July newsletter are numerous. Disclosures of domestic activities by the CIA led to new restrictions on the agency. The CIA has had problems estimating Soviet oil reserves and military buildup. It did not foresee the fall of the Shah of Iran. Morale has been a problem.

The Soviet Union has its very active KGB. The Israelis have their remarkable Mossad. The United States certainly could use a rejuvenated, sharp and efficient intelligence agency — one good enough to do its job and stay out of the limelight at the same time.



## Asides

### *Scandalgate*

On the other hand, a further review of the financial affairs of CIA Director William Casey turned up \$250,000 in assets and \$500,000 in liabilities not reported on his financial disclosure statement; apparently Mr. Casey is guilty of bragging about his net worth. And the Federal Election Commission, in its final audit of the Carter presidential campaign, asked for a refund of \$105,364. Mostly this was for interest the Carter campaign earned on federal aid monies, though the FEC also disallowed \$1,270 in no-no expenditures and \$923 in illicit receipts. The Reagan campaign has filed suit to block release of a similar FEC audit; apparently in this case the election expenditure cops want a refund of some \$1.5 million. We hope all this financial scrutiny makes everyone feel better about inflation, the Russians and the future of civilization.

ARTICLE APPEARED  
ON PAGE 28

THE WASHINGTON POST  
20 August 1981

# LETTERS TO THE EDITOR

## *A Special Counsel*

Lest even the slightest shadow appear to have fallen over the reputation of a fine young attorney, may I clarify the events related in The Post's article on Aug. 12, "Democratic Special Counsel Quits Investigation of Casey?"

Last July, I asked Bernhardt K. Wruble, who was the first head of the Office of Government Ethics, if he would take on this task in an inquiry being conducted by the Senate Select Committee on Intelligence. He promptly agreed, and as promptly set to work preparing himself, while somewhere appointment papers began to shuffle. Almost immediately, Mr. Wruble learned that his former firm, in

New York City, once represented Max Hugel whose resignation set in motion the events that have led to the inquiry.

Mr. Wruble immediately called to explain that while he had no relation with Mr. Hugel, or even knew of his firm's relation, the Canon of Ethics of the Bar would prevent him from participating in the inquiry. I accepted his judgment. It was by virtue of such standards of propriety that he was offered the position in the first place.

DANIEL PATRICK MOYNIHAN  
U.S. Senator, (D-N.Y.)

Washington

## *National and International News in Brief*

### National



*William J. Casey*

**The CIA director discloses other assets and liabilities.**

William J. Casey, a multimillionaire, has agreed to amend his personal financial disclosure statements to include additional assets worth about \$250,000, the Office of Government Ethics said Monday. The ethics office asked Casey to review his financial disclosures last month after some of his private business dealings came under criticism. The business ventures took place before Casey became head of the CIA. In a letter made public Monday, Casey listed additional assets in seven companies or ventures and also additional liabilities totaling almost \$500,000 that Casey had not previously mentioned.

ARTICLE APPEARED  
ON PAGE 2.

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400150001-0

CHRISTIAN SCIENCE MONITOR

19 August 1981

# The news—briefly

WITH ANALYSIS FROM  
MONITOR CORRESPONDENTS  
AROUND THE WORLD  
EDITED BY CLARA GERMANI

## Casey slipped on listing assets, Senate unit says

Washington

Central Intelligence Director William J. Casey, apparently unintentionally, failed to list more than a dozen assets worth \$200,000 and liabilities of twice that amount on financial-disclosure reports, the federal Ethics Office said.

Mr. Casey, whose financial activities are being investigated by a Senate panel, said the failure to report some holdings was inadvertent and that he is changing his financial disclosures.

The Ethics Office director, accepting Casey's amendments, said there was no evidence the omission was intentional. The 1978 Ethics in Government Act, requires federal officials and nominees for federal positions to report holdings of more than \$1,000.

## Casey's Failure to List Assets, Debts Termed Unintentional

United Press International

CIA Director William J. Casey failed to list more than a dozen assets and liabilities on financial disclosure reports, but no action will be taken because the omission was unintentional, the federal ethics office said yesterday.

Documents released by the Office of Government Ethics showed that Casey, in a report submitted Jan. 12 during the confirmation process, failed to list 10 investments worth a total of more than \$200,000, and four liabilities involving twice that amount.

Casey and a CIA attorney said the failure to report some stock holdings was inadvertent. They said Casey is disclosing contingent liabilities even though he does not believe that is required.

J. Jackson Walter, director of the ethics office, yesterday confirmed that he had accepted Casey's explanation and said there is no basis to believe the omission was intentional.

Jackson said the matter will not be referred to the Justice Department, as is required under law if officials "knowingly or willfully" withhold required information.

Under the 1978 Ethics in Govern-

ment Act, federal officials and nominees for federal positions are required to disclose holdings valued at more than \$1,000.

According to the documents released by the Ethics Office, the CIA chief failed to report a number of smaller investments. The Senate Intelligence Committee reportedly was informed that none of those firms "maintains any current contractual relationship with the CIA."

The 10 omitted investments reportedly include \$50,000 worth of holdings in Vanguard Ventures Inc., an investment banking concern; \$15,000 in SWC Information Co., engaged in publishing; and \$10,000 in the Energy Transition Corp. Also left off the list were some smaller investments and a \$125,000 computer Casey leases to one of his businesses, the newspaper said.

The three liabilities total \$472,000 in which he guaranteed loan repayment and an \$18,000 personal debt.

The Senate panel is still reviewing Casey's financial activities after the resignation earlier this summer of Max Hugel as chief of the CIA's clandestine services on charges that Hugel engaged in financial improprieties while in private business.

ARTICLE APPEARED ON PAGE C-10 Approved For Release 2005/11/28 : CIA-RDP91-00901R000400150001-0

NEW YORK DAILY NEWS  
19 August 1981

## WHAT ELSE IN THE NATION

### CIA chief bares holdings

Washington (UPI)—CIA Director William Casey, a multimillionaire, filed an amended financial report with the government yesterday, listing 10 additional holdings valued at over \$200,000 and four liabilities he had overlooked. Ernest Mayerfield, Office of Government Ethics officer for the intelligence agency, said none of the firms listed has any relationship with the CIA and there is no conflict of interest involved.

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# RADIO TV REPORTS, INC.

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

FOR PUBLIC AFFAIRS STAFF

PROGRAM Good Morning America STATION WJLA TV  
ABC Network

DATE August 19, 1981 7:00 AM CITY Washington, DC

SUBJECT Report on William Casey

CHARLES GIBSON: CIA Director William Casey has updated his report to the Government Ethics Office, adding business interests he left off in his original report.

Senior correspondent John Scali has a report.

JOHN SCALI: Seven months after supposedly disclosing all his financial assets, CIA Director William Casey has revealed he forgot to mention an additional \$250,000 in investments. The new disclosure comes in the midst of an investigation by the Senate Intelligence Committee of Casey's business practices before taking office.

Hoping to head off any new controversy, Casey has now reported to the Government Ethics Committee 10 different business interests he says were uncovered in an extensive review of his personal records. Casey reported that only one of these holdings, an electronic manufacture called Unitrode, produced any income in 1980, and that a total of \$139.

Casey recently explained to the White House, officials report, that he overlooked the additional assets because most dated back to before 1970, even though one included a \$125,000 computer and another \$75,000 in stock.

Senate Intelligence Committee investigators told ABC News they will want to examine more carefully how investments of this size could have been forgotten. But several senators said privately they were inclined to accept his explanation because Casey has disclosed more about his finances than any member of the Reagan Cabinet.

THE WHITE HOUSE  
Office of the Press Secretary  
(Los Angeles, California)

PRESS BRIEFING  
BY  
LARRY SPEAKES

The Palisades and Pacific Rooms,  
The Century Plaza Hotel,  
Los Angeles, California

August 19, 1981

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THE WHITE HOUSE

Office of the Press Secretary  
(Los Angeles, California)

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PRESS BRIEFING

BY

LARRY SPEAKES

The Palisades and Pacific Rooms,  
The Century Plaza Hotel,  
Los Angeles, California

August 19, 1981

10:00 A.M. PDT

MR. SPEAKES: This is not for cameras.

Q Why not?

MR. SPEAKES: I'm too sleepy.

Q Are we going to get anybody on camera?

MR. SPEAKES: No.

Q Never?

MR. SPEAKES: No.

Q No Meese?

MR. SPEAKES: No. No President, no Meese.

Q Doesn't he want to talk to the American people?

MR. SPEAKES: I don't think he does. The President is today announcing his intention to nominate Warren Clark, Jr. to be Deputy Representative of the United States on the Economic and Social Council of the United Nations. In addition, the President's schedule remains as it was announced yesterday; no events outside the hotel and nothing but routine staff meetings inside the hotel. We will post again at 2:00 if there are any additions such as this evening.

Q What time?

MR. SPEAKES: 2:00. Also, the President yesterday signed the nomination of Sandra O'Connor to be Associate Justice of the Supreme Court. The earlier briefing had --

Q Does that mean it went to the Senate or it can't go now?

MR. SPEAKES: It will go today I think. I presume it can go in the recess.

The nomination was signed yesterday.

All members of the press corps who will not be joining for the return to Santa Barbara but are making plans to go to Cancun in October should probably fill out their applications here before they leave. It requires two photographs. Dave Prospero has that information. Those who have not completed them in Santa Barbara should

do so because they will leave our hands on the 25th of August and I don't think there's any extension.

Also, we're distributing the factsheet on the aircraft carrier Constellation. We'll have a schedule of the President's visit to the Constellation later today and also there'll be posted a helicopter manifest here in the briefing room. All members of the White House press corps should check that to be sure they have their helicopter assignment for tomorrow. The departure time is 8:15.

MR. PROSPERI: The departure time from the hotel is 8:15.

MR. SPEAKES: The departure time from the hotel is 8:15. The general schedule is it's about an hour flight to the carrier. You return from the carrier in mid-afternoon. The pool continues with the President to the Orange County political event.

As you know from our announcement yesterday, Jim Brady will undergo surgery tomorrow. Traditionally, we've released these medical reports from the White House even when we're travelling. However, in this case the surgery will probably conclude while we're aboard the aircraft carrier, so we have made arrangements to release it, for Georgetown University Hospital to release it in Washington. But, we will have an informational copy here when we return on what Dr. Dennis O'Leary said.

Q George Washington Hospital, right?

MR. SPEAKES: Right. George Washington University Hospital.

Q You said Georgetown, but it's a minor matter.

MR. SPEAKES: Oh, sorry. Yes, close.

Q In the same city.

MR. SPEAKES: Mrs. Reagan, as we announced yesterday, will be taping the Mike Douglas Show this afternoon. There will be a release and a White House photograph at 6:30 or 7:00 in the press office. That will be available to you. The full transcript as the show is taped, the full transcript, will not come out until mid-September.

I presume we're not for sound or cameras. I don't think anybody's multing this.

Q What aides does he have here that he'll be having staff meetings with?

MR. SPEAKES: He'll meet with Meese and Dick Allen, and in fact I think he's already concluded that meeting or will start shortly, I guess, at which time he will receive an update on the Libyan incident that occurred earlier this morning or late yesterday evening.

In addition, he will see Dick Darman to sign some additional personnel matters or bills or proclamations or whatever.

That pretty well is the staff that he will be meeting with today.

MORE

#158-8/19

Q He'll just have this one meeting with Meese and Allen?

MR. SPEAKES: That's correct.

Q How will he be updated through the day on the situation?

MR. SPEAKES: We don't foresee a necessity to update.

Is there a need for me to go back over what I talked to people about -- at about 6:00 a.m.?

Q Yes.

MR. SPEAKES: The exercise was due to conclude at 1:00 Eastern Time, which would have been a few moments ago. I presume it has.

The situation involving the Libyan incident --

Q Larry, excuse me. The exercise was concluded about 10 minutes ago so the ships are still in the so-called "territorial waters"?

MR. SPEAKES: I don't know exactly where they are. The exercise included an area much larger than the area that was in the so-called "disputed zone" there.

The incident occurred -- and I'll try to stay with specific times -- at 10:20 Pacific Time. The Situation Room in Washington was monitoring the exercise, as they do routinely, as well as the Department of Defense. When the incident was reported, the White House in Los Angeles was informed. Dick Allen and Ed Meese were informed virtually the same time, which was shortly after 11:00 p.m., Allen by the Situation Room and Meese by Secretary Weinberger.

They continued to monitor the situation through --

Q Excuse me. What were they told? What facts were they told?

MR. SPEAKES: I think they were told that there was -- that two Libyan aircraft had fired upon U.S. F-14s and that U.S. F-14s had returned their fire and that the planes were apparently shot down. And that the U.S. airmen had returned -- or the Navy pilots, whichever they were, had returned to the aircraft carrier Nimitz.

They continued to monitor this situation through the evening, Allen and Meese, and into the early morning. At approximately 4:24 -- at exactly 4:24 A.M., the information was enough in hand, the report was complete enough, that Meese telephoned the President in his room here at the Century Plaza and informed him fully on the incident and the President at that time indicated that he regretted that there was an attack on the United States aircraft that made necessary the action but that the action was appropriate.

During the evening, prior to the 4:24 call, the President was -- the National Security Council apparatus was informed, including the Vice President, Secretary of Defense, Secretary of --

Q What time was that?

MR. SPEAKES: It was during the evening, between 11:00 p.m. and 4:00 a.m. I don't have the times on the calls, but they were informed on this matter, Secretary Haig, Secretary Weinberger, the Vice President, Director Casey.

Q Where were they then? All here?

MR. SPEAKES: Weinberger was in Washington. Haig was at Santa Barbara. Casey, I presume, was in Washington.

I believe that takes care of the notification process.

Q Larry, you say Weinberger told Meese, so Weinberger knew before him?

MR. SPEAKES: I presume he knew but they were discussing it through the night. Meese and Weinberger talked several times during the night.

Q Larry, forgive me if I didn't hear you correctly, but did you say that Haig, Weinberger, Casey, and the Vice President were all notified prior to the President?

MR. SPEAKES: Yes.

Q What was the reason for waiting so long to inform the President?

MR. SPEAKES: They wanted to have the full report in hand and there was no need for any presidential decisions.

Q He was asleep.

Q I know, but Larry, why didn't they tell the President that this incident was underway and allow him to be brought up in the information-gathering process?

MR. SPEAKES: There was no need for presidential decisions on the matter. The only two decisions that were needed to be made were, number one, what the pilot of the aircraft should do, and that was the long-established rules of engagement --

Q Larry, what --

MR. SPEAKES: You're interrupting me.

Q I am.

MR. SPEAKES: You surely are. There were two decisions that needed to be made, one under the rules of engagement procedures, standard rules of engagement, which calls for a pilot, if he's fired upon, to return the fire in a defensive manner, which he did. The second one was whether to continue the exercise and the fleet commander on the scene made that decision, so there was no other decision required. Had there been, certainly the President would have been awakened, informed, and could have made whatever decision was necessary.

Q Can I ask a follow up?

MR. SPEAKES: Sure, you can ask a follow up. I'll be glad to take them all in order. You may go first.

MORE #158-8/19

Q Good. Here's my question. Is it the policy of this administration that in an incident of this sort that the President not be informed unless there is a major decision to be made, that he is not informed as the incident proceeds?

MR. SPEAKES: Lesley, each incident is treated in a separate light.

Q That's the problem. If these planes had been fired on in another sector of the world by Soviet aircraft, are you telling us the standard rules of engagement says that they are, without further instructions or orders, to fire back?

MR. SPEAKES: Sam, the key to that question was "if" and I'm not going to answer it.

Q Yes, but I think there are no standard rules of engagement unless you say there are.

MR. SPEAKES: Yes, there are. There certainly are.

Q That apply to every case?

MR. SPEAKES: There are standard rules of engagement that have been approved administration after administration and these were approved by this administration when we took office.

Q Are there standard rules if the Navy planes had been shot down?

MR. SPEAKES: Are there any standard rules?

Q That would follow that?

MR. SPEAKES: Yes, there certainly are but we're not going to get into that.

Q Why?

Q Larry, am I to understand the President was the last to know?

MR. SPEAKES: Well --

Q No, I was the last to know. (Laughter.)

MR. SPEAKES: You surely were. I kept waiting on your call.

I gave you the chronology.

Q So I would be safe in saying the President was apparently, of the NSC people, the last to know.

MR. SPEAKES: Of those that I named, certainly.

Q The second question is suppose the President didn't want a commander to continue those exercises. It was apparently about six hours in which the President was not given the opportunity to overrule the commander on the scene. Is that correct?

MR. SPEAKES: The key to that question was "suppose the President..." The President's reaction when he was told

was that it was handled in a proper manner and so I wouldn't anticipate --

Q Was he given the opportunity to overrule the fleet commander at the point of the incident?

MR. SPEAKES: That wasn't necessary.

Q Why wasn't this incident considered serious enough for the President to be --

MR. SPEAKES: No presidential decisions were required.

Q Can you be more specific than that?

Q Were Meese and those here like Allen, were Meese and Allen making decisions? Were Haig and Weinberger?

MR. SPEAKES: No decisions were required. There were only two and they were made on the scene.

Q Larry, did the President raise any objections or did he make any comment on the fact that they had waited so long to notify him?

MR. SPEAKES: He did not.

Q Larry, if it wasn't important enough and no decisions were required to inform him when Meese and Allen first were alerted, then why was it necessary to awaken him at 4:20 -- whatever -- in the mornikg Pacific Time and not wait until he woke up normally?

MR. SPEAKES: Because they had received all of the information at that time and wanted to bring him up to date at that time.

Q But there still weren't any decisions required, right?

MR. SPEAKES: That's true.

Q Why did it take them so long to get all the information together if it was that simple?

MR. SPEAKES: It certainly takes a while by the time the planes return to a carrier, by the time the pilots are debriefed and by the time the information travels back here.

Q You characterized the President's response when he was told at 4:24. Did you give us his full response? Did he say anything else?

MR. SPEAKES: I'm sure he did, Lee, but nothing else that I'd want to relay.

Q Did he or Meese or Allen at any time during the night express concern that there might have been no heat-seeking missile fired by the Libyan planes?

MR. SPEAKES: I had not heard that mentioned.

Q Was the possibility of a response by the Libyans in this fashion discussed when the plans were set to conduct these

- 7 -

naval maneuvers and was that one of the reasons why the President was not needed to be alerted immediately, because this possibility had already been considered?

MR. SPEAKES: I won't comment on whether the possibility had been considered. Not to my knowledge, but the response is standard in any incident of that type.

Q Larry, was the President surprised about the Libyan reaction, given the dispute over their territory?

MR. SPEAKES: I don't want to characterize it. We were aware of the situation there.

Q Did the President intend to test Kadhafi's claim of Libyan territory in the Gulf?

MR. SPEAKES: No. We have conducted training exercises in this area previously and we had informed the people in the area through the mariners warning and the aircraft warning, which took place as early as the 14th of the month, so it was -- the warnings were issued.

Q It was August 14 they issued these warnings?

MR. SPEAKES: Yes, I can give you that.

Q Can you go down that list of notifications?

MR. SPEAKES: Yes. The notice to mariners took place on August 12 and the notice to airmen was issued on August 14. The flight advisory for the Tripoli flight region was issued on August 15.

Q Tripoli?

MR. SPEAKES: Flight information region.

Q Did we ever inform Libya directly?

MR. SPEAKES: As I understand it, Secretary Weinberger addressed that and we did protest through diplomatic circles. Secretary Weinberger says through the Belgian government.

Q Wait a moment. My question was did we inform Libya in advance of this exercise, directly, diplomatically, when we conducted it?

MR. SPEAKES: No, not to my knowledge. This is the standard procedure.

Q Secondly, what was your -- you were answering a question which was after the incident what steps have we taken to speak to Libya about it?

MR. SPEAKES: We have protested the incident through diplomatic channels and Secretary Weinberger says it was through the Belgian government.

Q Did we inform Libya? Through the Belgian government?

MR. SPEAKES: Yes.

MORE

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Q Ahead of time?

MR. SPEAKES: No, afterwards. We protested through diplomatic channels. We called it an unprovoked attack which occurred in international air space over 60 nautical miles from the nearest land.

Q When this engagement occurred, were other U.S. aircraft scrambled or were other defensive measures suddenly put into effect?

MR. SPEAKES: Sam, I don't know the answer to that, which would certainly come better from the Department of Defense.

Q Why did we choose now to conduct these training exercises? I understand Catto said this morning there had not been any in that area since '78.

MR. SPEAKES: '79.

Q '79. It's two years later. What was it that we were hoping to accomplish?

MR. SPEAKES: We customarily have routine training exercises throughout the Mediterranean region. This is one that is particularly suitable because it's south of the shipping lanes and, of course, the shipping lanes have to be cleared for missile firing exercises.

Q But he knew that it was disputed territory. We knew we were running some risk when we went in there, didn't we?

MR. SPEAKES: I think the dispute extends out to the Libyan government desire to claim some 200 miles of international water there and as far as any debate in international circles, the only debate centers on the difference between three and 12 miles and nobody in any recognized circles of international law would consider 200 miles.

Q Larry, this question has been asked five times but sort of in circuitous ways. Because this area was disputed by Kadhafi -- was President Reagan and Defense Secretary Weinberger deliberately trying to challenge Kadhafi and his claim to these waters, as Newsweek contends?

MR. SPEAKES: No.

Q Okay.

Q But, Larry, to go back to what I was asking you, we knew going in there that Kadhafi -- we knew what the Libyan position was. We knew that there was some risk involved, didn't we?

MR. SPEAKES: We've seen press reports of protest by the Libyan government, yes.

Q Was the decision to hold naval maneuvers in the Gulf of Sidra, or whatever it is, made by the United States Navy or was that decision made at higher levels by Defense Secretary Weinberger and the President?

MR. SPEAKES: The way this takes place, I think the Navy normally sets its training schedule. These matters, when they involve operations of this size, do come before



the President and the National Security Council and they did -- several weeks ago, I think two months ago -- and they were approved at that time by the President.

Q Who made the choice of this particular location? That is, did the Navy propose and the NSC and the President ratified this location or did the Navy propose another location, and the President and the NSC and the Defense Department say, "No, we want you in the Gulf Sidra."

MR. SPEAKES: I would assume the Navy proposed it, but I just don't know that much detail.

Q Can you find out? It's a very important question.

Q Do the Soviets have a large military navy presence in the Mediterranean? Do you have any information on the whereabouts of Soviets ships or relation to the U.S. exercise?

MR. SPEAKES: I'm certain we do, but none that I would discuss.

Q Well, do we know whether the Soviets were anywhere near, close, to this training exercise area, watching as they usually do?

MR. SPEAKES: I don't really want to comment on that, but I'm certain that we were aware --

Q Were we aware that they were Soviet ships somewhere in the neighborhood?

MR. SPEAKES: I don't know, Saul. When they began yesterday included today -- a two day training exercise.

Q What about the Egyptian troops that are apparently doing their own --

MR. SPEAKES: I saw that. What about it?

Q How does that relate? Was there any coordination at all?

MR. SPEAKES: I don't think there was any coordination.

Q Larry, the concrete statement that no presidential decisions were required, why would the decision to continue the exercises not be a decision for the Commander-in-Chief?

MR. SPEAKES: Because it was made by the fleet commander.

Q Even when there had been an incident?

Q Larry, is it up to the discretion of the Naval commander to curtail those exercises or to curtail the size of the aircap flowing around the fleet?

MR. SPEAKES: It would have been, yes.

Q Is it now? If he in his own mind says, "I don't want to provoke another attack, can he on his own authority decide to curtail the airspace?"

MR. SPEAKES: Sure.

Q Getting back to the question about when the President was informed. Since he is the Commander-in-Chief and you informed his sub-commanders like the Vice President at a very later hour in the morning -- I'm sure it was much later than midnight back on the East Coast -- isn't it a bit bizarre not informing the Commander-in-Chief, when waking him up might give him a chance to consider any possible options, analyzing the situation, if he does have to make any decisions?

MR. SPEAKES: No.

Q Who makes the decision on when to tell the President? Was it Meese, was it Allen? Who said, "Okay, now we go in and tell him"?

MR. SPEAKES: I would judge it was Ed Meese, but, of course, he had been talking to the Secretary of State and the Secretary of Defense in the evening.

Q Is the President to see the Secretary of State today?

MR. SPEAKES: No.

Q Were there any special orders given to this particular fleet commander, such as, "We know that we're going into territorial areas that are disputed and there might be some kind of trouble. If there is trouble, go on with the mission anyway"?

MR. SPEAKES: I haven't heard that mentioned, but I doubt if we would discuss, if indeed it was. I just haven't heard --

Q Do you happen to know whether the President, when this occurred at 10:20 p.m. and shortly thereafter Pacific time, whether the President had retired for the night or was he still up?

MR. SPEAKES: I don't know. The President doesn't customarily notify us when he retires?

Q Will you please take that question, find out when he went to sleep last night?

Q Because many people, I think, suspect that the reason he wasn't called was he was asleep as opposed to the reasons that we have discussed here.

MR. SPEAKES: Okay.

Q And you didn't want to wake him.

Q They might not be inconsistent. Right?

Q Post that answer, please.

MR. SPEAKES: What time he went to bed?

Q Yes.

Q Also, the whole question remains: Was this deliberately provoked?

MR. SPEAKES: The answer is no.

Q Staged in that area by the administration to challenge Kadhafi?

MR. SPEAKES: The answer is no.

Q Why that particular area then?

MR. SPEAKES: We customarily had training exercises in the area -- let me refer to my notes, The training exercise included an area quite extensive there. It included an area of 100 square miles. One-sixth of the area was then cited as the disputed area. As I said, and going back, a large part of the exercise was conducted north of the line. There were only two surface ships below the line. They were not the carriers.

Q Larry, the line being the 200 miles --

MR. SPEAKES: It's known as 32 seconds and 30 minutes.

Q But the aircraft carrier was 60 miles away.

Q It's the other way around, isn't it?

Q That's 140 miles south of the line.

MR. SPEAKES: The incident occurred 60 miles away. The carriers were not in the line.

Q The two planes were?

MR. SPEAKES: Yes.

Q Why was it decided not to call the President immediately to see if he wished to overrule the local commander's decision to continue the exercise?

MR. SPEAKES: I've already answered that once.

Q Well, the Libyans are claiming or beginning to suggest that they weren't fired upon. Or rather that they did not fire first, that they were fired upon.

MR. SPEAKES: That's incorrect according to the men who flew the airplanes.

Q Could you just reclarify the location there? I got confused there when you were shifting your 60 miles back and forth.

MR. SPEAKES: Sixty miles is where the incident occurred.

Q Sixty miles from what?

MR. SPEAKES: Sixty miles from any land.

Both carriers that are involved in the exercise were somewhat outside of that 200-mile limit. There were only two surface naval vessels south of that line.

Q From 11:00 p.m. until the time the President was notified, who would you say was running this?

MR. SPEAKES: It was monitored by the National Security Council through the Situation Room.  
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Q Who was the person who was running those?

MR. SPEAKES: It was closely coordinated. Everybody has his own job in these situations. The Department of Defense does what they do. The Situation Room is a coordinated thing and the man on the point out here was Ed Meese and Dick Allen.

Q Can we say they were the two in charge?

MR. SPEAKES: Not really, no.

Q No one was in charge?

Q But you maintain the President was in charge?

MR. SPEAKES: Sam, I went through it once. I said everybody has his own DUTIES.

Q But the President is the one who was elected to make the decisions, but you have carefully told us that he was not notified.

MR. SPEAKES: That's true.

Q So, he cannot have been in charge.

MR. SPEAKES: As I pointed out to you, there were only two decisions required and they were both made on the local scene. Had others been required, they could have been made on up the line.

Q But not by him. He was asleep.

MR. SPEAKES: Don't interrupt.

There were no decisions that were required. The two that were required were made on the local scene.

Q Who was in charge between 11:00 p.m. and 4:00 a.m.?

MR. SPEAKES: Lesley, I can't be that simplistic.

Q Can I say no one was in charge?

MR. SPEAKES: You can say whatever you want, but I think CBS would be dead wrong and be way out on that limb again.

Q Again?

Q When was the Vice President informed?

MR. SPEAKES: I don't have times on these. Sometime during the evening.

Q Can you find out?

MR. SPEAKES: Steve, I don't think we're going into quite that much detail. I've pretty well told you -- dotted the Is and crossed the Ts.

Q You mean the Vice President's office or you will refuse to say when the Vice President was informed? Can you address the question of whether or not, if in his role as crisis management coordinator, he, in fact, would be in charge and make the decision, for example, have the final decision on whether the President would be informed.

MR. SPEAKES: The crisis management thing was not activated.

Q You say that two aircraft carriers are out somewhere around this 200-mile line.

MR. SPEAKES: I'm not sure of where they were. They're outside of it.

Q The planes are 60 miles from land. They've gone at least 140 miles from the carrier. Were the planes where they were supposed to be and if the incident had not happened, how far in toward Libya were they supposed to go?

MR. SPEAKES: Yes to the first question, and the second one is an "if" question, which I don't want to address.

Q Do we know what happened to the Libyan pilots and the planes? Did they go down?

MR. SPEAKES: I think parachutes were sighted.

Q Can you clarify something? Before we went into this area, we knew that it was disputed by the Libyans, that they claimed it was their own.

MR. SPEAKES. Yes.

Q There is no question about that?

MR. SPEAKES. Yes, we knew that.

Q This morning Secretary Weinberger said the pilots carried out their mission extremely well. The Air Force said that the Libyans have been hassling our military aircraft over there for some time. Now you add all this up and it really does sound like a provocative act to schedule training exercises within -- that bring our aircraft within their claims of territorial waters -- very far inside those claims of territorial waters -- having somehow given some indication to Newsweek at least, that we were looking for a showdown. Doesn't it seem to you all kind of odd and kind of provocative?

MR. SPEAKES: I didn't follow your questions, particularly when you inserted, "Somebody gave indications to Newsweek --

Q There was an indication that came out late last week to Newsweek magazine that we were looking for a showdown with Kadhafi on this.

MR. SPEAKES: Is Newsweek correct? I've said no.

Q Well, it all seems to add up to much more than what you're saying.

MR. SPEAKES: You've been adding, but you have not been following my arithmetic.

Q Can you tell us under what circumstances the President wants to be awakened? (Laughter.)

Q That's a perfectly good question.

MR. SPEAKES: When decisions are required.

Q How did they know decisions needed to be made at that time?

MR. SPEAKES: It must be the California weather. I'm having trouble with the English language. The decisions were made on the local scene. There were two decisions required. Had there been other decisions required, they would have moved up the line to the appropriate individual --

Q Those decisions might have been wrong and might have gotten that carrier task force into a lot of trouble.

MR. SPEAKES: They weren't wrong.

Q I know. But the President was given no opportunity as Commander-in-Chief to review quickly the commander's decision on the scene. Shouldn't he be given that opportunity is what I'm asking?

MR. SPEAKES: In this case it was not necessary. Al?

Q With benefit of hindsight, does the President feel that in any such future instances he should be notified more promptly?

MR. SPEAKES: We pick them out one-by-one and in this instance it was deemed not necessary and it was necessary.

Q And the President doesn't feel that that was a mistake?

MR. SPEAKES: No.

Q You said that the operation, the exercise, was approved two months ago by the NSC and the President. Do you know whether at that time there was any discussion of the awareness of the potential for a provocation in this exercise?

MR. SPEAKES: We normally don't discuss what goes on in NSC meetings.

Q Well, this isn't a normal circumstance either. I'm aware of that fact.

MR. SPEAKES: We don't ever discuss what goes on in NSC meetings.

Q Can't you at least say whether this matter was approved routinely or whether there was extensive discussion? You mean there was no discussion of the matter of the potential --

MR. SPEAKES: I'm just not going to get into a discussion, but it was forwarded to the NSC and to the President routinely and it was approved routinely.

Q The Libyans are now claiming that they shot down a U.S. plane during this attack. Did they?

MR. SPEAKES: No.

Q No plane was damaged?

MR. SPEAKES: No.

Q Did the President ask this morning for further information? Did he specifically say, "I'd like to learn more about what happened"?

MR. SPEAKES: The report at 4:24 a.m. was virtually complete. I've looked over all the material that came in. You would be amazed at its detail and at its currency. And it was really -- the update this morning simply was

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what had occurred between 4:00 a.m. and now.

Q What was that report?

MR. SPEAKES: It was normal traffic that comes through the Situation Room.

Q Has the President ordered an investigation of the whole incident and how it was handled?

MR. SPEAKES: No, I'm sure that if there are any investigations, and I'm sure that they'll be purely routine as part of the Department of Defense --

Q Do you consider it closed, then, or does he consider this episode as closed?

MR. SPEAKES: I guess with the exception of any diplomatic protests we'd make and there were news reports too of a NATO briefing and that's the permanent representatives to NATO who are normally briefed on incidents of this type and I do not know about the U.N.

Q You don't know about the U.N. being convened?

MR. SPEAKES: No.

Q Is there a state of readiness for the Mediterranean fleet and the elements of that unit which are operating in that area now?

MR. SPEAKES: No. The exercise has concluded and they returned to their normal stations.

Q Larry, the Libyans have a reputation for terrorist reprisals and I wonder whether anything is happening to prevent that, to guard against anything that --

MR. SPEAKES: That hasn't come up in any of our discussions this morning so I don't presume anything other than this.

Q Do you have future training exercises planned in this area?

MR. SPEAKES: I would have to check with DOD to know that. I don't know.

Q When you say -- one follow up. When you said a minute ago that this area was suitable because it's south of the shipping lanes, what did you mean by that?

MR. SPEAKES: It's not in the area where normal shipping goes through. There are shipping lanes through the south Mediterranean and this didn't include that area.

Q So they could fire without --

MR. SPEAKES: That's right.

Q Since he's going on an aircraft carrier tomorrow, do you think the President will discuss this publicly?

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MR. SPEAKES: Helen, I don't know. Possibly -- he will make some remarks tomorrow. He is writing his own remarks.

Q Have you got a saber for him to rattle?

Q He's writing his remarks now? What will he be speaking about?

MR. SPEAKES: We don't know until he writes them.

Q Has he written what he's going to say tomorrow?

MR. SPEAKES: No, he hasn't. He'll probably do it today.

Q How long was the telephone call at 4:24?

MR. SPEAKES: I didn't time it. I would say not more than four or five minutes.

Q Do you know if the Constellation is in any way similar or part of the Nimitz-class? I'm not familiar with aircraft carriers.

MR. SPEAKES: I don't know. Admiral Proserpi, who was here earlier, can be helpful on that. He's been in very close contact with them. I don't know whether it's the same class or not. I don't think it is.

Q When you were talking about the general area, you were saying 1/6th of this general area is in dispute. When is the last time there were maneuvers? I don't know if you said this.

MR. SPEAKES: '79.

Q There haven't been maneuvers in this 1/6th area since '79? What month? Did you have a month on that?

MR. SPEAKES: I think it was August or October.

Q The other question I had was as far as further reaction to this, would the U.S. consider maybe stopping buying of Libyan oil or anything like that?

MR. SPEAKES: Nothing like that's come up.

Q In '79 did Libya also claim the same 200 mile --

MR. SPEAKES: They protested at the time, yes.

Q What about before that? Do you have any dates of exercises before that?

MR. SPEAKES: I don't have previous exercise dates before that.

Q And we got no protest from them before we started the exercise?

MR. SPEAKES: There were protests that we noted in the press but there was no official protest at State that I'm aware of.

Q What protests were there, on which exercise?

MR. SPEAKES: I think before there were protests -- I don't know whether they were through diplomatic channels at that time or not.

Q I mean about this one.

MR. SPEAKES: About this one? We noted them in the press but there was no official protest, directly government to government, that I'm aware of.

Q The Libyans had already complained in their press, is that what you're saying?

MR. SPEAKES: I don't know what press it was.

Q About these planned exercises?

MR. SPEAKES: Yes.

Q We still went ahead with it?

MR. SPEAKES: Certainly. They've done it before. They did it when we did it previously, so there was nothing new today.

Q Larry, what we have here, it seems that for six hours American planes were in armed combat and for six hours after that incident the President was not informed. Now, the very decision not to inform him seems to me to be a key decision. Who made that decision and do you think that that's the way it should be -- armed combat?

MR. SPEAKES: The incident lasted not more than a minute. The reports were coming in. The Vice President was informed. The Secretary of State and the Secretary of Defense and others were informed. Mr. Meese, who is the senior White House official here with the President, was in several conversations with the Secretary of Defense, and there was no need for further decisions.

Had there been, had there been, the President would have been awakened immediately. Certainly.

Q Of course, you say that the incident lasted about a minute. But in fact what you had was a potentially very fluid situation, armed combat, that there could be another wave. But in none of those cases -- that could have happened. It was a very fluid situation and yet there was no need -- you don't feel there was any need to wake the President?

MR. SPEAKES: The decision was made not to awaken the President.

Q Was it Meese? Can you find out who, in fact, said, "Let's hold off"?

MR. SPEAKES: I would presume it was Meese in consultation with the Secretary of Defense and others that he talked to during the night.

Q Larry, you've been saying not only in regard to the President sleeping through the night, but also discussing his schedule today, it will still be fairly routine. You haven't been emphasizing constant updates and all. Isn't that sounding a bit like

you're minimizing this, which would seem to be a serious incident, not only with the question of sleeping, but how seriously it's being taken in terms of the President's schedule today?

MR. SPEAKES: I would leave you to make the interpretations.

Q How serious an incident is this?

MR. SPEAKES: I just don't characterize. You write the editorials. I don't do that.

Q Can you explain why it was important enough to inform the Vice President?

MR. SPEAKES: It was the National Security Council apparatus that was involved.

Q And yet there were no decisions to be made? You said there were two local decisions? Is the National Security Council normally informed when only local decisions are made?

MR. SPEAKES: Does anybody have a question on a different subject?

Q What is the name of the fleet commander who made the decision?

MR. SPEAKES: I don't know. The Department of Defense can surely tell you. The Navy.

Q Larry, you have two questions to take, please.

MR. SPEAKES: Okay.

Q How many American citizens are in Libya?

MR. SPEAKES: 2,000 to 2,500.

Q What have they been told?

MR. SPEAKES: They were told some time ago when relations began to deteriorate between the countries that -- they were advised that they might want to leave.

Q But I mean now.

MR. SPEAKES: There were no advisories given out in this incident, previous to this, because it was considered routine.

Q But now that the relations have deteriorated further?

MR. SPEAKES: No, none as of this moment, Sam, and I don't know of any plan to.

Q Do we feel they're in danger?

MR. SPEAKES: I don't know.

Q They weren't advised to evacuate?

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MR. SPEAKES: This was when -- much earlier, when relations with Libya began to deteriorate.

Q But we don't think they're in danger now, any more danger than --

MR. SPEAKES: Well Sam, I just don't want to address that. I don't know whether we've -- I know there've been no notifications to U.S. citizens there. I have a pretty good sense that --

Q What are we telling the Libyans in any way about the possible mistreatment of our citizens there? What would our attitude be now if Libya takes some reprisal against our citizens?

MR. SPEAKES: Sam, you know what the attitude of the United States government has always been toward reprisals against United States citizens wherever they may be.

Q What is it?

MR. SPEAKES: It's that we would not look on it with favor.

Q Anything more specific on what the President is doing today?

MR. SPEAKES: No.

Q What have you said?

MR. SPEAKES: What have I said? Were you here? He's meeting with members of his staff today. He's received an update this morning from Dick Allen and from Ed Meese and he'll probably meet with Dick Darman today to sign some additional materials. He will probably receive virtually the same paperflow that he normally receives when he's in the Oval Office and that's about the extent of it.

Q Will you be briefing again today?

MR. SPEAKES: No. We'll post at 2:00.

Q Will you be around?

MR. SPEAKES: Yes, I'll be here.

Q A final question. The question of hassling of U.S. planes by Libyan aircraft, how many incidents have taken place? What is the exact, if you will --

MR. SPEAKES: What does hassling mean?

Q How many times has it happened in the past? What has been the procedure? Have they flown too close? Have they taken offensive positions behind and above U.S. aircraft? Can you tell if they have had armed guns?

MR. SPEAKES: As I understand it, in a normal exercise of this type U.S. aircraft fly in the perimeter of the exercise area, where the exercises are taking place, for the purpose of being there

to warn other aircraft to stay out of the area when there are exercises of this type. I think there were a total of 30 intercepts on the 19th with Libyan aircraft.

Q What is an offensive move then, according to policy?

MR. SPEAKES: I think we're debating offensive and defensive. Clearly, when they fire a missile that is deemed an offensive move.

Q Can we confirm through any intelligence apparatus that they did indeed fire a missile? Can we confirm that independently of the pilot's report?

MR. SPEAKES: Bill, I don't know the answer to that. We do have the pilot's report.

Q But is there anything else?

MR. SPEAKES: I don't know.

Q Would you give us the number of U.S. citizens?  
2,000 to 2,500?

MR. SPEAKES: Yes, 2,000 to 2,500.

Q A range of 2,000 to 2,500?

MR. SPEAKES: Yes.

THE PRESS: Thank you.

END

10:46 A.M. PDT

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NEW YORK TIMES  
18 AUGUST 1981

## Casey Amending Ethics File to List 10 More Assets

By EDWARD T. POUND

Special to The New York Times

WASHINGTON, Aug. 17 — The Federal Office of Government Ethics today released documents showing that William J. Casey, the Director of Central Intelligence, intended to amend his personal financial disclosure to include additional assets worth more than \$250,000.

Those holdings were not reported by Mr. Casey, who is a multimillionaire, in the report he submitted Jan. 12.

The documents released today, correspondence from Mr. Casey and the C.I.A. showed that the director planned

to amend his report to reflect 10 additional business interests. They also show that Mr. Casey had informed the ethics office of three contingent liabilities totaling \$472,000 in which he had guaranteed repayment of loans and a direct liability of \$18,000.

On July 28 Mr. Casey notified the ethics office that he had inadvertently neglected to disclose stock holdings in three companies: Vanguard Ventures Inc., an investment banking concern; the SWC Information Company, which is engaged in publishing, and the Energy Transition Corporation. He valued those holdings at \$75,000.

Mr. Casey acted after The New York Times disclosed that he had not listed his Vanguard Ventures stock on his January statement to the ethics office.

The Ethics in Government Act of 1978, under which Mr. Casey submitted his original statement, requires Federal officials to disclose holdings valued in excess of \$1,000. The law permits the Justice Department to bring a civil suit against an official who "knowingly or willfully" fails to report required information. Mr. Casey has said that he inad-

vertently did not report some information on his January statement. J. Jackson Walter, the director of the ethics office, said today that there was no basis to believe that Mr. Casey's failure was intentional, and he said the matter would not be referred to the Justice Department.

The Senate Select Committee on Intelligence is reviewing Mr. Casey's financial activities and his appointment of Max C. Hugel as chief of clandestine operations at the intelligence agency. The inquiry was prompted by Mr. Hugel's resignation last month in the midst of charges that he had engaged in financial improprieties while in private business. Mr. Hugel denied the improprieties.

### An 'Extensive Review'

Last Friday, Ernest Mayerfeld, who is the C.I.A. ethics official, notified the ethics office that Mr. Casey's investment adviser had made an "extensive review" of the director's personal records and discovered seven additional business holdings that had not been previously reported. "These holdings are small in amount, unimportant and of minor value in the context of Mr. Casey's entire portfolio," Mr. Mayerfeld wrote.

The holdings included a \$123,000 computer purchased in 1979 by Mr. Casey and leased to one of his businesses, the COAP Planning Company, a concern that was included in his January report. The assets also included stock and a \$25,000 debenture in The Long Island Business Review, a daily publication; \$12,500 stock in the Unitrode Corporation; an interest in a patent purchased in 1976 for \$15,000; \$5,850 received in 1980 when Mr. Casey's stock in the Detwiler Development Corporation was liquidated; stock purchased for \$2,250 in 1960 in Patrician Paper Company Inc.; and a minor stock interest in a Florida concern, Knetics Inc.

In a letter today to Senator Barry Goldwater, the chairman of the Senate Intelligence Committee, Mr. Walter said that his office had been advised by the intelligence agency that none of the concerns listed in the additional filing "maintains any current contractual relationship with the C.I.A."

## CIA Head Casey Omitted 14 Assets, Debts In Disclosure of His Financial Records

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — CIA Director William Casey failed to list 14 of his investments and liabilities on financial disclosure reports he filed early this year.

The investments were omitted because of "inadvertence," Mr. Casey and a Central Intelligence Agency attorney explained in memos to the Government Ethics Office. Some of the assets don't produce income, Mr. Casey said, so they didn't show up when he reviewed his tax records. Others are "small in amount, unimportant and of minor value" compared with the rest of his holdings, he added.

The previously undisclosed investments include assets with an aggregate value of more than \$218,000, according to the memos. The memos also disclose contingent liabilities, or loan guarantees, of more than \$450,000 and a personal debt of \$18,000.

Mr. Casey told the Ethics Office that he was disclosing the contingent liabilities even though he didn't believe it was required. Ethics Office officials confirmed that federal statutes aren't clear on whether contingent liabilities must be disclosed.

Mr. Casey is amending his original disclosure reports to include the investments and liabilities. The new information apparently doesn't disclose any conflicts of interest. J. Jackson Walter, Ethics Office director, said in a letter to the Senate Intelligence Committee. Mr. Walter said he "will accept" the amendments.

"I haven't any reason to believe there's been a willful failure to file," Mr. Walter said in an interview. Under federal law, the Attorney General can bring a civil action against officials who "knowingly or willfully" fail to report required information.

The unreported debts and holdings were discovered when Mr. Casey reviewed his records for the Intelligence Committee's current inquiry into his financial transactions. The panel started its investigation after a federal judge ruled that several years ago Mr. Casey and other directors of Multi-ponics Inc., a failed agricultural company, knew of misrepresentations and omissions in a securities circular for the company.

Mr. Casey's appointment of Max Hugel, a businessman and Reagan campaign aide, as CIA deputy director for operations also is being investigated by the committee. Mr. Hugel resigned after former associates accused him of improper and possibly illegal business activities.

The committee's staff plans to make a public report after completing its investigation next month. Following a preliminary staff report last month, the committee unanimously decided there wasn't any reason to conclude that Mr. Casey was "unfit" to head the CIA.

In his memos to the Ethics Office, Mr. Casey asked to add 10 investments and four liabilities.

Most of the undisclosed assets represent investments by Mr. Casey in small new ventures in various businesses. Mr. Casey said he failed to report stock holdings totaling \$50,000 in Vanguard Ventures, \$15,000 in SWC Information Co. and \$10,000 in Energy Transition Co.

In addition, Mr. Casey didn't disclose investments in Kinetics Inc., Detwiler Development Corp., Patrician Paper Co., Unifrode Corp. and Long Island Commercial Review Inc., which is in reorganization proceedings.

Mr. Casey also didn't indicate that he purchased a Data General Corp. computer for \$128,000 and leased it to COAP Planning Co. However, Mr. Casey hasn't yet received any income from this arrangement, the CIA said.

Likewise Mr. Casey didn't disclose an interest he holds in a patent on a device called the tri-rotor engine. He has received \$30,000 from this holding since 1976, although he didn't receive any payments in 1980, the CIA memo said.

Disclosure of the Kinetics holding wouldn't have been required because it is too small, Mr. Casey said, but he asked that it be added anyway.

Mr. Casey also disclosed that he and others guaranteed loans made by National Savings & Trust Co. and Royal Bank & Trust Co. He also added a debt to U.S. Trust Co.

The intelligence committee's investigation is focusing heavily on Mr. Casey's involvement in Multi-ponics, although the panel also is looking into his other business activities, staff members said.

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NEW YORK TIMES  
18 AUGUST 1981

## REAGAN ENDS BAN ON THE SHIPMENT OF JETS TO ISRAEL

By STEVEN R. WEISMAN

Special to The New York Times

LOS ANGELES, Aug. 17 — President Reagan today lifted a 10-week-old suspension in the shipment of F-15 and F-16 jet fighters to Israel without reaching a conclusion on whether Israel had violated an agreement in using its American-made F-16's to bomb an Iraqi nuclear reactor in June.

An announcement of the release of a total of 16 planes was made here this afternoon by Secretary of State Alexander M. Haig Jr. following a meeting this morning with Mr. Reagan and Defense Secretary Caspar W. Weinberger. A spokesman for Mr. Haig said that the planes would be sent to Israel in a few days.

Secretary Haig said that "it wasn't necessary to make a legal or juridical decision" on whether Israel had violated the 1952 arms agreement with the United States. The agreement barred the use of American-made planes for purposes other than defense.

### Talks Held on Strategic Issues

Mr. Reagan, who arrived here this morning after 10 days of vacation at his ranch in Santa Barbara, also held what Edwin Meese 3d, the White House counselor, said was "the most extensive meeting we've had so far" on the subject of expanding the nation's strategic nuclear forces.

Mr. Meese said that during the three-hour National Security Council session the President asked for more information on several matters and would make his decisions on strategic questions, including possible deployment of the MX missile and the B-1 bomber, in three to five weeks.

### Key Aides Attend Meeting

Mr. Weinberger has proposed a five-year, \$200 billion strategic program, including a new version of the B-1 bomber, accelerated production of the Trident submarine missile and development of an MX missile to be carried on continuous flight aboard new turboprop jet air-

craft. The airborne MX system is opposed, however, by the Air Force and by Secretary Haig.

Among the others in attendance at the meeting in the Century Plaza Hotel were Gen. David Jones, Chairman of the Joint Chiefs of Staff, William J. Casey, Director of Central Intelligence, Charles H. Townes, chairman of a Presidential commission on strategic capabilities, and Gen. Lew Allen, the Air Force Chief of Staff.

Eugene V. Rostow, director of the Arms Control and Disarmament Agency, and Jeane J. Kirkpatrick, the United States representative at the United Nations, also were present.

The Reagan Administration suspended the shipment to Israel of four F-16 planes on June 10, asserting that Prime Minister Menachem Begin's Government might have committed a "substantial violation" of its arms agreement with the United States barring use of American-made planes in nondefensive actions. At that time, Mr. Haig said a review would be undertaken of the circumstances of the June 7 raid on Iraq.

The United States also voted in the United Nations Security Council for a resolution, which it had helped to draft, that condemned the raid. The vote represented one of the most serious policy differences ever to arise between the United States and Israel.

A preliminary decision to release the planes to Israel was made in July, but announcement of it was put off abruptly after Israeli aircraft bombed Palestinian neighborhoods in Beirut, killing 300 civilians and wounding 800, according to Lebanese estimates. Mr. Haig announced on July 20 that the "escalating level of violence" in the Middle East had caused the United States to continue the suspension, which eventually grew to encompass 14 F-16 and two F-15 jet fighters.

The Israeli Government has repeatedly maintained that its raid on the Iraqi reactor was defensive — and therefore no violation of the American-Israeli weapons agreement — because, it said, the reactor was being used to make bombs for use against Israel.

### No Assurances Requested

Mr. Haig said today that the United States had neither sought nor received any assurance from Israel that that country would abide by the agreement in the future. Nor was there any promise by Israel to consult the United States before future military actions, he said.

"The understanding of the arrangements under which we provide military assistance to Israel are clearly recognized on both sides," Mr. Haig said. He noted that the decision announced today had followed extensive "candid discussions" between American officials and Prime Minister Begin and the Israeli Ambassador, Ephraim Evron.

In Washington, Ambassador Evron issued a statement saying he believed that although the suspension of deliveries of the American-manufactured airplanes had been "unhelpful and unjust," the decision to resume shipments would make "the traditional close bonds of friendship between Israel and the United States deeper and even stronger."

Secretary Haig said that he expected the American-Israeli arms agreement "to be abided by on both sides."

### 'It's Just That Simple'

Asked why the Administration had come to no judgment on the matter, Mr. Haig said: "There had never been one in the past, and we did not feel it was necessary on this occasion. It's just that simple."

Release of the jet fighters was reported by Administration aides to have been imminent ever since Israeli and Arab forces, including the Palestine Liberation Organization, agreed more than three weeks ago to a cease-fire in hostilities in southern Lebanon.

The shaky cease-fire was negotiated in part by Mr. Reagan's special Middle East envoy, Philip C. Habib, after the Israeli bombing of Beirut, as well as counterattacks on Israel by Palestinians, had brought the Middle East close to a possible new outbreak of warfare.

Mr. Haig said today that the cease-fire had been "a very positive new element in the region" and that, because it was continuing to be effective, Mr. Reagan had considered it appropriate to lift restrictions on the shipment of the planes. He said the Administration hoped the cease-fire would "make possible other steps toward peace in that troubled area."

### No Linkage to Saudi Sales

Suspension of the delivery of the planes angered and upset the Israeli Government more than any other step taken by the Reagan Administration, including its decision, also opposed by Israel, to sell Saudi Arabia highly sophisticated electronic surveillance planes, known by the acronym Awacs, for airborne warning and control systems. Mr. Haig said that there was no "linkage" between today's decision today and the Awacs issue.

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THE WASHINGTON POST  
18 August 1981

# Reagan Lifts Ban On Delivery of 16 Jets to Israel

By Lee Lescaze  
Washington Post Staff Writer

LOS ANGELES, Aug. 17 — President Reagan today lifted the suspension of military aircraft deliveries to Israel without having made a finding whether Israel violated its agreements with the United States when it bombed a nuclear plant in Iraq on June 7.

Secretary of State Alexander M. Haig Jr. said that the 16 warplanes affected by the suspension would be on their way to Israel "in a matter of days or hours" but said that the "intensive" government review had failed to determine whether Israel's bombing raid had been defensive or offensive.

The decision came at a three-hour National Security Council meeting, the bulk of which was devoted to discussion of strategic defense systems, including the MX missile and B1 bomber, according to White House counselor Edwin Meese III, who attended.

Meese refused to indicate how the president is leaning on the crucial defense questions and said Reagan's decisions will be made in three to five weeks.

In explaining the warplane decision, Haig told reporters: "I think one, in a subjective way, can argue to eternity as to whether or not a military action may be defensive or offensive in character." Israel has pledged not to use U.S.-supplied weapons for offensive operations.

Haig indicated that the administration was influenced by Israel's willingness to enter into the current cease-fire in Lebanon. "The administration, in its review, took account of events and trends in the Middle East, particularly the events in Lebanon leading to a cease-fire

Delivery of four F16s was withheld June 10 after the raid in Iraq. Just as the administration was preparing to lift the embargo in mid-July, an Israeli air raid on central Beirut drew widespread criticism in the Middle East and United States, and the embargo was extended to six additional F16s slated for delivery. Last week, four more F16s and two F15s were withheld as the suspension continued.

Reagan has been under intense Israeli pressure to resume the aircraft deliveries. Last Sunday, Israeli Prime Minister Menachem Begin called the suspension "unjustified and unjustifiable." The planes being withheld "are Israeli planes," Begin said.

Haig said the review of the implications of the Israeli raid in Iraq included candid discussions with Begin and Ephraim Evron, Israeli ambassador to the United States.

In Washington, Evron issued a statement welcoming release of the "American-manufactured" airplanes acquired by Israel but added that the suspension had been "unhelpful and unjust." The new decision will lead to strengthening of traditionally close Israeli-American ties, Evron said.

"It wasn't necessary to make a legal or juridical decision," Haig replied when asked whether the Israeli raid had been determined defensive or offensive.

Haig said that Israel has given no new assurances about use of American military equipment but that the administration and Israel clearly understand the terms of the U.S. military assistance.

Asked how he thinks the suspension has affected U.S.-Israeli relations, Haig said: "I wouldn't presume to comment on how it's affected our relationship with Israel. We don't see any change in our longstanding relationship."

Relations between the administration and Israel have become increasingly strained, and the suspension of warplane deliveries was the lightning rod attracting the most intense Israeli criticism. The Israeli mood arises from a general feeling that Washington is insufficiently sympathetic to Israel's problems with its Arab neighbors.

Asked what has changed since the suspension was imposed, Haig said:

"... There has been an extensive suspension. There has been extensive communication between ourselves and the government of Israel. There has been consultation with Congress. There has been a thorough review, directed by the president, with respect to the circumstances of the initial raid.

"There have been, as you know, complicating circumstances in the Middle East, an escalating level of violence, which was concluded as a result of cooperative efforts by all of the parties and the so-called 'cessation of hostilities' which has occurred between Lebanon and Israel. All of these factors went into the president's decision...."

Haig said there is "absolutely no linkage" between today's action and

# es No Yes No Yes No Yes No Y

## Bad Guys?

*Francis J. McNamara, executive director of the Hale Foundation:*

The Post was incorrect in saying (editorial, July 20) that Philip Agee's CIA exposures are based on "on the job" information, while Louis Wolf's sources are "in the public domain."

On unchallenged evidence, the Supreme Court stated in *Haig v. Agee* that Agee goes to foreign countries, consults "local diplomatic circles" in them, and also "recruits collaborators and trains them in clandestine techniques designed to expose the 'cover' of CIA employees and sources." Releasing a list of alleged CIA agents in London in 1974, Agee said the list had been "compiled by a small group of Mexican comrades whom I trained [in discovery methods]. Similar lists of CIA people in other countries are already being compiled. . . . We invite participation."

His three books and two periodicals, *CounterSpy* and *Covert Action Information Bulletin* (CAIB)—all listing other contributors and helpers—were launched when his "on the job" knowledge was much outdated. Wolf co-edited Agee's second book and, when legal prob-

lems arose over Agee's work on the third, took over its co-editorship with three other CAIBers.

Agee and Wolf have the same sources—and they are not Agee's CIA memories or "public records" Wolf allegedly combs. Any legislation that criminalizes only exposures by ex-government employees, leaving the CAIB apparatus free to continue its work, will have no useful effect.

*John Cavanaugh of the United Nations Conference on Trade and Development:*

The Post, by claiming that those who publish CIA names are "terrorists in spirit, and their true purpose is to destroy democracy," demonstrates that it has misinterpreted history, or learned nothing from it. A quick inventory discloses that it is the CIA that has "destroyed democracy" through coups and destabilization in Iran (1953); the Congo (1961); Brazil (1964); Guyana (1962-66); and Chile (1973), to name but a few. Most recently, we have learned that present CIA Director William Casey planned to topple Libya's Qaddafi along with another (undisclosed) Third World regime.

In the face of the covert onslaught, *CounterSpy* and CAIB provide an important service to Americans and citizens in developing countries struggling to protect democracy.

TRENTON NEW JERSEY TIMES  
15 August 1981

Sets bail at \$80,000

## Judge is unmoved by CIA story

By J. STRYKER MEYER  
Staff Writer

A man accused of passing thousands of dollars of bad checks in Mercer County tried to talk his way to freedom on bail by claiming he is a former CIA agent, but the judge wasn't listening.

Hussan Romieh, 37, of Washington, D.C. made his plea yesterday before Superior Court Judge Hervey S. Moore Jr., who is generally regarded as the toughest judge in the county.

Moore set bail at \$80,000.

"I'm a citizen 19 years. I'm a spy," said Romieh, who also used the name Hussan Muhmamed Rumayeit.

"The charges are brought against me by spies. I can't use county jail phones because of the spies. . . . I'm a CIA man. I worked in Saudi Arabia.

"I'm not guilty. If you know my story," he told the judge, "you'll let me free."

ROMIEH, A longtime resident of the nation's capital, got into trouble with Mercer County law enforcement agencies in 1978 when he wrote a series of bad checks in Princeton Borough — including a \$3,500 check to a printing company and an \$800

check to the Peacock Inn, where he stayed for several weeks.

A 1978 Mercer County grand jury handed up four separate indictments against Romieh for writing more than \$5,000 worth of bad checks in the county.

Romieh, however, said he is "unlawfully charged."

"I'm president of the International Freedom Organization. I'm a former CIA agent. If you feel I'm guilty, give me a trial," the short, intense man said in broken English.

"I'm ready for trial."

Apparently tired of listening to Romieh, the judge then turned to the man's lawyer, John M. Jingoli Jr., and asked him to speak for his client.

Jingoli told Moore that Romieh has no prior criminal convictions, is a businessman in Washington, D.C. — although he didn't say exactly what line of work Romieh is in — and that Romieh's violations of the law "were not intentional."

But Mercer County Assistant Prosecutor Kim A. Otis told the judge that the state "went to great expense" to have Romieh extradited "on at least two occasions," from Virginia and California.

Moore refused to reduce Romieh's \$80,000 bail — \$20,000 for each of the four outstanding indictments.

"I find absolutely no justification for a reduction," the judge said.

ALTHOUGH MOORE had heard enough and proceeded to exit from his courtroom, Romieh raised his voice and made more impassioned pleas for freedom.

If the judge only knew what he was working on he wouldn't keep him in jail, he said.

Romieh's speech shifted to presidential politics, and he said that "things were much worse (for the CIA) under Carter. . . . I love Reagan."

He said he loves Reagan so much that he "tried to meet him in California to tell him about my secret work for the CIA."

Romieh is not, however, very happy with Reagan's CIA director, William J. Casey. He suggested he would kill him if he had the chance.

He said something about Casey being involved with big banks, but no one could understand him as his broken English worsened to the point where only one out of every four or five words was distinguishable.

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ON PAGE A3

THE WASHINGTON POST  
15 August 1981

## Target Was Mauritius, Not Mauritania...

By Michael Getler

Washington Post Staff Writer

A CIA covert action plan that upset a congressional committee, combined with a mixup in the press about which country was the plan's target, has caused a headache for the Reagan administration and for the government of Mauritania.

Informed sources say the actual target of the proposed CIA action was Mauritius, an island in the Indian Ocean off the southeast coast of Africa, not Mauritania, a large country on the northwest coast of Africa.

These sources say the plan involving Mauritius did not involve cloak-and-dagger action but was mainly a quiet CIA effort to slip money to the government there to help counteract financial aid being supplied to forces opposing the government by Libya's radical ruler, Muammar Qaddafi.

The episode began to unfold publicly July 25 when The Washington Post reported that the House Select Committee on Intelligence, in a highly unusual move, had written to President Reagan objecting to a planned secret CIA operation in Africa.

The stories' sources did not disclose what country was involved. The White House and the committee confirmed that such a letter had been written.

The next day, advance copies of Newsweek magazine's Aug. 3 issue reported that the committee had objected to a large-scale, multiphase operation to overthrow Qaddafi, with the ultimate goal of removing him from power, a description which to some implied assassination. The White House denied the Newsweek report.

Then on July 28, a Washington Post story, attributed to administration officials, said the operation was planned against Mauritania, not Libya.

Hours after that story appeared, "the Mauritians, justifiably, went up the wall," one informant says, and demanded explanations at the State Department and from U.S. officials in their country.

At first, U.S. officials tried to tell Mauritania that they could not discuss alleged or real covert actions; then they tried to convince them that the press account was wrong. One source says the United States still is not sure the Mauritians believe the explanation.

This source says the designation in the press of Mauritania probably came about because of confusion in the names of the two countries, both of which are relatively obscure to Americans.

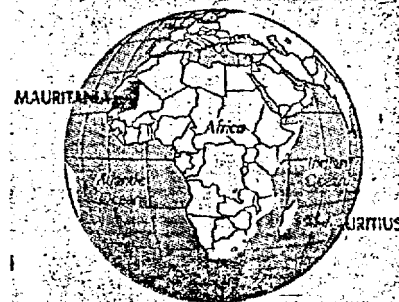
On Aug. 4, The Wall Street Journal wrote it correctly, but not many people noticed. Amid a story about the then forthcoming visit of Egyptian President Anwar Sadat, the Journal noted that the "administration's concern about Mr. Qaddafi is so great that key congressmen have been briefed on a covert U.S. operation planned to check Libyan influence in Mauritius, an island in the Indian Ocean that the U.S. feared could become a Soviet naval base."

Still, the overt battle over covert activities continued. In its Aug. 10 edition, Time magazine called Newsweek's account of the plot against Qaddafi "misinformation" leaked to Newsweek as part of a "false report" being spread by "CIA sources," apparently William J. Casey and then director of operations Max Hugel.

Time said that "CIA sources" also were spreading the "deceptive" leak about Mauritania but that the actual plan that drew congressional objection was a much broader CIA action to shore up U.S. interests in the Middle East and North Africa.

In its Aug. 10 edition, Newsweek said the "schemes" against Libya had been discussed with the House committee but reported committee confusion about whether the protest letter involved Libya or another controversial operation in the Third World.

Several sources have suggested privately that there clearly is widespread interest within the administration and the intelligence community in complicating Qaddafi's life and that various plans have been discussed. These sources suggest that they do not involve covert U.S. actions against Qaddafi inside Libya.



By Dave Cook — The Washington Post

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ON PAGE A2

THE WASHINGTON POST  
14 August 1981

## *Aide Hired for Casey Inquiry*

Associated Press

Victoria Toensing, a former assistant U.S. attorney in Michigan, has been hired by the Senate Intelligence Committee to assist in its investigation of CIA Director William J. Casey.

Toensing will work as a deputy to Fred D. Thompson, who has been named special counsel

for the investigation, which centers on Casey's business dealings before he joined the Central Intelligence Agency.

Announcement of the hiring of Toensing was made yesterday by Sen. Barry Goldwater (R-Ariz.), chairman of the committee.

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ON PAGE B11

THE WASHINGTON POST  
14 August 1981

## JACK ANDERSON

### Director Casey, Contradictions And Finagling

With a brass-knuckled counter-attack, CIA Director William J. Casey has fought the Senate Intelligence Committee to a standstill. The senators have made a public avowal that there's nothing in his past that should disqualify him from serving as the country's chief engineer of undercover activities.

But the senators have not closed the book on Casey: Their staff aides are still sifting through the documentation that he provided. What emerges is a portrait of a man who is as much a wizard at business manipulations as at undercover operations.

What he told the senators simply does not jibe with some of his previous testimony before other forums. Here are some of the contradictions:

- Regarding his role in Multiponics Inc., a now-bankrupt firm, Casey told the committee behind closed doors that he was "an outside director" who "did not attend many board meetings." His position in the corporation, Casey assured the senators, was "largely ceremonial."

But that's not what he told the bankruptcy examiner at a hearing in New Orleans on Sept. 15, 1975. "I

think the record will show," he said then, "that I had a great deal to say and a fair amount of influence in the basic decisions that the directors made."

- In October, 1961, Casey was chairman, secretary and owner of 6 percent of the stock of Advancement Devices Inc. He lent the company \$100,000. In the process of arranging a sale of stock in the company to repay the loan, Casey brought in a man who had been convicted of rigging security prices 13 years earlier and had been forbidden to take part in any stock market activity beyond investment analysis.

Yet the convicted finagler was permitted to prepare what turned out to be an overly optimistic economic forecast to lure investors into buying stock in the firm that owed Casey money.

At the time the stock was offered, Casey advised his company that the transaction didn't have to be registered with the Securities and Exchange Commission because the stock was being offered to only a limited number of investors and thus constituted a private deal.

So the SEC was never given a chance to look into the stock offer. Less than a year later, Casey's company went broke. Yet 10 years later, testifying before the Senate Banking Committee, Casey admitted that the prospectus had been "outrageous."

One investor who had been sucked in by the "outrageous" pro-

spectus sued to recover his investment. The case was settled out of court.

- Earlier still, in 1959, Casey lost a plagiarism suit, and then tried to have the records sealed. The plaintiff charged that Casey had lifted 2½ pages from a manuscript and published the material as his own in a 1956 Casey tax publication called "Pay Plans."

Casey told the Banking Committee it was the judge's idea to seal the record. But a transcript of the conversation in the judge's chambers quotes Casey as saying, "I would like to have the record sealed entirely."

HONOLULU STAR BULLETIN  
13 August 1981

## The Controversy Over Casey

*Business Week* magazine expressed the editorial view recently that the attack on William J. Casey as director of the Central Intelligence Agency "is intended to sabotage the whole U.S. intelligence operation."

"If that is not treason in the legal sense," *Business Week* said, "it certainly gives aid and comfort to the enemy."

Strong words those. Quite a different view was expressed editorially by the *Washington Star* in its penultimate edition.

Said the *Star*:

"It is difficult to imagine a worse slot for the administration's sometime political manager than the attorney generalship where final decisions about the enforcement of the law are cleared and where Presidents Kennedy and Nixon installed campaign managers.

"But the Reagan people managed to find it. The directorship of the Central Intelligence Agency is such a slot. It ought to be filled quietly, by a professional intelligence officer of deep and contemporary experience, with a passion for anonymity, and not the shadow of any suspected political or partisan experience."

When the Casey appointment was followed by his "frivolous appointment of a political amateur as spymaster," the *Star* said, "that should have been enough to blow the top off."

We happen to count that as fair, rather than treasonous, comment by the *Star*. Nevertheless, the *Business Week* and *Star* comments laid side by side suggest a Washington, D.C., passion and intensity over the Casey fight that has not permeated to Hawaii.

It is hardly treasonous for one faction to want to keep the CIA a professional, non-political organization.

In the American system that is easier to hope for than accomplish, however. We don't have the luxury of following the British model where the head of intelligence is not even publicly identified. And we have seen in the long, imperious and increasingly warped rule of the late J. Edgar Hoover over the Federal Bureau of Investigation that too much independence and power can be a bad thing.

A president needs an intelligence director he can trust. Jimmy Carter chose an Annapolis classmate.

Ronald Reagan chose his campaign manager who had World War II intelligence experience.

He apparently headed off the hounds who were trying to get Casey this time by sending word that if Casey were forced out his successor would not be the professional sought by his critics.

Much as the intelligence community may want a professional at its helm, it ought to get used to the fact that any president is going to want to have a director there he knows in advance who understands the facts or varnishes the truth, but one he knows he can trust and is in his corner.

13 August 1981

UPI07

R N

(INTELLIGENCE COMMITTEE)

WASHINGTON (UPI) -- THE SENATE INTELLIGENCE COMMITTEE TODAY HIRED A DEPUTY SPECIAL COUNSEL TO WORK WITH THE CONTINUING STAFF INVESTIGATION INTO PAST BUSINESS AFFAIRS OF CIA DIRECTOR WILLIAM CASEY.

A SPOKESMAN SAID VICTORIA TOENSING, FORMER ASSISTANT U.S. ATTORNEY FOR THE EASTERN DISTRICT OF MICHIGAN, WILL ASSIST SPECIAL COMMITTEE COUNSEL FRED THOMPSON, FORMER REPUBLICAN ADVISER TO THE SENATE WATERGATE COMMITTEE.

THOMPSON WAS APPOINTED LATE LAST MONTH TO TAKE CHARGE OF THE PROBE INTO ALLEGATIONS CASEY MAY HAVE ENGAGED IN QUESTIONABLE BUSINESS PRACTICES IN THE EARLY 1970S.

BUT SCARCELY TWO DAYS AFTER THOMPSON'S SELECTION BY SEN BARRY GOLDWATER, D-ARIZ., CHAIRMAN OF THE INTELLIGENCE COMMITTEE, THE PANEL QUESTIONED CASEY FOR FIVE HOURS AND DECIDED UNANIMOUSLY JULY 30 IT FOUND NO BASIS FOR DETERMINING HE IS "UNFIT TO SERVE" AS HEAD OF THE U.S. INTELLIGENCE COMMUNITY.

GOLDWATER AND SEN. DANIEL MOYNIHAN OF NEW YORK, RANKING COMMITTEE DEMOCRAT, SAID, HOWEVER, THE STAFF WOULD CONTINUE TO "CHASE DOWN SOME LOOSE ENDS" BEFORE COMPLETING ITS FINAL REPORT.

THE DEMOCRATIC MINORITY STILL LACKS ITS OWN COUNSEL, FOLLOWING THE RESIGNATION EARLY THIS WEEK OF BERNHARD WRUBLE WHO WAS APPOINTED TO THE POST JULY 31.

WRUBLE CITED POTENTIAL CONFLICTS OF INTEREST SINCE HIS NEW YORK LAW FIRM DID EXTENSIVE LEGAL WORK FOR BROTHERS INTERNATIONAL CORP. AND ITS FORMER PRESIDENT MAX HUGEL.

HUGEL, A MEMBER OF PRESIDENT REAGAN'S CAMPAIGN TEAM, WAS APPOINTED BY CASEY IN MAY AS DEPUTY DIRECTOR OF OPERATIONS -- IN CONTROL OF CLANDESTINE AND COVERT OPERATIONS, BUT HUGEL RESIGNED JULY 14 FOLLOWING PUBLISHED ALLEGATIONS THAT HE HAD ENGAGED IN QUESTIONABLE BUSINESS PRACTICES. HE DENIED THE CHARGES.

IT HAD BEEN EXPECTED THE FINAL REPORT ON THE CASEY INVESTIGATION WOULD BE COMPLETED BY MID-AUGUST, BUT A STAFF SPOKESMAN SAID THE "CLEANING UP" OPERATIONS WERE EXPECTED TO LAST SEVERAL MORE WEEKS AND THE FINAL REPORT MIGHT NOT BE READY UNTIL PANEL MEMBERS RETURN EARLY NEXT MONTH WITH OTHER MEMBERS OF CONGRESS FROM THEIR SUMMER RECESS.



From the media

## The mighty Casey who did *not* strike out

The strange case of CIA director William J. Casey appears to have been resolved — in his favor.

The Senate Intelligence Committee unanimously voted to keep him in office.

The vote came surprisingly quickly — after only five hours of closed hearings and 30 minutes of secret discussion.

Only a day earlier, there had been predictions that the committee would not make up its mind until sometime in September.

Casey is a major figure in the Reagan administration. He took over the management of Reagan's campaign just before New Hampshire and the primary victories started to come.

Casey, 68, had moved back and forth between Wall Street and high government posts for years. During World War II he had key assignments with the OSS, the predecessor of the CIA.

So it wasn't altogether illogical for Reagan to put Casey in charge of the CIA. But Casey is a rather crusty character and there apparently was some resentment against him within the CIA's "old boy" network. Its members reportedly would have preferred one of their own as CIA boss.

Casey appeared to become vulnerable when he made a bad appointment. He named an inexperienced outsider to head the all-important and delicate covert operations. When

it was disclosed that the latter had made some questionable business deals beforehand, he abruptly resigned.

Casey's own business background then came under scrutiny and also his judgment in making the appointment.

The Washington media started the chase. Sen. Barry Goldwater, head of the intelligence committee, suggested Casey resign and some other senators chimed in. It appeared Casey was in deep trouble.

Now, suddenly, it all seems to have evaporated.

What happened?

No case?

Whitewash?

A misreading of Casey's strength by his enemies?

Bad judgment?

A maneuver to get at a popular president through a seemingly unpopular appointee?

Various versions are bound to come out in the days ahead. But because of the necessary secrecy surrounding intelligence agencies, the truth may never be fully told.

Suffice it to say that the senators given the responsibility for ensuring the integrity of the CIA, after asking to see the evidence, found nothing under all the smoke.

It is time to let Casey and the CIA get back to work without further harassment.

— Omaha World Herald

MIAMI HERALD (FL)  
12 August 1981

## CIA, Newsmen Are No Team

WHEN American news reporters go to foreign countries, their mission is to relay information impartially to the American people. They are not representatives of the American Government. Indeed, their recognized independence from that Government is essential to their ability to perform their jobs.

Their independence gives them credibility with both their home audiences and their news sources, who often might not wish to speak to Government inquisitors. Some foreign news sources oppose official American Government interests, in fact, to the point of violence against representatives of those interests.

That is why it is essential for news reporters to insist that they cannot "help out" the CIA by serving as unofficial or part-time eyes and ears for the U.S. spy agency. That is not their role, and it impedes them in performing their legitimate role.

This point was driven home during the mid-1970s, when national investiga-

tions of CIA abuses of power revealed how the agency had subsidized American foreign correspondents and exchanged background briefings routinely with many of them. The lessons against allowing the press to be compromised by serving the CIA's interests were learned then.

They must not be forgotten now. The Reagan Administration and its misguided CIA director, William Casey, are bent on restoring the spy agency to renewed strength. *The New York Daily News* reports that one way the Administration intends to do this is to institute the practice of offering background briefings to newspeople going abroad, in exchange for private briefings from the reporters when they return.

This proposal unacceptably blurs the line separating reporters from spies. If the CIA wants to know what America's foreign correspondents have learned about the nations they cover, it should read their dispatches in the newspapers.

ST. LOUIS GLOBE-DEMOCRAT (MO)

12 August 1981

Edward W.  
O'Brien

## New CIA watchers

WASHINGTON — Oversight is one of this city's favorite nouns. Here it doesn't mean to overlook or forget something, but rather to give watchful care, to monitor, to police.

Congress is supposed to oversee the executive departments, but, in fact, does little. Within the departments and agencies, self-policing is expanding but is limited in the main to finding fraud and waste.

Who oversees the CIA? The answer is mixed. The Senate and House Intelligence committees have such a role but essentially they are passive nay-sayers and second-guessers.

Back in 1958 President Eisenhower, in another act of the great wisdom now receiving belated appreciation, created a President's Foreign Intelligence Advisory Board. Its basic task was not to be a policeman or to nitpick the intelligence agencies. Its mission was to be positive, to stimulate improvement in the quality and quantity of intelligence.

**THE NEXT FOUR PRESIDENTS** — Kennedy, Johnson, Nixon, and Ford — continued to rely on the board, changing the members and some details but maintaining its assignment of reviewing and recommending in an affirmative sense on new and more effective means of collecting critical information. President Carter, however, abolished the board four months after taking office.

Board members, serving part-time and voluntarily, have been a varied lot — top-ranking industrialists, scientists, academics and managers as well as distinguished former diplomatic, military, and intelligence officials.

Recently the Hale Foundation, a pro-intelligence organization, published a brief study extolling the board's record and urging its revival. According to Senate testimony by William J. Casey, the current CIA chief, the "big leaps" in U.S. intelligence collection abilities resulted from the thinking of such board members as Edwin H. Land, the Polaroid camera wizard, and William O. Baker, the great Bell Telephone Laboratories researcher.

**BOTH SERVED** on the board in several administrations, the Hale study says. It was a panel headed by Land that proposed the fantastic concept of the phenomenally successful U-2 spy plane even before the intelligence advisory board was established.

It was a 1976 board that brought about a change in CIA analysis procedures, which in turn produced a starkly revised and somber estimate of the Soviet military buildup and a pronounced change in U.S. attitudes.

According to Casey, Reagan will appoint a new board of strong and experienced outsiders who will end the insiders' five-year monopoly on truth and insight.

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THE WASHINGTON POST  
12 August 1981

## Democratic Special Counsel Quits Committee Investigation of Casey

The Democratic special counsel of the Senate Intelligence Committee investigating CIA Director William J. Casey has resigned, citing potential conflicts of interest relating to his New York law firm and matters under investigation by the committee.

Bernhardt K. Wruble, 39, was appointed July 31 as minority counsel to assist Fred D. Thompson, counsel for the Republican majority. Committee staff lawyer Peter M. Sullivan has taken Wruble's place.

A spokesman for the committee said that Wruble withdrew from the investigation after a member of his law firm, Simpson, Thatcher & Bar-

lett, notified him that the firm had done extensive legal work for Brother International Corp. and its former president, Max Hugel.

Hugel, a Casey protege during the 1980 presidential campaign, was appointed chief of the CIA clandestine service in May and was forced to resign last month following allegations of improper past business practices, which he denied.

Casey's judgment in appointing Hugel, the hurried background investigation that cleared Hugel and Casey's own past involvement in controversial business ventures all are under review by the committee staff.

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THE BOSTON GLOBE  
11 August 1961

## LETTERS TO THE EDITOR

### CIA chief's plight

The CIA certainly needs leadership, but leadership, history records, can only derive its authority from the assent of those led. If, by the appointment and resignation of Hugel, Casey has already lost the confidence of the CIA staff, then Sen. Goldwater is absolutely correct that Casey should resign. His effort to lead a resentful intelligence corps cannot endure under such circumstances.

Whether Casey's business practices are or are not free of fault is beside the point.

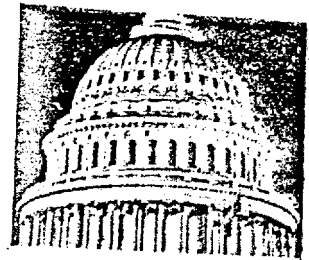
GERALD E. MILLER  
Retired CIA Officer

Wesport Point

The Editor's Page

## Will the Luck Hold Out?

By Marvin Stone



Just four years ago, people were saying what a lucky President Jimmy Carter had been—so far. Now, the theme is what a lucky President Ronald Reagan has been—and “so far” must necessarily be added to that theme, too.

Reagan has not burdened himself with a Bay of Pigs fiasco, as John Kennedy did in his early months, nor did he inherit a nasty war in Vietnam, as was Richard Nixon's bad luck. That's plain good fortune for this President.

But that is not all. The rate of inflation has dropped substantially. International oil prices have declined. Production totals had risen for months before a recent slippage. The dollar has gained value abroad. Unemployment has stayed within bounds. Reagan properly hesitates to claim credit for all these developments because in large measure they derive from inherited circumstances. Still, they add to the President's stature.

Headlines involving Hugel and Casey at the CIA stir memories of Carter's pain over Bert Lance. But this President so far has handled such family tempests wisely. And the new President was doubly blessed—or doubly wise—to find a jurist as sound as Sandra O'Connor for the opening accorded him on the Supreme Court. She was the woman appointee he needed.

If some of these events were luck as in a roll of the dice, it's well to observe that what lies ahead for Ronald Reagan will require a great deal more than that. Fortunately, he has more to offer. He has displayed the kind of luck recognized through history as a prime attribute of a successful public man. The ancients thought that it was conferred on individuals by the gods, and they spoke of being “born under a lucky star.” In fact, his is a rare combination of personal qualities, which—for one thing—enabled the President to rebound with aplomb from a bullet wound that came within an inch of killing him.

Those same qualities of fortitude and happy optimism have added up to a talent for getting his way. Those and an unexpected aptitude for

horse-trading have won him nearly everything he asked of Congress, including his latest barn-burner victory on the three-year tax slash.

But it will be a while before we know if he asked for the right things. What if the benefits of painful cuts in spending are completely offset by rocketing costs of defense and by the revenue losses from tax-rate reduction—and thus inflation takes off again? Only the computers are saying, and what computers say depends on the assumptions that are punched in.

Answers are not all in on how much deprivation the country must or can sustain over the short run in order to achieve eventual economic health. Soon people will be feeling the cuts in food stamps, school lunches, medical care and parts of Social Security. Along with excision of waste there will be some suffering.

The high interest rates that Reagan defended at the Ottawa summit meeting get a major share of credit for holding down inflation. But Germany's Chancellor Schmidt, who went home muttering, is not the only one worried by them. Federal Reserve Chairman Paul Volcker, who presides over our tight-money policy, has had to absorb a lot of flack from congressmen upset about what is happening to the fund-starved auto and building industries. Ingenuity and stamina are going to be required for a long time on the monetary front.

It may be years before we know if it was safe to relax the drive for a synthetic-fuel capacity and play down the need for oil conservation. Much the same is true in the rush to throw off environmental regulations.

There remain also the problems of coping with the rest of the world. When the give-and-take with our allies proceeds beyond smiles and communiqués, can Reagan still make things go? And what of future relations with our adversaries? Do we really have things under control?

We all want the President's luck to hold, for that bodes well for the nation. But it is clear also that Reagan's big tests are still to come.

# Washington Whispers.

## Why White House Went to Bat for Casey . . . Fidel Castro's Cover-Up . . . Americans Now Targets of Qadhafi Hit Men?

★ ★ ★

*One reason that the White House went to bat for William Casey, the embattled CIA director, was the President's feeling that if Casey had not been defended vigorously it would have been an open invitation for administration critics to try to destroy other controversial officials.*

★ ★ ★

*Will Senator Goldwater's criticism of CIA chief Casey sour the long friendship between the Arizona lawmaker and Reagan? White House aides insist not, calling Goldwater's action just a momentary lapse of judgment.*

★ ★ ★

*Cover-up, Cuban style? Fidel Castro's explanation for a dengue-fever epidemic that has stricken more than 250,000 Cubans and killed more than 100 is bacteriological warfare by the CIA. But U.S. health officials say the particular variety of fever is native to Africa, not the Caribbean, and are convinced it was introduced into Cuba by Castro's troops returning from Angola and Ethiopia.*

★ ★ ★

*U.S. officials fear that former CIA agents working for Libya's Muammar Qadhafi are getting bolder inside this country. Until recently, assassins had been dispatched to kill Qadhafi's Libyan opponents here, but now hit men are believed to be after Americans getting in the way of the Libyan strong man.*

10 August 1981

## Editorials

### More than just spite

Nothing that has appeared about William J. Casey's involvement in business or his relations with clients as a lawyer is very new. Anyone who remembers his confirmation hearings as chairman of the Securities & Exchange Commission in 1971 already knows about his problems with Multiponics Inc. and other companies in which he invested or was involved. At the time, BUSI-

NESS WEEK (Mar. 4, 1971) editorialized that someone with that background should not serve as chairman of the agency that was supposed to police Wall Street. But Casey was confirmed and performed far better than we or anyone else expected. He was a good chairman of the SEC and an effective watchdog of the exchanges and the securities industry.

His investments and stock dealings were relevant to his service on the SEC. It is hard to see how they could have any bearing on his qualifications to be director of the Central Intelligence Agency. But if any senators had thought they did, the time to bring the subject up was during Casey's confirmation hearings. Something else had to be involved in the sudden reopening of the question by the Senate Intelligence Committee. It is one thing to put a political candidate through his paces before confirming him for a regulatory post. It is something altogether different to drag out old charges and use them as a subterfuge for opening up the nation's intelligence secrets. The committee was right in quickly judging Casey fit to serve.

The attack on Casey could play into the hands of a group in Washington that believes that the U. S. should have no intelligence capability and should not indulge in covert operations. In a world where civilized nations must deal with the KGB and terrorist regimes in a dozen countries, that view is a naive and stupid denial of reality. As stories about suspected covert operations leak from the group that holds such a view, the real purpose of the attack on Casey becomes clear. It is intended to sabotage the whole U. S. intelligence operation. If that is not treason in the legal sense, it certainly gives aid and comfort to the enemy.



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## Anatomy of a Sad CIA Affair

*Casey survives the furor, but suspicion and intrigue linger*

*"It is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as director of Central Intelligence."*

It was hardly a ringing endorsement, but that statement by a sour Senator Barry Goldwater nevertheless ended a two-week furor in Washington over the fitness of William Joseph Casey, 68, to stay on as head of the Central Intelligence Agency. The Senate Intelligence Committee, which Goldwater leads, promised to push on with its investigation of Casey, but Ronald Reagan's former campaign manager clearly had won, on points, one of the nastiest brawls in Washington since the President took office. In a broader sense, however, everyone lost. Casey remained under suspicion. Goldwater and other Senators who attacked Casey prematurely had been forced to retreat. Questions about secret CIA operations, and the character and judgment of the nation's top spymasters, had been raised around the world.

The Casey battle involved a complex mixture of personal and institutional motives, the springing of leaks and planting of misinformation, and a web of backstage intrigue that tended to obscure the real reasons for the struggle. As pieced together last week by TIME correspondents, the inside story reflects little glory on any of the participants.

A central figure in the drama was the increasingly crusty Goldwater, who considers himself the Senate's leading expert on intelligence. The venerable (72) Arizona Republican was miffed when the Reagan transition team failed to consult him last January on who should head the CIA. He did not like the choice of Casey, a wily and tough Washington operator, to direct the agency. Casey made matters worse by virtually ignoring both Goldwater's committee and the House Intelligence Committee, which take their duties to oversee the CIA seriously. He even curtailed the CIA's congressional liaison staff.

Meanwhile, tension was rising between the White House and the oversight committees on just how much flexibility the CIA should be given to conduct covert operations and plant undercover agents abroad. The committees want to retain their own close surveillance in order to prevent the kind of excesses that caused the CIA so much public grief in the 1970s. Reagan, however, has prepared an Executive order under which restrictions imposed on the agency by the Carter Adminis-



Casey on his way to a "cakewalk" with Senate Intelligence Committee

*Leaks and misinformation, not to mention a complex mixture of motives.*

tration would be lifted. The CIA, for example, might be able to use the Peace Corps and students abroad as undercover agents. This proposal has led some Senate Intelligence Committee members, as one put it, to believe that "the White House favors anything over at the CIA so long as it's not embarrassing."

Within the agency, philosophical fights were brewing too. One faction, including Casey's top deputy, Admiral Bobby Inman (who had been Goldwater's choice to head the agency), advocates more emphasis on "pure" intelligence gathering and analysis—calling the world as the agency sees it, whatever the conflicts with Administration policy. Other officials feel that the agency should tailor its reports to the decision-making needs of the President. Casey was seen by some as reflecting this view. When a CIA report failed to detect the degree of Soviet influence over worldwide terrorism that the White House is convinced exists, for example, Casey ordered the study to be redone, and then redone again.

The agency was also split over an internal reorganization plan under which

all of its work relating to the Soviet Union would be consolidated in a single and probably dominant directorate. At present, responsibility for Soviet affairs is parceled out to directorates that deal with intelligence gathering, analysis and covert operations. The reorganization was first pushed by Max Hugel, the man whom Casey chose to head clandestine operations—a wheeler-dealer from New Hampshire who was widely viewed inside the CIA as a political amateur and incompetent spymaster.

Late last month two Wall Street stockbrokers, Thomas and Samuel McNell, publicly accused Hugel of illegal stock manipulation in the mid-1970s. The timing of the McNells' attack, so long after the events that had turned them into enemies of Hugel's, fueled suspicions that it may have been instigated by Hugel's CIA foes. When Hugel promptly resigned, his mentor, Casey, suddenly looked vulnerable too. Goldwater, in particular, saw the Hugel fiasco as reason enough to replace Casey for having chosen a misfit for the sensitive job.

After the Washington Post published the McNells' charges, other papers followed up with a story about an overlooked May 19 decision by a federal judge; he had ruled that Casey and other directors of Multiponics, a New Orleans agribusiness venture, had misled investors about the finances of the firm. With that, Goldwater swung into action, ordering an investigation of Casey's fitness for his job. Even before the probe began, Goldwater and two other Republican Senators, Ted Stevens of Alaska and William Roth of Delaware, pushed Casey to quit.

The anti-Hugel faction at the CIA, sometimes using mem-



Goldwater, Thompson and Democratic Senator Moynihan

CONTINUED

bers of an "old boy" network of former agents, pushed for a quick Casey kill. It fed Goldwater the dubious information that Casey had emerged from Multiponics' bankruptcy in 1971 with a profit of some \$750,000; he insisted he had lost almost his entire \$145,000 investment. The same CIA sources apparently spread a false report that Casey and Hugel had planned a covert operation aimed at the "ultimate" removal of Libya's Strongman Muammar Gaddafi from power. Misinformation was leaked to *Newsweek* that the House Intelligence Committee had been so alarmed at the Libya plot that it had written Reagan to protest. (TIME had also learned about the alleged plot, but concluded that the report was untrue.) The White House last week flatly denied *Newsweek's* story. But then, in another deceptive leak, apparently designed to stop the Libya rumor, CIA sources suggested that the West African nation of Mauritania was the object of a somewhat similar-sounding operation. In fact, both congressional committees had objected to a much broader, proposed CIA operation—one that did not involve physical attacks on any national leader—to shore up U.S. interests in the Middle East and North Africa. This hasty scheme reinforced Goldwater's view that, according to one Senator, "he just couldn't stand watching a bunch of amateurs running things."

**A**s the attacks on Casey mounted, Reagan kept asking aides: "Is there anything to these charges against him?" The White House began to qualify its backing of Casey. But then the old pro counterattacked. He made an effective series of calls on Senators, admitting that he had been wrong in appointing Hugel. Most surprising of all, the reticent, publicity-shy Admiral Inman went on ABC's *Nightline* TV program to deny rumors that he was leading a coup against Casey. Declared one astonished former CIA spook: "That's like seeing George Smiley appear on the *Gong Show*."

Behind the scenes, Senate Majority Leader Howard Baker worked to keep Goldwater's committee from appearing to lynch Casey first and give him a hearing later. While publicly supporting Goldwater, Baker urged him to appoint Fred D. Thompson, a longtime friend from Tennessee who was Republican counsel in the Senate's Watergate investigation, as chief counsel in the Casey probe. Thompson accepted the post, promising a prompt but careful study. Casey supplied the committee with volumes of documents and demanded a quick hearing.

Walking into a Capitol elevator last week, Casey confidently declared, "It's going to be a cakewalk." During the five-hour, closed-door grilling, most of the Senators, who had not had time to study the Casey papers, were less interested in his business practices than his leadership of the CIA. Some Senators complained about a lack of good intelligence from the Mid-

dle East under Casey. Others contended that the CIA's analytical reports were too "political." Mostly he was assailed on his appointment of Hugel.

Casey took full blame for the Hugel choice, admitting that it "turned out badly." He insisted that he was on the same side as Inman in wanting a non-political, objective analysis of intelligence. He agreed that many of the restrictions on the agency were proper. He promised to cooperate fully in helping congressional committees perform their oversight.

Still, the Senate committee's final statement on Casey was a compromise. Some Senators, including Washington's Henry Jackson, Texas' Lloyd Bentsen and Rhode Island's John Chafee, had urged the committee to express its "absolute confidence" in Casey. Others, including Goldwater, New York Democrat Daniel Patrick Moynihan and Delaware Democrat Joseph Biden, wanted to avoid any pronouncement until the investigation of Casey's background was complete. Instead, the committee found him merely "not unfit" to continue.

The Reagan Administration had hoped to free the CIA from controversy, stiff restrictions and stern oversight. Instead, the agency is saddled with a director whose every major move now seems likely to be carefully scrutinized and with morale problems resulting from its own internecine plotting. Getting back to its real work, the mission of forewarning the U.S. of its enemies abroad, may not come easily.

—By Ed Magnuson.

Reported by Jonathan Beatty and Johanna McGeary/Washington

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NATIONAL AFFAIRS

# Behind the Casey Flap

Based upon the staff review to date and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve...

With that, Senate intelligence committee chairman Barry Goldwater last week hosed down the fire storm that had swirled around CIA director William J. Casey for a fortnight. It was hardly an enthusiastic acquittal, and a continuing investigation by the committee's staff could still cause problems for Casey. But for the moment the CIA chief had apparently come through the Reagan Administration's first Cabinet-level political crisis with his job intact. The sudden turnabout in Casey's fortunes prompted a new examination of sorts. How could the controversy have boiled up so feverishly, then flattened out so quickly? What lay behind it—and what effect, if any, might there be on the CIA?

In retrospect it seemed a classic Washington drama involving elements of high policy, hard-nosed politics, personal crotchets—and pure chance. For a time all these factors combined to threaten Casey's job and that of CIA deputy director Bobby Ray Inman. And the whole flap seemed to undermine the efforts of some Administration officials to restore U.S. intelligence capabilities while still respecting the civil liberties of U.S. citizens and curbing some of the agency's wilder cloak-and-dagger impulses. A guide to the key players, their motives and roles in the drama:

**Goldwater's Gripes.** The senior senator from Arizona was more responsible than anyone else for Casey's two weeks of torment. From the start Goldwater was dubious about Casey's appointment, much preferring Inman for the top post. He was outraged when Casey, without consultation, put bantamweight businessman Max Hugel, a pal from the Reagan Presidential campaign, in charge of the agency's super-sensitive covert operations. And he was nearly apoplectic when two former business associates of Hugel decided to tell *The Washington Post* that they had collaborated with him on improper stock dealings—charges that Hugel denied even as he resigned. Adding to the pressure, Goldwater learned about the story before publication not from Casey, who had several days'

warning, but from Post executive editor Benjamin Bradlee. After a week of private stewing Goldwater went public with a televised call for Casey's head.

**The Oversight Committees.** Many members of the Senate and House intelligence committees were eager to support Goldwater—and not merely out of respect or affection for the mercurial veteran. Casey had simply failed to keep them briefed in a full and timely fashion. "There was a pervasive feeling across the [political] spectrum that we weren't being kept as well informed as we should be," said Democratic Sen.



Casey with Senate intelligence panel: Chastened?

Patrick Leahy of Vermont. In fact, Leahy said, the Senate panel found the CIA briefing on Israel's bombing of an Iraqi nuclear plant "so poorly done" that two encores were required—the last by Casey himself. There also was a growing concern about "harebrained" schemes approved by Casey—such as that against Libya's Muammar Kaddafi (*NEWSWEEK*, Aug. 3).

**The Intelligence Community.** Some past and present members of the nation's intelligence agencies also were unhappy with outsider Casey. Intelligence sources were widely suspected of leaking stories about covert plans approved by Casey. \* "To

\*No evidence linked the CIA or its "old boy" network to the incident that began Casey's problems—the decision by former stockbrokers Samuel and Thomas McNell to accuse Max Hugel of financial improprieties. The two brothers subsequently disappeared, and the McNells' attorney, from the Third Energy Corp. of New York. A Third official said he "assumed" that the recent death of a third brother was connected with the charges against Hugel.

influence it this way is appalling," said Republican Sen. Richard Lugar of Indiana.

Some factions of the intelligence community, however, were coming to Casey's defense. According to one well-placed source, the director had become a valuable asset in opposing the urgings of "right-wing ideologues" in the White House and the Senate. Casey speaks frequently by telephone with the President, and that channel proved useful to Attorney General William French Smith, FBI director William Webster, Inman and others in blocking efforts by the ideologues to ease restrictions on the CIA's domestic use of electronic surveillance, mail openings, physical searches and infiltration techniques and surveillance of U.S. citizens overseas. They also opposed a plan, *NEWSWEEK* learned, to give the National Security Council supervisory control of all domestic counterintelligence operations traditionally run by the FBI and the Justice Department. "The idea of controlling counterintelligence from the White House has the potential for providing a Watergate-style political nightmare," said one Administration official.

**The White House.** When news of the Senate committee's lukewarm endorsement of Casey reached Ronald Reagan, he was already celebrating his big tax victory. "You know why they cleared him?" joked one staffer. "They had five hours of his mumbling and they didn't want to have to listen to it any longer." Reagan laughed heartily. The President and his top aides had not been sure how the committee's investigation would turn out. And aides undercut the director by expressing a cautious wait-and-see position on the original charges that he had mismanaged the agency and acted improperly in private business dealings. Eventually, supportive statements by the President and his closest friend on Capitol Hill, Sen. Paul Laxalt of Nevada, buttressed Casey's position. So did a signal from the White House that if Casey were pressured to step down, his job would not go to Inman—the Congressional favorite—and that Inman himself might be forced out.

Through the week White House officials also tried to help Casey by denying that there had ever been a CIA plot against Libya. They put out word that Mauritania was actually involved, but *NEWSWEEK* confirmed that schemes against Libya had been discussed with House intelligence committee members and that a second operation was planned for another Third World nation as well. It was not Mauritania, Administration aides later conceded. When a majority of the committee protested to the President about the plan, most had the second operation in mind, though some thought the letter they signed referred to Libya.

Senate sources said that it was the lack of fresh evidence against Casey, more than anything else, that prompted the intelligence committee to ease the pressure. Goldwater alone felt that the appointment

## NATIONAL AFFAIRS

of Hugel was sufficient cause for the CIA boss to resign; but when a proposal was made to pledge "full confidence in Bill Casey," another senator said, only a minority raised their hands. What most of the senators expected was that a chastened Casey would now maintain closer contact—probably taking up former CIA director Stansfield Turner's practice of briefing the panel personally, especially on covert

operations. By referring to "the team of Casey and Inman," many of the senators seemed to be warning the White House to make peace with the deputy CIA director despite their differences over the proper role of the CIA. There was also talk of legislating a fixed term for CIA directors to insulate them from political pressures and proposals to form a single Senate-House intelligence committee to reduce the chances of leaks about covert operations in the future.

For Casey himself, the fact that he is 68 years old made many suspect that he would probably not serve a long term as CIA director in any event. But given the peculiar dynamics of Washington politics, Casey's recent trials may stiffen his determination to stay on the job at least as long as it takes for the controversy to fade completely. And that may take some time.

DAVID M. ALPERN with JOHN J. LINDSAY,  
HENRY W. HUBBARD and ELAINE SHANNON  
in Washington

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U.S. NEWS AND WORLD REPORT  
10 August 1981

## CIA's Casey Weathers a Storm

William Casey is staying on as director of the Central Intelligence Agency—but not without the close and continuing scrutiny of Congress.

The Senate Intelligence Committee questioned Casey for 5 hours on July 29 and unanimously concluded that there was no reason to remove him as CIA director. Only days before, three Republican senators—including committee Chairman Barry Goldwater (R-Ariz.)—had called for Casey to quit.

How did Casey pull through? Some help came in a statement of support from Ronald Reagan, a Casey backer ever since the New York lawyer directed his presidential campaign. But even more important was Casey's personal promise to keep the committee fully informed about CIA operations.

The clamor for Casey to quit had been prompted by his failure to tell

committee members two things about Max Hugel, the outsider he appointed as CIA spymaster. He had neglected to inform the senators in advance that he was naming Hugel to the key job, and he failed to tell them about accusations of financial misconduct that forced Hugel on July 14 to resign. There also were claims that Casey himself had questionable business dealings.

Congressional oversight of the CIA has been a touchy issue ever since Congress learned of abuses by the agency during the Watergate era. Those disclosures led to tight rules requiring the CIA to account for its actions to eight committees of Congress. Later, at the CIA's request, that number was trimmed to two—one in each house.

One Senate panel member noted that Casey's reticence with Congress was not unprecedented. Stansfield Turner, Jimmy Carter's CIA chief, also told lawmakers too little, the senator said, but later developed "the skill of rapport." He added: "I think Casey now has caught the spirit of consultation." □

# The National Interest/Michael Kramer

## GASEY'S CONTRADICTIONS

### Grist for the Probe

WILLIAM PROXMIRE ONCE DESCRIBED the William Casey problem this way: "Mr. Casey has cut corners when he considered it to be necessary to business profit. He has wheeled and dealt his way into a personal fortune, sometimes at the expense of his clients. . . . And he has made less than a complete and accurate disclosure of his activities to Congress."

Senator Proxmire isn't a member of the Select Committee on Intelligence, which is currently considering whether Casey should continue as director of Central Intelligence. But if he were, I think Proxmire would be up in arms again. In fact, I think he'd be reading the very same words into the record. Because Bill Casey appears to be a creature of habit—and the latest Casey imbroglio (which involves Multiponics, Inc.) reveals irregularities similar to those that so enraged Proxmire.

It's an imbroglio, by the way, that hasn't much impressed the Senate Intelligence Committee. Last week, the committee gave Casey a clean bill of health—although it was qualified to the extent that the committee's staff is still investigating the director.

Proxmire's original assessment of Casey was offered ten years ago. At the time, Casey had been nominated by Richard Nixon to be chairman of the Securities and Exchange Commission, the agency charged with protecting investors from securities frauds and misleading stock offerings. Proxmire—as one would guess from the tenor of his remarks—voted against Casey, and in so doing he adopted a standard promulgated by the *New York Times*. "The issue . . ." said the *Times*, "is not whether Mr. Casey has committed illegal acts—the Senate is not a court of law—but whether in view of the record he can command the highest public respect. The S.E.C. chairmanship is an unusually sensitive and important position."

If anything, the CIA directorship is even more important, and certainly it is more sensitive.

If Casey finally falls, it will be because he misled the Intelligence Committee when he claimed he knew little or nothing about the activities of Multiponics, a company he co-founded and which he served as secretary and counsel.

In the law, it's called "scienter." In layman's lingo, it's "knowing." You may recall it from the Nixon days—it's



CIA chief: His testimony doesn't jibe.

the question Howard Baker loved to put to the Watergate witnesses: What did you know and when did you know it? Here's the problem:

Multiponics was founded in 1968 by a group of people, including Casey, in order to engage in various farming operations in four southern states. Within nine months of its birth, Multiponics raised additional capital by way of a private securities offering. Multiponics went bankrupt in 1971, and those investors who purchased the corporation's debentures via the private offering sued Casey (and his fellow directors) for misleading them. The true nature of the company's financial condition, said the investors, was not disclosed in the circular that offered them the opportunity to acquire a piece of Multiponics.

On May 19, 1981, a federal judge in New York issued a memorandum decision concluding that Multiponics—in its offering statement—"omitted and misrepresented facts that would have been material to a reasonable investor in determining whether to purchase Multiponics stock." The court also held that Casey did not deny knowledge of the contents of the offering.

Yet Casey has done just that. He has

denied knowing that the offering circular was misleading, and he continues to do so. Immediately after the court's decision was first made public by columnist Dan Dorfman on July 15, Casey telephoned the *Washington Post* and said, "I didn't mislead anyone. I didn't prepare the circulars."

Casey's attorneys have filed a motion to reargue the case, and Casey has indicated that he views the court's action as only an intermediate decision and that eventually it will be appealed. As of now, Casey's stance has had the political effect of muting criticism of his actions pending a final judgment.

In addition to phoning the *Post*, Casey has maintained his defense of non-knowledge in a more formal way. In his official submission to the Intelligence Committee—a copy of which has been obtained by *New York*—Casey, through Stanley Sporkin, the CIA's general counsel, has said "he was not actively involved in [the] management [of Multiponics]," that he was "an outside director [of the company]," that "his position as Secretary of the Company was largely ceremonial," and "that he did not attend many Board meetings."

(Incidentally, to buttress the notion that he was not intimately involved with the goings-on of Multiponics, Casey advised Senator Goldwater by letter, on July 26, that his \$145,000 investment in the corporation represented "less than three percent of my total investment portfolio at that time." And, indeed, Casey is a very wealthy man. The financial statement he provided the committee shows his net worth to be \$9,652,089. Of this amount, Casey has \$7,505,013 in securities.)

The preliminary investigation by the Intelligence Committee's staff wasn't really an investigation at all. In general, the committee staff accepted Casey's thesis without exploring its truthfulness.

But a check of court records, including the sworn testimony by Casey during the Multiponics bankruptcy proceedings, in New Orleans—which neither the committee staff nor the FBI has bothered to acquire, and which Casey failed to deliver to the committee even though he was asked to produce all "relevant" documents—clearly reflects that Casey was intimately involved in Multiponics and had knowledge of the offering that the New York court has determined was misleading. In fact, the sworn affidavits of three of Casey's fellow directors state the following: "The Offering Circular

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was prepared by William Casey and Lawrence Orbe [another Multiponics director]"; "the Offering Circular was prepared by competent counsel . . . (an obvious reference to Casey . . .)"; that Stanley Burkley [still another director] "relied on William Casey (our New York counsel)."

Beyond the sworn affidavits of Casey's fellow directors confirming his involvement in the circular's preparation and in Multiponics in general, here are some excerpts from Casey's own sworn trial testimony:

Q: Mr. Casey, how much time did you spend in reviewing the affairs [of Multiponics] before you showed up at one of its meetings?

A: Well, that's kind of hard to answer, that would vary depending upon which meeting and the subjects that were coming up. There was the understanding between me and the other directors that I was a long ways away, that I was a busy fellow, that they came to New York quite frequently. I would say during most of this period of time Mr. Orbe, Mr. Moran [other Multiponics directors], would be in New York and I would see them perhaps twice a month. Mr. Wartels [a law partner of Casey's] was following the affairs of the company in detail, he would brief me from time to time. I had frequent telephone conversations with the management and when they had something to discuss with me they would call and when I had a question I'd call them, I didn't keep track of my time but it was a considerable amount of time.

Q: Well, do you know how many meetings you attended in your tenure as a Director?

A: Oh, four or five, but I don't think that means anything because I had many meetings in New York in which these things were thrashed out. My opinion was always reflected either by Mr. Wartels or somebody else, that was my style of operating, and I think the record will show that I had a great deal to say and a fair amount of influence in the basic decisions that the Directors made.

Compare this answer with Casey's submission to the committee, in which he sought to show that he was uninvolved in the affairs of Multiponics by saying that "he did not attend many board meetings."

Q: Now, sir, did you or any member of your firm, to your knowledge, ever review the minutes of [Multiponics] . . . with reference to determining any legal problems or legal issues with reference to the contents of those minutes?

The minutes of the corporation clearly reflect that the offering circular was discussed at board meetings.

A: Well, certainly I read the minutes regularly and followed the affairs of the corporation and the lawyers who worked on the registration statement would have read those minutes to determine what legal or other problems should be discussed in the registration statement. . . .

Q: Did you confer on a fairly frequent basis with Mr. Wartels and Mr. Friedman [Casey's law partners] with reference to the affairs of [Multiponics] while you were a Director of [Multiponics]?

A: Yes. . . .

Q: As a director, Mr. Casey, you feel that you were able to keep reasonably well informed of the corporation's activities and have the information that was necessary in order to function as a director of this corporation?

A: Yes, I did.

Q: During the term of your directorship, how often were you in touch with other directors . . . in order to acquire information about [the corporation]?

A: Well, that has to be an estimate. It would vary from time to time. I would think that I had an opportunity to talk to members of the management or other directors twice a month on the average, and I would have telephone conversations with them more frequently than that, maybe on the average once or twice a week. Mr. Wartels and Mr. Friedman attended a good many meetings which I was not able to attend, and they would always write me a memorandum about what was discussed, what came up at the meeting, and we would discuss any aspects of it that I wanted further information on when they wanted my views, and there was an understanding between me and Mr. Moran. If I couldn't attend a meeting he usually, if he needed my advice or wanted my opinion, he'd either talk to me ahead of time or talk before in front of me, and we would talk about things that had occurred at the meetings that I couldn't attend. . . . Mr. Friedman or Mr. Wartels brought back a report, and I talked to them if necessary to raise questions about transaction[s]. I think I kept very much on top of the important things that the corporation was doing. . . .

As to whether the offering circular (and the debenture sale it concerned) was an important thing, there can be little doubt. Casey testified that he introduced his fellow directors to the firm that would handle the sale. This was before Multiponics was even incorporated. The record reveals it was always the intention of the founders of the corporation to raise additional funds from outside investors—a plan they set in motion even before they had formally incorporated. What could be more important than the implementation of that scheme? And, by extension, Casey had to be vitally concerned with the plan's progress—just as the New York court determined.

It would be wrong to dismiss this record as too trivial to bear on Bill Casey's fitness for the CIA. This case—and there are others—goes directly to the question of Casey's probity and truthfulness. And, if the country and the president and the congressional committees charged with overseeing the CIA don't know for a certainty that they can *always* trust the word of the director of Central Intelligence, then the director should not be in

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9 August 1981

# Did Inman Blow the CIA?

## Yes, But Using Businessmen As Agents Shows

By MURRAY FROMSON and NORMAN SKLAR

In the shadowy world of espionage, nothing is more dangerous to an agent than to have his "cover blown." As any fan of spy novels or adventure films knows, this means having the seemingly innocuous occupation of the secret agent revealed to be a sham; only a "cover" to his real work—spying.

Recently, the cover for many present and future intelligence agents was blown during a network television news program. Not by a reporter, or by someone hostile to the agency, such as ex-CIA agent Philip Agee, but by the Central Intelligence Agency's own deputy director, Adm. Bobby Ray Inman.

During an interview on ABC's "Nightline," anchor Ted Koppel asked why businessman Max C. Hugel had been named to head up the most secret and sensitive of all CIA units, the one responsible for covert operations overseas.

Inman casually replied that Hugel had 20 years of experience abroad and "could be helpful in rebuilding the clandestine service . . ." Then, in a shocking gaffe or terrible lapse of judgment, Inman proceeded to explain just where America's enemies, international terrorists and foreign critics might look for CIA agents. In the cryptic jargon of the intelligence professional, he said that in the future the CIA would "rely far more on non-official (than on official) cover, the use of commercial drops to provide the necessary cover for clandestine agents all over the world."

What is meant by "non-official cover"? According to a CIA spokesman, it is "someone who works undercover for a commercial enterprise, an intelligence person who might ostensibly be working for a business enterprise."

Inman's remark was no slip, then. In fact, earlier in the Hugel affair, CIA director William J. Casey said, ". . . Hugel's background in business overseas would be useful in arranging cover for security agents." In short, the CIA seems to be ready to plant more agents in U.S. companies abroad and probably to send more operatives out as businessmen and women. That, of course, isn't new. Putting it on the record is.

It has been a long-standing but almost never acknowledged practice for some American businessmen and U.S.-owned companies overseas to cooperate with the CIA. The individuals took on occasional part-time assignments, while major corporations permitted agents to operate in the guise of sales representatives, engineers and the like. In such roles, the operatives could move with relative freedom about a country, gathering information and perhaps directing the activities of local agents.

The question is not so much one of Inman's candor or the agency's morality, but rather the effectiveness of such a practice. The CIA's use of commerce as a cover raises doubts about the legitimacy of all bona-fide businessmen, big or small, who choose to work overseas.

As foreign correspondents in Asia for many years, we and our colleagues often wondered about some of the suspicious characters we encountered. There were times when we also looked askance at some so-called journalists who would mysteriously appear in the midst of some crisis but who never seemed to file their stories.

Following an unwritten journalistic code, however, most reporters rarely, if ever, disclosed what they knew or suspected about business people or innocuous-looking trading companies that were quite likely "fronts" for clandestine CIA activities.

Especially in the 1950s and early '60s, during the height of the Cold War, it was just not the kind of story one reported. For instance, we all knew that Air America, which went through a half-dozen name changes as a contract airline in the Far East, was owned and operated by the CIA. Yet none of us wrote about it until the Vietnam War when government duplicity itself became a major issue.

But in the fallout from the recent controversy over CIA Director Casey and his former deputy director for operations, Hugel, plans to step up use of American business abroad as spy network covers have now been discussed openly.

Adm. Inman is a career specialist in intelligence, widely regarded by his peers as one of the best in the business. But after what he said on TV, one could easily imagine terrorists and KGB operatives around the globe, rubbing their hands in glee. Moreover, the embarrassment to friendly governments and the danger to those individual Americans who have voluntarily worked for the CIA is incalculable. Inman's disclosure may yet help U.S. adversaries from Moscow to Havana ignite the kind of propaganda fires

The admiral's gratuitous remarks also stunned the business community.

A senior vice-president of a multinational corporation operating in the Middle East, Asia and Latin America put it this way: "It jeopardizes the credibility of American companies that want to do business abroad as well as the lives of their employees who have absolutely nothing to do with the CIA."

An aerospace executive said, "Even the hint that a major U.S. firm might be involved in espionage would have a chilling effect on the ability of corporations to do business overseas."

Richard King, former director of California's Office of International Trade and now an international business adviser, said, "The multinational firms depend on a very open exchange of information with foreign firms in connection with joint ventures and for market research. To have any sort of suspicion of a CIA connection would most assuredly cut back on that kind of free exchange."

And a senior officer for one Fortune 500 company cited the more profound implications for U.S. entrepreneurs and corporate representatives abroad. "The possibility of stepped-up terrorist activities against American businessmen is frightening," he said.

In fact, the number of politically inspired killings or kidnappings for ransom of foreign businessmen has grown dramatically in recent years, prompting some American firms to increase armed protection of their overseas representatives.

No question, the nation requires an effective intelligence agency as well as the means to "cover" its clandestine activities. The CIA cannot realistically be expected to hang out a sign on a storefront in Bangkok or Karachi, proclaiming it as the office of the resident agent. But the 1980s are not the 1950s. The increasing need to have American businessmen create jobs, expand trade and help to correct our balance of payments deficit makes the use of these same businessmen by the CIA seem, at the least, extremely counterproductive. Such practices ought to be stopped.

Murray Fromson, a former CBS News correspondent, and Norman Sklarewitz, a former Wall Street Journal reporter, are both freelance writers in Los Angeles.

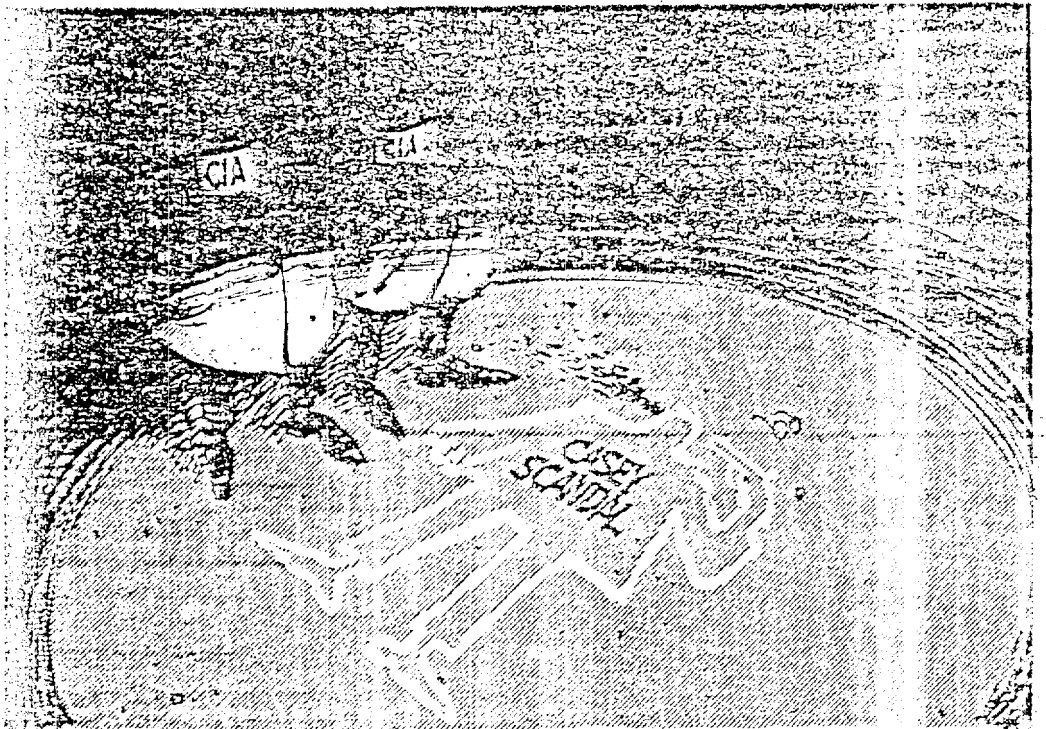
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CHICAGO TRIBUNE  
9 APRIL 1973



# The real battle behind the Casey affair

By John Maclean

WASHINGTON—It looked at first like another steamy summer capital scandal, the jowly CIA director besieged on every side by snapping congressmen trying to bring him down to earth.

But beneath the very public battle over William Casey's tenure in the top CIA spot lies a far more important tug of war about what sort of a spy agency the United States wants to run.

Will the CIA once again turn to covert operations as the way to solve U.S. problems in the world, or will it go the high technology route, emphasizing electronic data collection and quality analysis?

In the public arena, this fundamental question never got debated. Instead, the controversy centered on the free-wheeling financial dealings of Casey.

With no new evidence of any Casey wrongdoing at hand, staunchly conservative Sen. Barry Goldwater (R., Ariz.) startled everyone, possibly himself, by publicly calling on Casey to quit. Goldwater's statement followed by about 10 days a mini-scandal in which Casey's choice to head the clandestine operations division of the CIA, Max Hugel, was forced out of office by disclosures of shady business dealings.

WHAT DID Goldwater have against Casey? Publicly, the charge sheet against Casey listed two items: a lapse of judgment in hiring Hugel, who lacked any professional qualifications, and Casey's past financial dealings, which already had been sifted through by several congressional committees when Casey previously served in government.

Regarding the Hugel appointment, Goldwater charged: "That in itself constitutes the worst thing Casey has done. Well, not quite."

The worst thing Casey did in the eyes of many intelligence community watchers here was to land the top job at the CIA. Casey represents the "old school" of intelligence work and served in the predecessor to the CIA, the Office of Strategic Services (OSS) during World War II.

Casey demanded the CIA job as repayment from President Reagan for his successful rescue efforts as Reagan's campaign manager, pulling together a badly divided staff into a winning team.

Intelligence community watchers describe Casey as a lusty buccaneer, eager to put American spies to work throughout the world in the grand old manner.

The appointment of Hugel, they say, was designed to give

Casey an inexperienced but loyal subordinate who could be counted on to do his master's bidding with no questions asked.

THE CHECK ON all this underground activity is another personality, Adm. Bobby Ray Inman, Goldwater's choice for CIA director. Inman's reputation is so clean it makes George Bush look sleazy.

Inman eventually landed the No. 2 spot at the CIA. He went there from a distinguished tenure as head of the National Security Agency (NSA), the nation's largest and most sophisticated intelligence operation. The NSA operates satellite and other electronic spy measures, gathering quantities of data that make the old OSS look like a mom-and-pop grocery by comparison.

Inman, in short, is the champion of those who want the CIA to sharpen its analysis and data

## CIA background



- Established in 1947 to gather political and military information about other countries; coordinates the intelligence functions of government agencies as they relate to national security.
- CIA also conducts various secret activities in foreign countries in support of U.S. foreign policy. The agency also conducts counterintelligence activities within the U.S. with the coordination of the Federal Bureau of Investigation and the approval of the U.S. attorney general.
- The CIA also collects intelligence on the foreign aspects of narcotics production and trafficking.
- The agency director and deputy director are appointed by the President by and with the advice and consent of the Senate. The agency is part of the Executive Branch; the director reports to the National Security Council, which includes the President.
- The CIA's budget, like much of its activities, is secret. Reportedly, the agency spends about \$2 billion annually.

Chicago Tribune Graphic. Source: U.S. Government Manual

CONTINUED

collection, and leave the heavy spy stuff to novelist John LeCarre.

SO THE CASEY scandal acquired a hidden agenda. Goldwater gathered a knot of senators and others around him whose attacks on Casey were mostly directed at getting Inman promoted to CIA director.

They had the troops, but they lacked the ammunition. The summer scandal turned into a summer skirmish.

The real concern was irresponsible covert activities, not Casey's rambunctious past.

At one point, someone leaked a report that Congress, in an unusual move, had written President Reagan about its concern over a secret plan for covert CIA action in Africa. For a moment, the hidden agenda became public.

But the African leak was quickly plugged, thanks to a mistake on the part of the leakers. It first was reported that the operation had been directed against Libyan leader Col. Moammar Khadafy. There have been rumors of such an operation ever since Reagan came to office.

The White House said yes, Congress had complained about an operation, but no, it did not concern Libya. It concerned Mauritania, which is involved in a struggle against the western Sahara.

THE INACCURACY coupled with the "unnamed sources" of the leak gave the appearance of a smear campaign.

Casey got a vote of confidence from the Senate Intelligence Committee, which included the "yea" of Sen. Goldwater, who spent an uncomfortable week trying to back away from his original call for Casey's scalp.

A probe of Casey by special counselor Fred Thompson of Nashville, a former Watergate investigator, is supposed to continue. But Goldwater and the intelligence committee will be sure they have a smoking gun before they tackle Casey again.

The affair did nothing to restore public confidence in the CIA, which was a chief aim of the Reagan administration. Old campaign managers die hard: Hamilton Jordan won the election for Jimmy Carter then embarrassed him at the White House; John Mitchell went from Nixon's attorney general and campaign manager to jail in the aftermath of Watergate.

With Casey still in command at the CIA, the agency's troubles are likely to linger.

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Mary McGrory

## Rallying for McCann

WASHINGTON—Ronald Reagan's choice for ambassador to Ireland, William McCann, seems bent on taking a page from the book of his patron, William J. Casey, who recently has been rescued from drowning by a show of strength from his friends and some fancy White House footwork on Capitol Hill.

McCann, whose appointment was announced by the President himself at the Irish Embassy on St. Patrick's Day, was, according to Capitol Hill sources, asked recently by Deputy Secretary of State William Clark to withdraw his name from consideration.

McCann, a New Jersey insurance tycoon and major Reagan fundraiser, declined. He feels he can make a fight of it and win.

The nomination, which has yet to be sent to Capitol Hill, has been in trouble since June 14, when the Newark Star-Ledger published allegations about McCann's extensive business dealings with a convicted felon named Louis Octrer.

McCann, a large, genial Irishman, feels he is a victim of guilt by association.

When the story was taken up in Washington, reporters, who had heard from McCann that Casey was his sponsor, were told by White House aides like Michael Deaver that McCann was a multiple choice of Reaganites. By that time, of course, Casey, as a judge of men, was under a dark cloud because of his selection of the flamboyant Max Hugel as director of CIA covert operations. Deaver and others avowed that Daniel Terra and Charles Wick had been just as keen about McCann. It was unclear then whether they were trying to save Casey from McCann, or vice versa.

Casey, with the help of Paul Laxalt, the President's favorite senator, mounted a public campaign for salvation. Old friends announced their support, and declared their intention to hold unprecedented public testimonials for Casey. More importantly, the hostility of Sen. Barry Goldwater, chairman of the Intelligence Committee, was neutralized by word from the White House that Goldwater's dream CIA director, Adm. Bobby Inman, Casey's deputy, would not inherit the mantle. Inman went on television and pledged his fealty to Casey, and it was all over.

The White House did not unleash its lobbyists—Casey was on his own—but they did not forsake him in his hour of need. The price was too high.

Casey is known to be an intimate friend of Reagan's, and his loss of so high a post would reflect on the President. So Reagan, on the eve of the Laxalt press conference, put out a character reference for the man who straightened out his campaign finances, and the White House thoughtfully issued a hair-raising list of possible successors—names like that of Gen. Vernon Walters, the scourge of Latin American liberalism, and right-wing hero Gen. Daniel Graham.

Casey was exonerated by the Senate committee in what he called "a cakewalk."

McCann, while Casey's fate hung in the balance, was summoned to the White House by personnel honcho Fred Fielding for a long seance. He protested his innocence and his viability. He is utterly confident that he can be installed in Phoenix Park, the lovely woody site of the U.S. Embassy in Dublin.

Friends of McCann are mobilizing for a replay of the Casey resurrection. They have selected Sen. Paul Tsongas (D., Mass.), a member of the Foreign Relations Committee, for the role filled in the Casey case by Laxalt. Tsongas comes from Lowell, which is McCann's home town, and is credited with crucial opposition to the nomination of Ernest Lefever for the State Department's human rights post.

Tsongas would be the ideal flag-bearer, because he is young, progressive, and of impeccable reputation. He was first approached by the editor of the Lowell Sun, John Costello, who has been exceptionally critical of his performance in the Senate. Since then, numerous friends of McCann have approached Tsongas to lead the fight for McCann's confirmation. He will decide later this week whether to accept the honor.

Tsongas has had it pointed out to him that the White House has so far failed to try to recruit a Republican member of the Senate Foreign Relations Committee to take the lead for McCann.

"The White House had to do it for Casey," says one Irish-American Democrat, "because of his association with Reagan and because the agency was the CIA. They may not feel so obligated to McCann."

It is McCann's ill fortune to be under consideration for a post that becomes politically more conspicuous and sensitive every day.

Better for McCann, at the moment anyway, if he had been named to Botswana.

# Casey I, Opponents

Six days after Sen. Barry Goldwater (R.-Ariz.), the chairman of the Senate Intelligence Committee, called on William J. Casey to resign as Director of Central Intelligence (DCI), Goldwater and the other members of the Committee unanimously declared that "no basis has been found for concluding that Mr. Casey is unfit to serve as DCI." The statement followed the panel's five-hour closed meeting with Casey on July 29 and a review by the committee staff of the charges that had been made against the CIA Director.

Although the inquiry into Casey's business dealings and his appointment of Max Hugel is not at an end—a few points will be followed up by the Committee staff—the events of the last week or so represent a vindication of Casey, who, by all accounts, has moved assertively to strengthen the CIA, and a slap in the face to three members of the Intelligence Committee—Goldwater, Joseph Biden (D.-Del.), and William Roth (R.-Del.)—and Sen. Ted Stevens (R.-Alaska), who called on Casey to resign.

Perhaps the most curious aspect of the affair was the performance of Sen. Goldwater, a stalwart of the GOP and a long-time favorite of conservatives. The Arizonan, who recently pushed the appointment of Sandra O'Connor to the Supreme Court and labeled the Moral Majority; her strongest opposition, as "fascist," grabbed front-page headlines by leading the assault on Casey, a personal friend of President Reagan.

On July 23, while the "Casey affair" was heating up, Goldwater called a news conference to deny a CBS report that he had privately urged Casey to resign. He had called the item a "malicious lie." Under the impression he was going to defend the CIA director, White House officials were dumbfounded when Goldwater publicly called for Casey's ouster, saying the appointment of Max Hugel was sufficient cause "for either Mr. Casey to decide to retire or for the President to ask him to retire." Goldwater also questioned Casey's involvement in a New Orleans firm called Multiponics. "I believe he's made the statement that he lost \$150,000. We had been told he made over \$750,000," Goldwater said.

The next day, Casey, who had the strong support of President Reagan throughout the controversy, issued a statement saying that Goldwater had been provided with inaccurate information.

Rather than making \$750,000, Casey said, "I lost my investment and materials being submitted will substantiate that fact." Those materials were delivered to the Intelligence Committee on Sunday, July 26.

But Goldwater, Sen. Roth, and Sen. Stevens weren't willing to wait for an investigation into the matter. On July 24 Stevens, the majority whip, said Casey should leave "for the good of the agency." On the same day, Sen. Roth, up for reelection next year, declared that "The Director of the CIA must be above suspicion, and to borrow a phrase

from President Eisenhower, 'cleaner than a hound's tooth.' " He said, "I believe it is impossible for Mr. Casey to effectively discharge his duties," adding, "He should go—now."

Adding his voice to the chorus, Sen. Biden (D.-Del.) told the *New York Times*, "I hope he's not on the job Monday."

It was left to a Democratic member of the committee, Sen. Henry M. Jackson (D.-Wash.), to express the sentiments of many who believed that Casey was being railroaded. In a July 26 appearance on "Meet the Press," Jackson said, "it looks like they're trying to lynch him in public," adding, "I think very clearly they are trying to do Mr. Casey in without an opportunity to be heard." Jackson said the Hugel appointment was a mistake, but that he was unable to explain the other "so-called issues" coming to the fore "all of a sudden."

The truth is that the Hugel appointment, as Sen. Paul Laxalt (R.-Nev.) pointed out in a July 25 news conference called to defend Casey, "was a matter of intense consideration within the agency and the consensus was actually developed within the agency to go with Mr. Hugel." CIA Deputy Director Admiral Bobby Inman, who was Goldwater's first choice to head the CIA, has stated publicly that he supported the Hugel appointment. Furthermore, although Casey has taken full responsibility for the Hugel selection, Casey also says that Hugel's name was proposed by another top CIA official. It was thought that Hugel's experience as an international businessman could be extremely valuable to the CIA.

In light of the facts in the case, the Hugel appointment, according to Goldwater logic, was sufficient cause for the entire top echelon of the CIA to be dismissed. But Goldwater only wanted Casey to be dismissed. Goldwater explained that



“Goldwater’s performance was rooted in his feeling that he knows more about the CIA than anybody will ever know.”

The other “so-called issues,” as Sen. Jackson referred to them, were reportedly described by President Reagan as “old news.” The May 19 ruling by a New York judge in the Multiponics case—a ruling that mysteriously “came to light” only after the Hugel affair—was based on actions that Casey or his associates took back in 1968 and 1970. The White House noted that the issues involved were not new and that they came up in a number of 1970’s hearings leading to Casey’s confirmation for other government jobs.

As curious as the new focus on Casey’s financial dealings were the news reports that the CIA had planned an elaborate covert operation against Libya or Mauritania, and that in a “rare” move the House Intelligence Committee had objected to the operation in a letter to the President. In fact, according to informed sources, only a few Democrats on the committee—not the full committee—had sent a letter objecting to a CIA covert operation. Such a protest is not unusual and, furthermore, the operation did not involve what *Newsweek* called a “classic CIA destabilization campaign” against a foreign country.

The purpose of the “leaks,” sources say, was to portray Casey and Hugel as concoctors of hare-brained schemes who wanted to return the CIA to the days of “dirty tricks” and assassination plots. In a column that appeared last week in the *Baltimore Sun*, Institute for Policy Studies associate Garry Wills harped on this theme, claiming that President Reagan “wants Casey to restore the CIA to its good old days of assassinations and such.”

The false report that Democratic and Republican members of the House Intelligence Committee had objected to a CIA covert operation was designed to make it appear that Casey’s competency and judgment were under bipartisan attack, these sources said.

Perhaps the basic issue in the “Casey affair” is the question of what kind of a CIA we want for the dangerous decade ahead. Sen. Goldwater, it is known, wanted Casey out and wanted Admiral Inman, the CIA deputy director, in.

There was a great deal of suspicion that Inman, considered a member of the “old boy” network of intelligence operatives, was orchestrating the campaign against Casey. There were so many reports to that effect, in fact, that Inman made a rare appearance on the ABC Nightline program on July 27 to deny the reports as “preposterous.”

However, Inman did acknowledge that the “old boy” network was upset with Casey because of the Hugel appointment. But with the departure of Hugel, he said, “the support [for Casey] has picked back up pretty much.”

“professionals,” rather than outsiders, to top the agency. Casey’s professional background and experience consists of his work as Chief of Secret Intelligence for the Office of Strategic Services, the World War II predecessor to the CIA. He has, however, closely followed intelligence matters since then.)

There is no doubt that Casey has stepped on a number of toes in the agency. In a July 27 speech to CIA employees, he acknowledged that he had refused to accept intelligence estimates prepared by the National Foreign Assessment Center (NFAC), the agency’s analytical unit. One of those estimates was alleged to be a report that failed to cite the Soviet Union as a primary sponsor of international terrorism.

Explaining why he had not accepted those estimates, Casey told the CIA employees, “My job is to see that estimates reflect the full range of threats which our policymakers need to protect against. For example, estimates have been prepared on Africa and Latin America which have not addressed Soviet interests, activities and influence there. Worse still, I have seen drafts of estimates prepared a year or more ago by analysts in this building which accurately predicted what has happened in Nicaragua and Cuba’s new aggressive policies in Central America. We had this work at a time when those developments certainly would have been carefully considered. Sadly, these analytical insights were strangled in the clearance and coordinating process so that they did not reach policymakers in a national estimate. I intend to see that that does not happen as long as I am DCI.”

This new attitude, which intelligence experts say is long overdue, as well as Casey’s appointment to head NFAC of John McMahon, the former Deputy Director for Operations who is an expert on Soviet propaganda and covert action, has resulted in a more realistic assessment of Soviet interests in the world today.

For example, the 1980 CIA report on International Terrorism that was released in June identified the Soviet Union, Libya, South Yemen, Iraq, Syria and Cuba as states that support terrorism.

Incredibly, the CIA terrorism reports of 1978 and 1979, prepared under President Carter’s CIA director, Stansfield Turner, virtually ignored the role played by Communist and radical states. In fact, one of those reports suggested that Cuba and the Soviet Union were interested in *combating* terrorism, because, “After all, Communist states were not entirely immune to terrorist threats.”

“By all objective standards,” Sen. Laxalt says, “Bill Casey has raised the morale of the agency; he has improved their systems and procedures... and [it] is far more effective than it was the day he took over.”

## Checking Up On Casey

In recent days, various members of the U.S. Senate and others have called for the resignation of William Casey, the Director of Central Intelligence, citing his poor judgment in appointing Max Hugel, a non-professional with a history of financial manipulation, as director of covert operations; his own misrepresentation of the value of securities when he was an officer of the now bankrupt Multiponics Inc.; and his legal representation of a New Jersey firm whose top officials had been linked to organized-crime figures.

We must admit that at first glance Casey and Hugel's backgrounds in fraud, misrepresentation and business dealings mingling the worlds of the Mafia, high finance and government made them seem ideally suited to run the C.I.A. The fact that they had been caught, while regrettable, seemed in the tradition of an agency which itself has been caught fomenting coups from Guatemala to Iran.

Now, however, Murray Waas and Jeff Chester reveal yet another Casey deception (see page 100), and this one is so blatant that it makes us worry about his competence as a deceiver. It also makes us worry about the competence of members of the Senate as confirmers. It is not merely that Casey was found guilty of plagiarism, or that he misled the senators in his 1971 confirmation hearings for the job of Securities and Exchange Commission chief. What really troubles us is that the transcript of Casey's 1961 trial for plagiarism, which contradicts his 1971 testimony about that plagiarism and which was later inserted in the published version of the Senate Banking Committee's hearings, was never brought to bear by any of the senators in his Intelligence Committee confirmation hearings this year.

It is important to note that much of the animus against Max Hugel originated with the agency's old-boy network. Former C.I.A. Assistant Deputy of Plans Cord Meyer broke the Hugel story, raising questions not so much about Hugel's ethics as about the wisdom of appointing this "able amateur" for the "professional's" job as supervisor of covert actions. The real issue that ought to be debated is not who runs the agency but whether it will continue its disastrous covert operations, which seem to require the old professionals to manage them.

Meanwhile, we anxiously await the final verdict of Senator Daniel Patrick Moynihan, who said at the time of Casey's C.I.A. confirmation hearings, "Were there more men such as William Casey in this nation, a President would have less difficulty in filling his Cabinet."

## Sworn Testimony

It was April 1971. William Casey had been appointed by President Richard Nixon to head the Securities and Exchange Commission, and at his confirmation hearings, the Senate Banking Committee wanted to know more about Casey's settlement in 1961 of a civil suit charging that he had plagiarized a colleague's book.

A jury found that Casey and his company, the Institute for Business Planning, had committed plagiarism, and awarded damages against them totaling \$41,450. By agreeing not to appeal, they were able to settle out of court for \$20,500. Casey acknowledged all of this in the 1971 confirmation hearings. But a close reading shows that some of his sworn testimony to the Senate at that time directly contradicted his sworn statements in the 1961 court record.

The facts: In August 1956, Casey was a vice president of the institute, a subsidiary of the publishing company Prentice-Hall. In that capacity he received and passed on to Prentice-Hall a manuscript entitled *Employee Pay, Benefits and Taxes*, written by Harry Fields, a San Francisco tax attorney. At first, Prentice-Hall expressed interest in the book, but on November 1, 1956, the publisher wrote Fields to say that they could not publish it, mentioning that Casey felt "the subject matter was too closely associated with one of [our] forthcoming publications to enable [us] to use it."

In December 1956 and in January 1957, Casey's company published two short books, part of a series entitled *Pay Plans*, which were indeed very "closely associated" with the Fields manuscript. At least two and a half pages of that manuscript were printed verbatim in Casey's *Pay Plans*.

When Fields learned of the plagiarism, he confronted Casey, who claimed that a young attorney in the institute was responsible. In a letter to Fields dated May 6, 1957, Casey wrote: "I gave your manuscript to . . . one of the young men who at that time prepared editorial material for *Pay Plans*, and told him to check to see whether or not *Pay Plans* then covered all the points that were developed in your manuscript. He apparently clipped a couple of pages and put them in the December supplement. He also took additional material and submitted it for publication in the January supplement. I happened to have caught this and was greatly indignant because I had been paying him to write fresh material and took a dim view of his lifting anything. [The attorney] is no longer associated with this office."

In 1971, when he testified before the Senate Banking Committee, Casey told a different story. "The staff reported to me," he said, "that the Fields manuscript was a rehash of the law and regulations on the subject, and we had no interest in it. . . . He [Fields] later made the claim that his material had been used in one of our publications and instituted suit. *We felt that his claim had no merit.* [Emphasis added.] Our editors testified they had developed their own material from the law and regulations."\*

When Casey was asked why he had agreed to settle out of court and pay the author of the allegedly pirated manuscript \$20,500, he said: "The judge who had presided over the case did a highly unusual thing: He called in the two attorneys and he said to them that the verdict was not supported by the evidence in the case, and that he would set it aside, and he recommended that the parties get together and settle it. He was going to set this verdict aside; unless the attorneys could settle it he would call for a new trial."

The trial record, however, shows that the judge did no such thing. When the Senate investigators wrote to J. Braxton Craven Jr., the Federal judge who had heard the 1961 case, Craven wrote back in a letter dated February 18, 1971: "I do not recall telling the two attorneys, or anyone else, after the trial that the verdict was not supported by the evidence, and I am as reasonably sure as one can be after nine years that I made no such statement. I did not indicate that I would set the verdict aside and order a new trial unless the parties got together and settled the case. In five years as a state trial judge and five years as a Federal trial judge, I do not recall ever having done that."

Later in his testimony, Casey was asked by the senators

\* In the second round of Casey's 1971 confirmation hearing, he told yet another story:

Senator Proxmire: "When you first testified before our committee . . . Mr. Casey, you indicated that the Fields plagiarism case had no merit."

Mr. Casey: ". . . When I say there was no merit I was talking in a broad way. . . I was merely characterizing, Senator. I said that the bulk of the trial, the bulk of the time, was devoted to a comparison of sources of manuscript, and the trial went way beyond these two and a half pages because Mr. Fields subsequently made other claims never established or proven."

Senator Proxmire: "I got the impression that your testimony was worded to give this committee the impression there was no plagiarism. . . ."

Mr. Casey: "I have always, in letters and every other way, indicated that two and a half pages had accidentally, without my knowledge or control, crept into our publication."

In the committee's final report, Proxmire concluded, "I believe the Fields case shows that Casey irresponsibly misrepresented the facts before a Congressional Committee and that he deliberately attempted to steal the works of an unknown writer. Either of these charges should disqualify him from becoming the chairman of the S.E.C."

why the court record of the plagiarism trial had been sealed by the judge. Casey responded: "This was done by, my attorney tells me, the judge's initiative."

But Judge Craven wrote the Senate investigators, "The sealing of the transcript of the trial from public view was not done at my initiative." The court records show that, in fact, it was Casey who asked for a sealed record. "I would like to have the record sealed entirely," Casey said.

Although the committee has completed the initial stage of its investigation, it ought to go back and look closely at the record of the plagiarism case. At one point in the pretrial phase, Casey threatened Fields's lawyer with "more violence," and Fields's lawyer said, "I want the record to show that Mr. Casey struck me in the face." Casey's lawyer disputed that: Casey should be asked to explain all of these discrepancies: Did he try to mislead the senators in 1971 and whitewash his role in the plagiarism case? Is he fit to be the Director of Central Intelligence? MURRAY WAAS AND JEFF CHESTER

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CORD MEYER

# Spy leaks: striking out mighty Casey's CIA?

WASHINGTON — Now that the smoke of dubious battle has cleared from William Casey's successful struggle to survive as CIA director, Reagan officials are trying to assess the real damage and determine what can be done to repair it.

Contrary to assurances that this episode has passed harmlessly away like a brief summer storm, President Reagan's ability to deal with foreign threats has been seriously weakened. As one Western European intelligence official remarked, "You have become a laughing stock among your enemies and the despair of your friends."

He was not referring to the incidental damage done to the reputation of individuals involved in this affair but to the institutional wreckage left behind by the exposure of the first attempt by the Reagan administration to mount, via the CIA, a covert action operation of some size and significance.

Whether the operation was aimed at strengthening the opposition to Col. Khadafy's dictatorial rule in Libya or directed at reducing Khadafy's influence in some other African country, the unhappy fact remains that such an operation was exposed even before the House and Senate Intelligence Committees had completed their secret review.

To guard against just this kind of security breach, the law providing for congressional oversight of the CIA covert action was amended last fall to reduce from eight to two the number of committees that have to be informed. The hope was that behind the closed doors of the intelligence committees, with their good reputation for security, congressional reservations about any secret project could be resolved without devastating publicity.

That hope has now been proved illusory.

Although the identity of the leakers is not yet known, the chronology and content of their revelations throw a good deal of light on their motivation. Just as Casey was reeling under senatorial criticism for his appointment of the hapless Max Hugel, his judgment was brought further into question by a press story that the House Intelligence Committee had taken the unusual step of warning the president in writing against a covert operation in Africa that Casey had approved.

Compounding the damage, the next leak charged that the secret plan called for an escalating paramilitary campaign against Khadafy, and his possible assassination. Although Hugel had alarmed the House committee in his presentation, White House staffers, congressional sources and intelligence officials are convincing in their unanimous denial that the plan itself contained any authorization for assassination or paramilitary activity.

By making a reasonable proposal appear wildly irresponsible, the anonymous leakers were trying by misinformation to kill two birds with one stone. Timing their revelations to coincide with allegations about Casey's past financial dealings, they obviously hoped to remove from the scene a man who is known to believe that discreet American support to democratic forces abroad may sometimes be necessary.

Secondly, these faceless leakers are so opposed to covert action of any kind that the damage to American interests seemed a small price to pay for demonstrating that the congressional review process is bound to self-destruct. Certainly many will argue that this threat of unauthorized leaks makes any covert action impossi-

ble.

Predictably, Khadafy has made the most of these exaggerated revelations and has posed on Libyan radio as an innocent target of CIA assassination plotting.

Even more damaging is the apprehension such self-destructive publicity fosters among our Western allies. Cooperation with friendly intelligence services is often essential to political action operations designed to keep alive a democratic movement under siege by heavily subsidized Soviet proxies. But European experts warn that it will be a long time before any foreign intelligence service dares expose itself to the hazards of the congressional review process.

If this leak were the only recent one of its kind, it might be explained away as a unique aberration. But in another damaging disclosure Carl Bernstein, in the July 18 issue of the *New Republic*, spelled out in excruciating detail the channels through which he claims the CIA is helping arm the Afghan rebels. In a mind-boggling mistake of judgment, the *Voice of America* broadcast this story in its English-language service to Russia and the rest of the world, appearing to officially confirm Soviet charges of American involvement.

Instead of talking about how it intends to unleash the CIA, the Reagan administration's first priority is to find and leash the leakers. In the CIA, officers who had access to the African project are being required to take lie detector tests, and, if there was an internal leak, there is a high probability that the guilty will be identified and fired. But the members and staffs of the two congressional committees have accepted no such discipline. Until they do, their protestations of innocence must be taken with a grain of salt.

SECRET

6 August 1981

R K WYFUIVRYW

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NEWS FOCUS

RELEASE FRIDAY, AUG. 7, 1981

BY CORD MEYER

DAMAGE REPORT

WASHINGTON -- NOW THAT THE SMOKE OF DUBIOUS BATTLE HAS CLEARED FROM WILLIAM CASEY'S SUCCESSFUL STRUGGLE TO SURVIVE AS CIA DIRECTOR, REAGAN OFFICIALS ARE TRYING TO ASSESS THE REAL DAMAGE AND TO DETERMINE WHAT CAN BE DONE TO REPAIR IT.

CONTRARY TO ASSURANCES THAT THIS EPISODE HAS PASSED HARMLESSLY AWAY LIKE A BRIEF SUMMER STORM, PRESIDENT REAGAN'S ABILITY TO DEAL WITH FOREIGN THREATS HAS BEEN SERIOUSLY WEAKENED. AS ONE WESTERN EUROPEAN INTELLIGENCE OFFICIAL REMARKED, "YOU HAVE BECOME A LAUGHING STOCK AMONG YOUR ENEMIES AND THE DESPAIR OF YOUR FRIENDS."

HE WAS NOT REFERRING TO THE INCIDENTAL DAMAGE DONE TO THE REPUTATION OF INDIVIDUALS INVOLVED IN THIS AFFAIR BUT TO THE INSTITUTIONAL WRECKAGE LEFT BEHIND BY THE EXPOSURE OF THE FIRST ATTEMPT BY THE REAGAN ADMINISTRATION TO MOUNT, VIA THE CIA, A COVERT ACTION OPERATION OF SOME SIZE AND SIGNIFICANCE.

WHETHER THE OPERATION WAS AIMED AT STRENGTHENING THE OPPOSITION TO COL. QADDAFI'S DICTATORIAL ROLE IN LIBYA OR DIRECTED AT REDUCING QADDAFI'S INFLUENCE IN SOME OTHER AFRICAN COUNTRY, THE UNHAPPY FACT REMAINS THAT SUCH AN OPERATION WAS EXPOSED EVEN BEFORE THE HOUSE AND SENATE INTELLIGENCE COMMITTEES HAD COMPLETED THEIR SECRET REVIEW.

TO GUARD AGAINST JUST THIS KIND OF SECURITY BREACH, THE LAW PROVIDING FOR CONGRESSIONAL OVERSIGHT OF THE CIA COVERT ACTION WAS AMENDED LAST FALL TO REDUCE FROM EIGHT TO TWO THE NUMBER OF COMMITTEES THAT HAVE TO BE INFORMED. THE HOPE WAS THAT BEHIND THE CLOSED DOORS OF THE INTELLIGENCE COMMITTEES WITH THEIR GOOD REPUTATION FOR SECURITY, CONGRESSIONAL RESERVATIONS ABOUT ANY SECRET

*(over)*

PROJECT COULD BE RESOLVED WITHOUT DEVASTATING PUBLICITY. THAT HOPE HAS NOW BEEN PROVED ILLUSORY.

ALTHOUGH THE IDENTITY OF THE LEAKERS IS NOT YET KNOWN; THE CHRONOLOGY AND CONTENT OF THEIR REVELATIONS THROW A GOOD DEAL OF LIGHT ON THEIR MOTIVATION. JUST AS CASEY WAS REELING UNDER SENATORIAL CRITICISM FOR HIS APPOINTMENT OF THE HAPLESS MAX HUGEL; HIS JUDGMENT WAS BROUGHT FURTHER INTO QUESTION BY A PRESS STORY THAT THE HOUSE INTELLIGENCE COMMITTEE HAD TAKEN THE UNUSUAL STEP OF WARNING THE PRESIDENT IN WRITING AGAINST A COVERT OPERATION IN AFRICA THAT CASEY HAD APPROVED.

COMPOUNDING THE DAMAGE; THE NEXT LEAK CHARGED THAT THE SECRET PLAN CALLED FOR AN ESCALATING PARAMILITARY CAMPAIGN AGAINST QADDAFI AND HIS POSSIBLE ASSASSINATION. ALTHOUGH HUGEL HAD ALARMED THE HOUSE COMMITTEE IN HIS PRESENTATION; WHITE HOUSE STAFFERS; CONGRESSIONAL SOURCES AND INTELLIGENCE OFFICIALS ARE CONVINCING IN THEIR UNANIMOUS DENIAL THAT THE PLAN ITSELF CONTAINED ANY AUTHORIZATION FOR ASSASSINATION OR PARAMILITARY ACTIVITY.

BY MAKING A REASONABLE PROPOSAL APPEAR WILDLY IRRESPONSIBLE; THE ANONYMOUS LEAKERS WERE TRYING BY MISINFORMATION TO KILL TWO BIRDS WITH ONE STONE. TIMING THEIR REVELATIONS TO COINCIDE WITH ALLEGATIONS ABOUT CASEY'S PAST FINANCIAL DEALINGS; THEY OBVIOUSLY HOPED TO REMOVE FROM THE SCENE A MAN WHO IS KNOWN TO BELIEVE THAT DISCREET AMERICAN SUPPORT TO DEMOCRATIC FORCES ABROAD MAY SOMETIMES BE NECESSARY.

SECONDLY; THESE FACELESS LEAKERS ARE SO OPPOSED TO COVERT ACTION OF ANY KIND THAT THE DAMAGE TO AMERICAN INTERESTS SEEMED A SMALL PRICE TO PAY FOR DEMONSTRATING THAT THE CONGRESSIONAL REVIEW PROCESS IS BOUND TO SELF-DESTRUCT. CERTAINLY MANY WILL ARGUE THAT THIS THREAT OF UNAUTHORIZED LEAKS MAKES ANY COVERT ACTION IMPOSSIBLE.

PREDICTABLY; QADDAFI HAS MADE THE MOST OF THESE EXAGGERATED REVELATIONS AND HAS POSED ON LIBYAN RADIO AS AN INNOCENT TARGET OF CIA ASSASSINATION PLOTTING.

EVEN MORE DAMAGING IS THE APPREHENSION THAT SUCH SELF-DESTRUCTIVE PUBLICITY FOSTERS AMONG OUR WESTERN ALLIES. COOPERATION WITH FRIENDLY INTELLIGENCE SERVICES IS OFTEN ESSENTIAL TO POLITICAL ACTION OPERATIONS DESIGNED TO KEEP ALIVE A DEMOCRATIC MOVEMENT UNDER SIEGE BY HEAVILY SUBSIDIZED SOVIET PROXIES. BUT EUROPEAN EXPERTS WARN THAT IT WILL BE A LONG TIME BEFORE ANY FOREIGN INTELLIGENCE SERVICE DARES EXPOSE ITSELF TO THE HAZARDS OF THE CONGRESSIONAL REVIEW PROCESS.

IF THIS LEAK WERE THE ONLY RECENT ONE OF ITS KIND; IT MIGHT BE

3

EXPLAINED AWAY AS A UNIQUE ABERRATION BUT IN ANOTHER DAMAGING DISCLOSURE CARL BERNSTEIN, IN THE JULY 18 ISSUE OF THE NEW REPUBLIC, SPILLED OUT IN EXHAUSTING DETAIL THE CHANNELS THROUGH WHICH HE CLAIMS THE CIA IS HELPING ARM THE AFGHAN REBELS. IN A MIND-BOGGLING MISTAKE OF JUDGMENT, THE VOICE OF AMERICA BROADCAST THIS STORY IN ITS ENGLISH-LANGUAGE SERVICE TO RUSSIA AND THE REST OF THE WORLD, APPEARING TO OFFICIALLY CONFIRM SOVIET CHARGES OF AMERICAN INVOLVEMENT.

INSTEAD OF TALKING ABOUT HOW IT INTENDS TO UNLEASH THE CIA, THE REAGAN ADMINISTRATION'S FIRST PRIORITY IS TO FIND AND LEASH THE LEAKERS. IN THE CIA, OFFICERS WHO HAD ACCESS TO THE AFGHAN PROJECT ARE BEING REQUIRED TO TAKE LIE DETECTOR TESTS; AND, IF THERE WAS AN INTERNAL LEAK, THERE IS A HIGH PROBABILITY THAT THE GUILTY WILL BE IDENTIFIED AND FIRED. BUT THE MEMBERS AND STAFFS OF THE TWO CONGRESSIONAL COMMITTEES HAVE ACCEPTED NO SUCH DISCIPLINE. UNTIL THEY DO, THEIR PROTESTATIONS OF INNOCENCE MUST BE TAKEN WITH A GRAIN OF SALT.

ENDIT MEYER

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ON PAGE A15

THE WASHINGTON POST  
7 August 1981

*Dave Durenberger*

## The CIA's Casey: Still on Trial

The Senate Intelligence Committee, for the moment at least, reports that "no basis has been found for concluding [William] Casey is unfit to serve" as director of central intelligence. Why all the fuss, then? Why did Sens. Barry Goldwater, William V. Roth and Ted Stevens call for his resignation? What does all this mean for the U.S. intelligence community and for the American people?

The answers to these questions lie in the unique relationships that exist between the intelligence agencies, Congress and the people. Intelligence is, of necessity, often risky. It can depend upon exotic technologies and upon individuals willing to risk their lives. Its methods are usable to achieve both the highest and the lowest ends. Good intelligence can save the country; poor or misused intelligence can threaten it. And intelligence must remain largely secret, if it is to work at all.

This combination of sensitivity and secrecy has led to a unique system of oversight. The Senate and House have established intelligence committees. Congress also passed a law requiring the director of central intelligence to keep those committees "fully and currently informed of all intelligence activities." The intelligence committees pass on the intelligence budget, get prior notice of covert action programs and other sensitive projects, and watch intelligence practices to ensure that the rights of Americans are not being violated.

The ultimate result of this oversight system is that the intelligence committees, on behalf of Congress as a whole, can assure the American people that the intelligence community is both efficient and honorable. Such reassurance is essential if the intelligence agencies are to keep the people's trust. And that public trust is what enables the intelligence agencies to go confidently and secretly about their business.

This oversight system, so vital to the legitimacy upon which our intelligence agencies depend, is itself a fragile thing. The intelligence committees lack the time or resources to track down every single activity of the intelligence agencies to keep the committees truly "fully and currently informed."

The character of the director of central intelligence thus becomes a central concern of the intel-

ligence committees. If he is prone to bad judgment, the committees know that they will not learn about some mistakes until too late. If he is insensitive to the rights of Americans, the congressional committees will have to increase their vigilance and determination to maintain the balance between "reasons of state" and the rights of the people. If he is secretive or overly distrustful of Congress, then oversight itself is threatened.

All three of these concerns have played a part in the Casey affair. His appointment of a campaign aide to be chief of CIA's clandestine operations frankly shocked the intelligence committees. Casey has accepted responsibility for the bad judgment and has assured the Senate Intelligence Committee that his reasons for making the appointment were legitimate, although mistaken.

The Senate committee's inquiry into allegations regarding Casey's past business practices also relates to the matter of judgment. In the Multiponics case, a court found questionable judgment by a board of directors on which Casey served, as well as a tendency not to deal at arm's length with the interests of individual directors. In some of these matters, however, Casey warned the board against unwise actions.

The concern that Casey would be insensitive to the rights of Americans stems largely from his handling of a new executive order on intelligence activities. In March, Casey sent a draft of the provisions affecting the rights of Americans to other agencies for comment. This draft provoked a storm of criticism. It led President Reagan's counselor Ed Meese to make a public disavowal of the proposal: "The White House is absolutely opposed to the CIA getting into domestic spying."

In the wake of that fiasco, there were promises to consult with the Senate Intelligence Committee on future drafts of a new order. This was done, in April, with the next draft that the CIA prepared. Still another draft has now been sent to executive agencies for comment. So far, the Senate committee has not been consulted. Initial reports are that this draft eliminated crucial executive order protections of innocent Americans, both at home and abroad, and gives the CIA new authority for domestic spying.

So, while the Max Hugel appointment was clearly "bad judgment," Casey's status is an ambiguous "no basis . . . for concluding he is

unfit to serve." That is not yet an unqualified fitness report. Only time and Casey himself can prove that forthcoming leadership and congressional oversight will maintain public trust in our intelligence activities.

Over two months ago, I wrote Casey warning against substantial executive order changes that would raise the specter of the CIA's pursuing innocent Americans. I have yet to hear his commitment to what must be the shared goals of assuring the national security and reassuring the American people that this will not be at the expense of their liberty and privacy. A good start could be made if Casey would consult with the intelligence committees, after the August recess, before the National Security Council and the president reach any firm decision on an executive order. America could afford the loss of Multiponics, but we cannot afford a new loss of confidence in our intelligence community.

*The writer, a Republican senator from Minnesota, is a member of the Select Committee on Intelligence.*

## OPINION AND COMMENTARY

Intelligent  
intelligence

By David D. Newsom

With the Casey affair, the spotlight is once more on the Select Committees on Intelligence of the two houses of Congress.

The country should be grateful for their existence. Congress was correct last year to reduce the number of committees to which the intelligence agencies reported. The select committees, however, have a good record for responsible, secure surveillance of intelligence operations.

Their greatest value is in taking a hard look at covert action proposals. There is generally a large measure of agreement among members of the committees, policy makers, and intelligence officials on clandestine collection activities. That is less the case with operations that involve political action in another country.

Many Americans are fascinated with the idea of covert action. Among some in the Congress, in the public, in policy making positions and in the intelligence community there is an almost magical belief in America's ability to change, through covert means, circumstances not to its liking in other countries. "Unleash the CIA" has been a common cry in several political campaigns.

This temptation to covert political action arises from several impulses. Many are broadly frustrated that the Soviet Union appears to get away successfully with manipulating other societies. Without pausing to ask whether this is really true, such persons ask why the United States cannot do the same. Others are unable to accept that with our power and our influence we cannot change governments and policies contrary to our interests.

Intelligence officers and policymakers, already tempted, are sometimes swayed by the word of a persuasive foreign exile or dissident politician that, with some money and outside help, changes can be wrought. In fairness to the professional intelligence officers, some of the less feasible and more risky ideas have in the past arisen in areas of the executive outside the CIA.

Disciplined professional experts who, if they are aware of such plans, express their reservations in closed meetings are not in a position to challenge effectively the determination of higher-level officials to proceed.

The US record of successes in covert political action is not impressive. One can name Iran and Guatemala where apparently successful actions took place many years ago. From the perspective of history can even those actions be considered successes?

It is probably true that the size and power of the US would have bred a paranoia in many parts of the world about US involvement in the internal affairs of other nations, even if the CIA did not exist. It is also true that the reputation for responsibility of the CIA has been badly distorted by revelations during the '60s of proposals found in files, many of which were never seriously considered. To many in the US and abroad, they were treated as fact. These revelations and the known propensity of American leaders to consider covert political action has added to the myth of the CIA around the world that has been a serious handicap to the general acceptance of the United States and its motives.

We are a nation which, with rare exceptions, has difficulty understanding other societies. To attempt to manipulate other societies requires the most sophisticated awareness of that society, its people, and the region around it. Few outsiders, including the KGB, possess that kind of insight. The US, in particular, with its frequent changes in intelligence leadership, its problem of protecting agents, and its lack of a truly long-term approach, should be wary of such actions. Proposals hastily drawn under the pressures of short-term challenges to US policies are not likely to be successful.

This is where the select committees in the Senate and the House can, and do, play a role. From the committee members' own backgrounds as politicians, they can ask questions that many in the executive may have been unable or unwilling to ask.

There may be times when the US is justified in attempting, through covert means, to influence the situation in another country. These times should be rare. When such actions are considered, their success will be enhanced if the enthusiasm of the originator is matched by skeptical questioning by responsible members of the Congress.

*David D. Newsom, former US under secretary of state for political affairs, is director of administration and programs at the Institute for the Study of Diplomacy at Georgetown University.*

MILWAUKEE JOURNAL  
7 August 1981

## Casey hangs on

After an initial display of arrogance, CIA Director William Casey has given the Senate Intelligence Committee enough information to scotch a demand for his dismissal. The group has concluded that disclosures about his past conduct do not show him to be unfit for his sensitive job.

Perhaps that is true, although the facts do cast some doubt on his judgment and his methods of operation. We can find no excuse for his decision to put the agency's covert activities under the control of a business and political figure who had no experience whatever in espionage work. Similarly, we question Casey's initial failure to tell the committee about lawsuits that accused him of misleading investors.

If anything else untoward crops up, the senators should put Casey back on the pan.

*'Maybe my "neanderthal" approach wasn't so neanderthal after all. It seems to represent current economic thinking.'*

—Steven B. Derounian

## An End To a Career On the Right

By Irving Long

There was a moment of stunned silence when CIA Director William Casey of Roslyn Harbor walked into State Supreme Court Justice Steven B. Derounian's going-away party last week.

It brought back memories, not many of them pleasant, of a bitter GOP primary race in 1966 during which Casey called his opponent, Derounian, a "neanderthal Goldwaterite," reflecting the lingering bitterness of liberal Republicans at Derounian's role in seconding the nomination of Barry Goldwater's 1964 running mate, William Miller.

At the retirement party at the Swan Club in Glenwood Landing, Derounian recalled, he broke the silence when he walked over to the embattled CIA director, shook hands and said hello. The 63-year-old judge, who is moving to Texas, acknowledged to a reporter that Casey was not invited, but added quickly, "If he had called and asked [if he could attend], I would have said, 'Yeah, sure.'"

Derounian—who was not too popular with liberals even before the 1964 convention—noted that much of his political and economic philosophy, considered well to the right in his 12 years in Congress, is now becoming law under the Reagan administration. "Maybe my 'neanderthal' approach wasn't so neanderthal after all," he said yesterday. "It seems to represent current economic thinking."

The GOP's liberal wing had been especially down on Derounian since he seconded Miller, then a congressman from upstate New York, at the 1964 Republican convention. This was the convention where Nelson Rockefeller, who ultimately lost the nomination to Goldwater, was booed—and Rockefeller supporters blamed Derounian for splitting the New York Republican delegation. Derounian's part in backing the conservative ticket represented the zenith of his political prominence nationally; months later, he was swept out of office, a casualty of Goldwater's crushing defeat by Lyndon Johnson.

The bitterness would manifest itself in 1966 when Derounian, trying to win back the House seat he had lost to Lester Wolff, marshaled the conservative wing of the Nassau GOP to defeat Casey in the primary.

Derounian's political profile has been much lower since he was elected to his judgeship in 1968, but he says his views haven't changed.

This week, Derounian is packing his belongings and moving to Austin, Texas, his wife's hometown. Along with political memorabilia, he is taking a brazier fireplace, which he says was "given to my mother's grandfather in 1832 by Sultan Mejid . . . at a time when we Armenians were still on speaking terms with the Turks." Derounian's parents had left Turkey in a haywagon with their two sons and the brazier early in the century, when the Turks were massacring Armenians.

His great-grandfather, Derounian explains, had been architect to the Sultan. At any rate, the Derounian haywagon made it as far as Sofia, Bulgaria, where—in 1918—Mr. and Mrs. Boghos Derounian would have a third son, who would come to the United States in 1921 and become a lawyer, and then a congressman and a judge.

On Casey's battle to keep his job, Derounian said, "I have no feelings whatever," but he said he does question Max Hugel's qualifications to serve as chief of CIA clandestine operations, adding "that's a little like me being named *Newsday* city editor." Hugel recently resigned under fire because of earlier business dealings; Casey is under attack over his.

Derounian also recalled that, in the bitter 1966 Republican primary, Hugel at first supported Casey and then came over to the Derounian camp. Later on, Emily Derounian said, with a slight chuckle, "we found it very interesting that he (Hugel) was named head of clandestine operations."

Did that mean she thinks he was conducting some sort of clandestine mission for Casey 15 years ago, while pretending to work for Derounian? Mrs. Derounian smiled, then said, in a distinctive Texas drawl: "I didn't say that."

**Abe Mellinkoff****The Get-Casey Gang**

**T**HERE'S NO NEED TO file a Missing Persons Report on CIA Director William Casey. Nothing serious has befallen him. Contrary to some reports from unimpeachable sources in Washington, Casey is not being held by the KGB in the basement of Lubyanka Prison in Moscow.

He's just sick. After falling out of the news so suddenly, the CIA boss is suffering from a severe case of media vertigo. One day he was being followed by platoons of reporters. The next day it was: Who's Casey?

This sort of thing can happen when the media has been so thoroughly misled. The leaks grew by the day to become a torrent. At any minute it looked as if Casey would go under. In California alone, several respectable newspapers led off their editorial pages with headlines that read: Casey Must Go.



**V**ISIONS OF WATERGATE were dancing in many a journalistic noodle. And it was not a slow waltz, either, after the Republicans on the Senate Intelligence Committee recalled to duty Lawyer Fred D. Thompson. He had served them years ago on the Watergate Committee.

As a news story, nobody can fault its beginning. Two Wall Street stockbrokers accused Max Hugel, who was Casey's chief for clandestine operations, of financial hanky-panky in the mid '70's. They may have been motivated by patriotism but one can still wonder why it took them so many years to demonstrate it.

The story might have died right there except for Senator Barry Goldwater. He had opposed Casey from the beginning and now used Hugel's misfortune to back up a demand that Casey quit.

At that moment, Admiral Bobby Ray Inman, who had been backed for the CIA directorship by Goldwater but ended up in the No. 2 spot, went on ABC television to deny that he had been leading a coup against Casey. This led to a feeling that perhaps the Admiral should have stuck to his ships and let the CIA muddy its own waters.

Before Casey was cleared by the Intelligence Committee, CIA secrets were revealed. And possibly two plans, more likely CIA dreams, about covert activity in Libya and Mauritania, which borders Ruritania, were exploded.

\* \* \*

**A**LL IN ALL, IT WAS an unhappy experience for the Central Intelligence Agency. It also did the country no good. Casey, who ran Reagan's national election campaign, should have been rewarded with a purely domestic position. That's the way it used to be. Campaign managers, who were successful, ran the Post Office or the Department of Justice. Then any errors made would have no repercussions overseas.

As it was, Casey was treated most unfairly. Libel and innuendo were heaped upon him around the clock. Out of envy McCarthy must be rolling in his grave. If Casey had been in charge of poverty and not intelligence, I'm sure the American Civil Liberties Union would have rushed to his defense long before now.

ARTICLE APPEARED  
ON PAGE A-9

THE WASHINGTON STAR (GREEN LINE)  
6 August 1981

## The Casey Graywash

The recent mini-uproar over Mr. William Casey, director of Central Intelligence, had a seasonal flavor — it resembled midsummer heat lightning. There were startling flares of light, too brief for illumination, followed by neither thunder nor rain.

The Senate Intelligence Committee, some of whose members were baying for Mr. Casey's scalp one day, were declaring almost the next that, no, there would be no scalping. Those who condemned his appointment of the unsatisfactory Max Hugel as director of CIA operations (i.e., clandestine activities, i.e., spying) as "dangerous" on Friday were clapping prudent hands over their mouths by Monday morning. It was strange. But there is undoubtedly an explanation, if only we knew it.

Mr. Casey appears, from what little is known, to have benefited from a political counterattack on his Senate detractors by powerful friends — and also from leaked word from the White House to the effect that if Mr. Casey were forced out his successor would not be the professional sought by those detractors. Meanwhile, we are diverted by theories that the Casey affair is a struggle between certain "old boys" of the CIA who want to keep the chain of command chummy and certain "new boys" who want to horn in. It seems a bit schematic to us, frankly.

Maybe what happened in the Casey case wasn't exactly a whitewash but it certainly was a graywash, mixed in some respects with a splash or two of hogwash. It was the sort of episode, menacing to the professionalism and maybe also the effectiveness of U.S. intelligence, that is to be expected when so sensitive a position as the directorship of the intelligence establishment is confided to the president's campaign manager.

It is difficult to imagine a worse slot for the administration's sometime political manager than the attorney generalship, where final decisions about the enforcement of the

law are cleared and where Presidents Kennedy and Nixon installed campaign managers. But the Reagan people managed to find it. The directorship of Central Intelligence is such a slot. It ought to be filled, quietly, by a professional intelligence officer of deep and contemporary experience, with a passion for anonymity, and not the shadow of any suspected political or partisan interest.

In Britain, if we are not mistaken, it is a crime punishable by imprisonment even to publish the identity of the head of intelligence. Perhaps that is why British intelligence — even though it has been rocked by scandals like the Burgess-McLean spy infiltration in some ways worse than the supposed CIA scandals of the mid-1970s — continues to function quietly and professionally, without political flamboyance.

In a country that took a sober view of the business of intelligence, the appointment of a campaign manager to head it (even one with a long-ago background in intelligence of World War II vintage) would be inconceivable. It would be an instantaneous scandal, be the appointee ever so competent. It goes without saying that the frivolous appointment of a political amateur as spymaster, following upon the first, would blow the top off. Moreover, the committees of Congress charged to oversee intelligence operations would not present the mixed-up spectacle presented a week or so ago by the Senate Intelligence Committee. They would look before leaping, and having leapt would not plummet mysteriously into the gorge they were leaping over.

Here is another of those affairs that astound friends and allies who entertain the exotic view that a great nation's intelligence operations should not be vulnerable to politics and gamesmanship. It is not the first. And so long as politicians are assigned to manage central intelligence, it obviously will not be the last.

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ON PAGE A-9

THE WASHINGTON STAR (GREEN LINE)  
6 August 1981

## Letters

### Mr. Casey Is Fit for CIA Post

There is a disquieting familiarity about *The Star's* recent editorial (July 25) concerning William J. Casey, director of the Central Intelligence Agency. Calls for circumspection in a presidential appointment, or the resignation of a key governmental official like Mr. Casey, seem to trip far too easily from the mouths of congressmen and the pens of editorial writers. Pious judgments bearing little relevance to Mr. Casey's fitness for office are most definitely not in order.

As one who has served in government with Mr. Casey but was not appointed or otherwise dependent upon him for my position, I can personally attest to the fact that Mr. Casey is a remarkable public servant. He is bright, astute, decisive, understands Washington life and lore fully and is a dynamic and effective leader. Contrary to press suggestions, Mr. Casey is no political payoff; he is the right man to revitalize an agency badly mishandled by the last administration.

The attacks on Mr. Casey's past business dealings are even more disappointing. The recent Multiponics decision hardly reflects new information about Mr. Casey; nor does it suggest adverse conclusions about Mr. Casey and his fitness for public office. The lawsuit, now more than a decade old and concluded without a trial, involves no personal, direct wrongdoing by Mr. Casey. Rather, it seeks to impose vicarious liability on a corporate director who, along with other investors, was injured by the wrongful acts of others. The preliminary finding of liability on the part of the directors of the company is not a finding of personal wrongdoing by Mr. Casey, although the de-



WILLIAM J. CASEY

cision has been misconstrued to the contrary.

This letter is written on behalf of Mr. Casey, but without his prior knowledge or request, by one who is familiar with Mr. Casey's professional achievements and capacities and some of the nuances of the federal securities laws. From that vantage point, I can assure you that it would be a tragic loss if Mr. Casey were to resign or be hounded from office. The nation can ill afford to lose such a valuable public servant and might find it more difficult in the future to attract men of high stature and competence to government service.

Harvey L. Pitt  
Washington, D.C.

While I'm not usually on the same side of issues as Charles Bartlett, I have to express agreement with his July 29 Comment article, "Goldwater's Outburst."

Mr. Casey's exoneration by Sen. Goldwater's committee shows that the senator exercised bad judgment in letting fly at Casey in "a clumsy kangaroo-court fashion."

Henry Rosin  
Chestertown, Md.

## Counsel Sought for Casey Probe

By Henry S. Bradsher  
Washington Star Staff Writer

Democrats on the Senate Select Committee on Intelligence are looking again for a special counsel to investigate CIA Director William J. Casey after dropping their first choice because of a past law firm connection with former CIA spymaster Max C. Hugel.

Sources on Capitol Hill said yesterday that the committee had planned to announce Monday the appointment of Bernhardt K. Wruble, who on an interim basis had been the first head of the federal Office of Government Ethics in the Office of Personnel Management.

But Wruble told the committee staff that the law firm he was with before he took the government ethics job had represented Hugel, a New Hampshire millionaire businessman. Hugel resigned from the sensitive post of CIA deputy director for operations after two former business associates publicly accused him of questionable stock market practices.

The Hugel case led to new questions about past business practices of

Casey, including a federal judge's finding that he had misled investors in the case of a New Orleans-based agricultural business.

The intelligence committee began an investigation into both the appointment of Hugel, because of the absence of normal security checks, and the business background of Casey. The 68-year-old CIA director, who ran President Reagan's political campaign last year, testified before the committee for five hours last Wednesday.

After his testimony, some Democrats on the committee wanted to continue the investigation, while some Republicans believed it should be wound up. As a compromise, the committee issued a cautious statement that "no basis has been found for concluding Mr. Casey is unfit to serve" in his job, but the investigation would go on.

The Republican majority on the committee had earlier hired a special counsel for the investigation. He is Fred D. Thompson, a Nashville lawyer and friend of Senate Majority Leader Howard Baker who had been a Republican lawyer for the Watergate inquiry.



R W CZCZYVZVT

4 August 1981

WPK-CASEY

BY HENRY S. BRADSHIRE

WASHINGTON STAR SERVICES

WASHINGTON - DEMOCRATS ON THE SENATE SELECT COMMITTEE ON INTELLIGENCE ARE LOOKING AGAIN FOR A SPECIAL COUNSEL TO INVESTIGATE CIA DIRECTOR WILLIAM J. CASEY AFTER DISCOVERING THEIR FIRST CHOICE HAD A PAST LAW FIRM CONNECTION WITH FORMER CIA SPYMASTER MAX C. HUGEL.

SOURCES ON CAPITOL HILL SAID TUESDAY THAT THE COMMITTEE HAD PLANNED TO ANNOUNCE MONDAY THE APPOINTMENT OF BERNHARDT K. WAUBLE, WHO ON AN INTERIM BASIS HAD BEEN THE FIRST HEAD OF THE FEDERAL OFFICE OF GOVERNMENT ETHICS IN THE OFFICE OF PERSONNEL MANAGEMENT.

BUT WAUBLE TOLD THE COMMITTEE STAFF THAT BEFORE THE GOVERNMENT ETHICS JOB HE HAD WITH A LAW FIRM THAT HAD REPRESENTED HUGEL, A NEW HAMPSHIRE MILLIONAIRE BUSINESSMAN. HUGEL WAS FORCED BY THE WHITE HOUSE TO RESIGN FROM THE SENSITIVE POST OF CIA DEPUTY DIRECTOR FOR OPERATIONS AFTER REVELATIONS LAST MONTH OF QUESTIONABLE BUSINESS PRACTICES.

THOSE REVELATIONS LED TO NEW QUESTIONS ABOUT OLD BUSINESS PRACTICES OF CASEY'S, WHICH INCLUDED A FEDERAL JUDGE'S FINDING THAT HE HAD MISLED INVESTORS IN THE CASE OF A NEW ORLEANS-BASED AGRICULTURAL BUSINESS.

THE INTELLIGENCE COMMITTEE BEGAN AN INVESTIGATION INTO BOTH THE APPOINTMENT OF HUGEL WITHOUT NORMAL SECURITY CHECKS AND THE BUSINESS BACKGROUND OF CASEY. THE 68-YEAR-OLD CIA DIRECTOR, WHO RAN PRESIDENT REAGAN'S POLITICAL CAMPAIGN LAST YEAR, TESTIFIED BEFORE THE COMMITTEE FOR FIVE HOURS LAST WEDNESDAY.

AFTER HIS TESTIMONY, SOME DEMOCRATS ON THE COMMITTEE WANTED TO CONTINUE THE INVESTIGATION BUT SOME REPUBLICANS BELIEVED IT SHOULD BE WOUND UP. AS A COMPROMISE, THE COMMITTEE ISSUED A CAUTIOUS STATEMENT THAT "NO BASIS HAS BEEN FOUND FOR CONCLUDING MR. CASEY IS UNFIT TO SERVE" IN HIS JOB, BUT THE INVESTIGATION WOULD GO ON.

*CONTINUED*

THE REPUBLICAN MAJORITY ON THE COMMITTEE HAS EARLIER HIRED A SPECIAL COUNSEL FOR THE INVESTIGATION. HE IS JOHN D. THOMPSON, A NASHVILLE LAWYER AND FRIEND OF SENATE MAJORITY LEADER HOWARD BAKER WHO HAS BEEN A REPUBLICAN LAWYER FOR THE EXTRACOSTLY INDUSTRY.

AFTER LAST WEDNESDAY'S INTERIM FINDING ON CADBY, THE SENIOR DEMOCRAT ON THE COMMITTEE, DANIEL PATRICK MOYNIHAN OF NEW YORK, ANNOUNCED THAT THE DEMOCRATS WOULD ENGAGE THEIR OWN COUNSEL TO CONTINUE THE INVESTIGATION. THE FIRST SEARCH LED TO KAUBLE.

WELL SOURCES SAID KAUBLE WAS JUST ABOUT BEEN DECIDED UPON WHEN HE MENTIONED HIS FORMER FIRM'S FEDERAL CONNECTION. RATHER THAN HAVING THAT ASSOCIATION CAUSE FUTURE COMPLICATIONS, KAUBLE WAS DROPPED AND A NEW SEARCH BEGUN.

COMMITTEE INVESTIGATORS HAVE BEEN PURSUING INQUIRIES ON CADBY'S BUSINESS BACKGROUND AND ALSO ON THE FEDERAL CASE SINCE LAST WEDNESDAY'S SESSION. BUT, ONE SOURCE SAID THE AIR TRAFFIC CONTROLLERS' STRIKE HAS DELAYED PLANS TO SEND INVESTIGATORS TO NEW ORLEANS TO LOOK INTO DETAILS OF THE AGRICULTURAL BUSINESS AND LEGAL ACTIONS THERE.

NYT-08-04-82 (SECRET)

### **Simon says: Casey's safe**

This is a tale of two cities, New York and Washington, and two luncheons, canceled by former Treasury Secretary William Simon and his good buddy William Casey. The luncheons, set for last Monday, would have brought hundreds of Casey supporters together to urge President Reagan to keep him as CIA director. Simon was chairman and main speaker of the session to be staged at the Waldorf-Astoria and George Shultz, also a former Treasury secretary, was to star in the D.C. luncheon.

"My speech would have been angry and I would call Sen. Barry Goldwater and others who called for Casey's ouster as a bunch of gutless wonders," said Simon. "I flew in from Milan for the luncheon, but after Goldwater backed off and it's obvious that Casey will stay, we agreed to cancel the luncheons."

Simon and Shultz rallied to Casey's side after the White House upset a planned rally of former OSS agents who served under Casey in World War II. "Our plans were bigger, not just OSS people but friends of Casey from everywhere," said Simon. "I would have called the Casey investigation ridiculous. Then I planned to say that we have made public service so unattractive that if we don't watch out, we'll soon be run by academics and neuters."

## **Say McCann out as envoy to Ireland**

At least one pair of Irish eyes will soon stop smiling after a Reagan nominee gets the word that the administration has pulled the rug out from under him. William E. McCann of Short Hills, N.J., will not be named President Reagan's ambassador to Ireland, despite all the tough talk in administration circles that the Prez would hang tough and send his name to the Senate.

Allegations have recently surfaced that McCann's New Jersey insurance company had done business with a convicted stock swindler.

It was back on St. Patrick's Day that Reagan dropped into a reception at the Irish Embassy to announce his intention to appoint McCann.

But a top administration source yesterday told the People Page: "The President is set to pull his nomination. It should come down in a couple of days. McCann no longer has a chance."

McCann, president of the Foundation Life Insurance Co. in Chatham, N.J., was one of the top Northeast fund-raisers for the Reagan-Bush team. His main sponsor, said the source, is Central Intelligence Director William E. Casey, who recently survived a firestorm of his own involving some of his past business practices.

So, who will Reagan now tab for the Irish post? Speculation is centering on Peter Murphy, a wealthy fund-raiser from the Pacific Northwest.

RELIVING the past in order to come to terms with it may be acceptable therapeutic technique—but it's hardly the way to conduct foreign affairs.

Yet that's what the Reagan administration often seems to be doing. It reaches into the past for foreign policies as if everything that went wrong in the last 25 years or so can be erased by doing the same things over again to prove that they can work after all.

First we had El Salvador, where

By Arnold R. Isaacs

the secretary of State gave the impression he wanted to try Vietnam again to make it come out right. Now there's the Central Intelligence Agency's reported scheme to get rid of Libya's strongman, Muammar El Kadafi.

On El Salvador, much of what was said by Secretary of State Alexander Haig and by other top-level spokesmen was breathtakingly unconnected with any of the real issues in that unhappy country.

A few knowledgeable journalists tried to explain some of the significant background, and do did Robert White, the holdover U.S. ambassador. Mr. White could have explained, if anyone were listening, that military aid was unlikely to strengthen a well-meaning but weak civilian regime like the Salvadoran junta; in Latin America, armies have traditionally seem themselves not as servants of civilian authority but as protectors of a national mystique that must be guarded against the grubbiness of civilian politics.

Such inconvenient realities were not welcomed by Mr. White's superiors, however. From all available evidence, what concerned Mr. Haig was showing that America has recovered from Vietnam and is again prepared to intervene in the world against Soviet mischief. For that purpose no one need care about Salvadoran circumstances. The uprising could just as easily have been in Borneo, or Burundi.

For his efforts to relate policy to

## Hairy Chested Nostalgia

local reality, Mr. White was canned. Most of the press, meanwhile, was as mesmerized as Secretary Haig, though perhaps for different reasons, with facile but misleading comparison of El Salvador with Vietnam.

As soon as the single word "advisers" entered the story, with its inevitable echo of America tip-toeing into Indochina, most other issues that should have been explored in the press and on television were smothered.

The same policy-as-psychotherapy impulse seems to have inspired the Libyan "destabilization" program, which reportedly won the endorsement of CIA Director William Casey and of a White House panel under Vice President Bush before protests from alarmed members of the House Intelligence Committee forced the administration to take a second look.

While the plan was still alive, though, it must have had great appeal. Consider: No more fighting the Cold War with one hand behind the back; no more Mr. Nice Guy. The CIA as representative of American will and power would again be feared; as when it arranged the overthrow of Mohammed Mossadegh in Iran or the leftist Jacobo Arbenz in Guatemala.

It sounds tempting. But the world has changed since the heyday of clandestine operators. In the early 1950s the United States was unchallengeably dominant in the non-Communist world. Even when the CIA's footprints were too large to be hidden, as happened in Guatemala, few countries of any importance to Washington had the inclination to protest the agency's actions, or were in a position to do so even if they were so inclined.

Today that is no longer true. Even if a dangerous or unfriendly govern-

ment could be toppled as handily as was Mr. Arbenz's 27 years ago, there are a lot more governments now, including many with diplomatic or economic significance to the U.S., that would be angered or threatened—and would have no inhibitions about saying so.

It's worth remembering, too, that the triumphs of the past don't always look quite so beneficial from the vantage point of history.

If you overthrow somebody's government, they have a habit of holding you responsible for whatever happens afterward, as we have recently been reminded in Iran.

The upheavals there since 1979 did not spring from any single root event, obviously. But Iranians remember, even if most Americans don't, that it was the CIA-run coup in 1953 that let the Shah rule as well as reign. That memory certainly is connected with the detonations that proved so damaging to American purposes a quarter-century later.

Similarly, it is far from proven that the CIA's shenanigans in Guatemala in the 1950s were ultimately for the good of either Guatemala or the United States.

Virtually without interruption since the Arbenz regime was ousted by CIA-backed rightists in 1954, Guatemala has been misgoverned by a succession of right-wing military governments while being brutalized by terrorism from both right and left that has taken tens of thousands of lives. In the violence, all efforts at social and political reform have been stunted, and the country is being propelled toward a grim day of reckoning.

Whatever the real or imagined outcomes of those past episodes, however, and whatever the fantasies of old and new cold warriors in the Reagan administration, there is no going back. Those who do not remember the past are condemned to relive it. George Santayana wrote: The same can be said, perhaps, of those who remember but do not understand.

Mr. Isaacs, a former correspondent for The Sun in Asia and Latin America, is writing a book on Vietnam.

MIAMI HERALD  
 28 11 1981

## EDITORIALS

# For the Sake of the CIA, William Casey Must Go

IF ANY doubts remained about William Casey's manifest ineptitude as director of the Central Intelligence Agency (CIA), they should not withstand exposure to Mr. Casey's latest blunder.

Incredibly, at the very moment when scandal threatened to engulf him, when senators were calling for his head because of his demonstrably bad judgment, Mr. Casey chose to deliver a speech in which he gave away numerous secrets about the CIA. In doing so he violated not only CIA policies but minimal rules of common sense as well.

Mr. Casey assembled CIA employees at the agency's headquarters on July 27 to defend himself before them regarding the allegations against him. Evidently it was intended to be a kind of pep talk. That in itself is unobjectionable.

For reasons known only to him, however, Mr. Casey saw fit in his speech to detail his travels during six months as CIA director, to name previously undisclosed names of key agency personnel and their duties, and to make a provocative and disturbing reference to the agency's "domestic collection" activities. That reference raises questions of whether the spy agency is obeying its charter limits against spying inside U.S. borders. Mr. Casey then distributed his speech all over Capitol Hill, assuring its public disclosure.

The case against Mr. Casey centers on his bad judgment. The nation's intelligence agency, after all, is the last place to entrust to a man who, presented choices, habitually chooses the wrong option. Yet it is clear that Mr. Casey suffers from this affliction.

It was clear from the time Mr. Casey chose as the agency's spymaster and overseer of all covert operations a man totally without qualifications for the post, Mr. Casey's choice for that job, Max Hugel, was a New Hampshire businessman and a political crony. A scandal about Mr. Hugel's possibly illegal past business practices forced his resignation and brought Mr. Casey's shortcomings into focus.

Mr. Casey's own involvement in legal challenges to his past business practices only adds to suspicions about his judgment. At the very least, his obligation to defend himself on those legal charges is a detriment to his agency.

Mr. Casey's obstinance in clinging to his post demonstrates his lack of concern for what damage he may inflict on the agency he heads. His speech last week, in which he blabbed away agency secrets, underscores the point.

White House political muscle succeeded in clamping a muzzle on the Senate Intelligence Committee's inquiry into Mr. Casey's fitness for office. That protective effort was misguided. Clearly the White House's best interests are not being well-served by the continuation of Mr. Casey in his current post, nor are the CIA's, nor are the nation's.

Mr. Casey deserves no more opportunities to shoot himself in the foot and his agency in the heart. He is clearly not the person whom the United States should trust to guard this nation's most sensitive information.

He should resign. The Senate should insist upon it, and so should the White House. The longer William Casey heads the CIA, the greater the risk.

4 August 1981

WASH DC 0010  
BY DAVID SMALLEY

NEWHOUSE NEWS SERVICE

WASHINGTON - THE REAGAN ADMINISTRATION NOW IS INCLINED TO DROP THE NOMINATION OF WILLIAM E. MCCANN TO BE AMBASSADOR TO IRELAND, ACCORDING TO A SENIOR WHITE HOUSE OFFICIAL.

PRESS REPORTS HAVE RAISED QUESTIONS ABOUT NEW JERSEY INSURANCE EXECUTIVE MCCANN'S BUSINESS DEALINGS WITH CONVICTED SWINDLER LOUIS C. OSTREA, WHOM SENATE INVESTIGATORS HAVE IDENTIFIED AS AN ASSOCIATE OF ORGANIZED CRIME FIGURES.

PRESIDENT REAGAN'S TOP ADVISERS ARE EXPECTED TO REVIEW THE NOMINATION IN A MEETING WEDNESDAY, THE WHITE HOUSE OFFICIAL SAID. ASKED WHETHER MCCANN WOULD BE DROPPED FROM CONSIDERATION FOR THE DUBLIN POST, THE OFFICIAL SAID: "WE'RE LEARNING IN THAT DIRECTION."

THE WEDNESDAY MEETING WOULD BE THE FIRST OCCASION FOR THE THREE TOP WHITE HOUSE STAFF MEMBERS - EDWIN MERSER III, JAMES A. BAKER III AND MICHAEL A. DEARER - TO REVIEW THE INTENSIFIED BACKGROUND INVESTIGATION OF MCCANN TRIGGERED BY A NEWHOUSE NEWS SERVICE REPORT OF MCCANN'S BUSINESS DEALINGS WITH OSTREA.

REAGAN NAMED MCCANN AS HIS CHOICE FOR THE AMBASSADORSHIP AT A ST. PATRICK'S DAY LUNCHEON AT THE IRISH EMBASSY IN WASHINGTON. THE CHOICE WAS ACCEPTED BY THE IRISH GOVERNMENT.

ALTHOUGH MCCANN INITIALLY WAS GIVEN SECURITY CLEARANCE, HIS NAME HAS YET TO BE FORMALLY SUBMITTED TO THE SENATE FOR CONFIRMATION.

THE NEWHOUSE NEWS SERVICE REPORTED IN JUNE THAT MCCANN AND HIS COMPANY - FOUNDATION LIFE INSURANCE CO. OF CHATHAM, N.J. - HAD EXTENSIVE DEALINGS FOR AT LEAST EIGHT YEARS BEGINNING IN 1968 WITH OSTREA, WHO WAS IDENTIFIED BY SENATE INVESTIGATORS IN 1972 AS AN ASSOCIATE OF MOBSTERS AND LABOR RACKETEERS.

COURT RECORDS AND SENATE DOCUMENTS SHOWED THAT OSTREA - WHO HAS BEEN CONVICTED OF STOCK FRAUD, EMBEZZLEMENT AND INCOME TAX EVASION AND NOW IS IN FEDERAL PRISON - SOLD MILLIONS OF DOLLARS WORTH OF INSURANCE TO LABOR UNIONS FOR MCCANN'S FIRM.

MCCANN, A REAGAN FUND-RAISER IN NEW JERSEY DURING THE 1980 PRESIDENTIAL CAMPAIGN, HAS SAID OSTREA WAS A CONSULTANT TO A BROKERAGE AGENCY THAT SOLD INSURANCE FOR FOUNDATION LIFE. MCCANN HAS SAID HE WAS UNAWARE OF THE DETAILS OF OSTREA'S BACKGROUND.

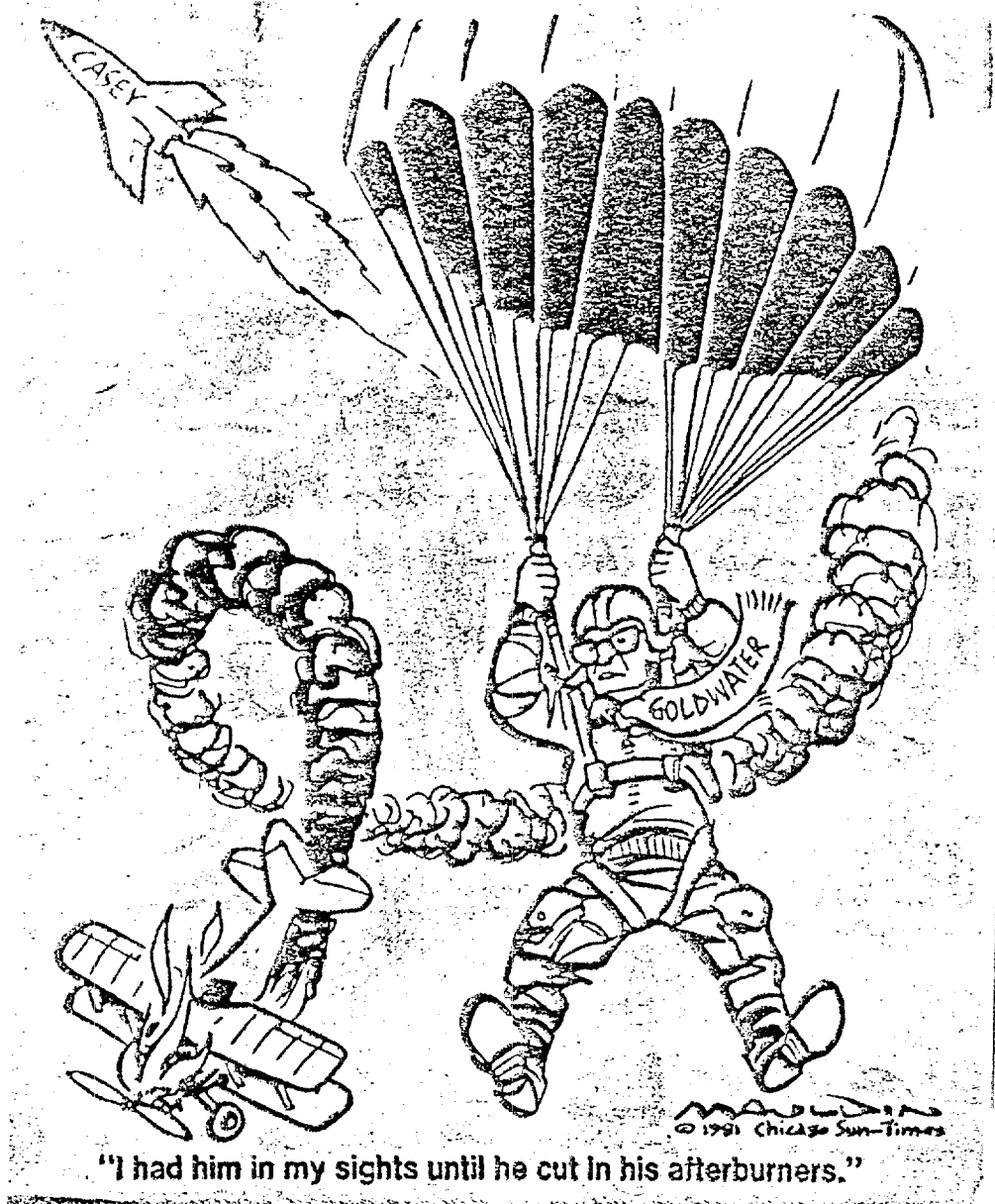
MCCANN'S CHIEF SPONSOR IN WINNING SELECTION FOR AN ADMINISTRATION JOB IS SAID TO HAVE BEEN CIA DIRECTOR WILLIAM J. CASEY. CASEY'S JUDGMENT FOR SELECTING PERSONNEL RECENTLY CAME UNDER QUESTION ON CAPITOL HILL WHEN HIS CHIEF OF COVERT OPERATIONS, MAX HUGEL, RESIGNED BECAUSE OF ALLEGATIONS OF BUSINESS IMPROPRIETIES.

33 END

JACKSONVILLE FLORIDA TIMES-UNION  
4 August 1981







# First Aide Treatment

## Accolades at the Folger for Helene von Damm

By Joseph McLellan

At 10 last night, some of the most powerful men in the United States stood in the Great Hall of the Folger Shakespeare Library, greedily inhaling tobacco fumes between the entrée and dessert of a dinner in the Reading Room, where cigarettes and cigars have never (well, hardly ever) been ignited before.

"The waiter took away my ashtray," said OMB Director David Stockman (whose ashtray must have been stolen from the Great Hall to reappear on his dinner table). "What else could I do?"

Inside, offering a token resistance to social pressure, presidential assistant Lyn Nofziger puffed on one of the cigars without which he would be unrecognizable. It was unlighted (the waiters at the dinner-dance were truly formidable), but one end of it showed signs of intensive chewing. "Is that Mickey Mouse on your necktie?" asked an admirer, squinting at the small figure painted on his black tie. "Certainly," said Nofziger, and indeed it was the Walt Disney hero, mitigating the severity of a black-tie affair in the depths of Washington's dog days.

Stockman, Nofziger and a whole battalion of Reagan administration heavies gathered last night in the Folger Reading Room (a sanctuary usually reserved for literary scholars at or near the PhD level) to pay tribute to one of the most formidable figures in the current power structure: Helene von Damm, special assistant to the president, whose desk is just outside the Oval Office and whose scrutiny is imposed on all who pass into the inner sanctum. The party was sponsored by two old friends — Joe D. Miller, deputy executive vice president of the American Medical Association, which was von Damm's first employer, and Roy Pfautch, proprietor of an organization in St. Louis called Civic Service Inc. If anybody thinks von Damm is less than spectacularly wonderful, they were not in the Folger last night, or they were keeping their mouths prudently shut.

"Helene is one of the finest ladies I know," said White House counselor Ed Meese, "and has been a continual help to the president for 15 years. It's a great pleasure to join in honoring her tonight." Nobody registered a dissenting opinion, though a few were willing to talk about other subjects. Stockman, fresh from a series of stunning congressional victories, said he is "still working" on his next major proposal. Meanwhile, he said, "My next suggestion for the congressional agenda is for them to take a well-earned vacation."

Deputy chief of staff Michael Deaver said that von Damm is "one of the most sincere, nice people I know, and the only problem is that she is Ronald Reagan's secretary. He's too nice by himself, and he needs somebody tough. I used to date her before I met my wife. She has a heart as big as all outdoors."

The guest list of about 150 read like a Who's Who in the Reagan administration, including Attorney General William French Smith; Secretary of Transportation Drew Lewis, who appeared briefly and left early to deal with the continuing crisis of the striking air traffic controllers; CIA Director William Casey, fresh from his battle with congressional investigators; Defense Secretary Caspar Weinberger; White House chief of staff James Baker; FBI Director William Webster; White House protocol chief Lee Annenberg and her husband, Walter.

The guest of honor, who came to the United States from Russian-occupied Austria after World War II and had her introduction to American politics working for the Political Action Committee of the American Medical Association, was happy but not overwhelmed (obviously, she does not overwhelm easily) at the turnout in her honor. Thinking back 35 years, to the time when she was a little girl in Austria scared of the occupying Russian soldiers, she said, "What was going through my mind all night was a song. 'If they could

Von Damm said that she now sees Reagan, on an average day, "sometimes an hour, sometimes half an hour, sometimes never. But we have known each other going back to 1968, and we can read each other; it is a very comfortable relationship — a totally comfortable and very easy relationship." Her husband since May, Byron Leeds, "knows that Ronald Reagan was here before he was, and he is something different and special," she said.

By this time, the dinner had ended and everyone was out in the Great Hall, jitterbugging to hits of the recent and distant past, played by the Gene Donati Band in a room that usually hears no music composed much after 1600. Instead of Elizabethan madrigals, pavans and galliards, the room vibrated to tunes ranging from "Tennessee Waltz" and "Sentimental Journey" to the daringly modern "Leroy Brown."

"Look," said von Damm, pointing to the piano where two nonmembers of the Musicians' Union were tickling the ivories in tandem, "[ICA Director] Charlie Wick and Mike Deaver are playing together for the dance and sing-along."

Earlier, among those driven out of the Reading Room or a smoke during the meal, Secretary of Commerce Malcolm Baldrige was busy defending his efforts to get people in his department to write clearly. "All I'm trying to do," he said, "is get them to say what they mean on one page. Then maybe we can get something done." Stockman listened sympathetically, then moved off to a quiet corner for a private conversation with an aide.

Being held at the Folger, in a room that has seen few dinner parties in the past, this party had some special features besides the no-smoking rule. Instead of the customary table numbers, which inevitably raise prickly questions of rank, each table was designated by a quote from Shakespeare. Each quote had an overtly political overtone, ranging from "Greatness knows itself" (Henry IV) to "Sweet mercy is nobility's true badge" (Titus Andronicus).

4 August 1981

ARTICLE APPEARED  
ON PAGE 11AImage is power*If Casey didn't look like Kibbee*

by Jeff Greenfield

Now that CIA Director William Casey has regained a firm grip on his job, it is time to figure out why he's aroused such hostility among such stalwart Republicans as Barry Goldwater and his colleagues on the Senate Intelligence Committee.

These gentlemen could hardly have been upset by the colorful financial escapades of Casey and his former deputy Max Hugel; entrepreneurial flamboyance goes hand-in-glove with vigorous private enterprise. And the "liberal media gaug-up" notion simply will not work here. If Casey had aroused the left with a plan to restore the agency's covert-action capacity, the Republican senators on the Intelligence Committee would have responded with a lusty three cheers for the director.

No, the key to understanding Casey's troubles with the Senate Republicans lies not in his actions, but in his appearance. We are dealing here with a textbook case of the power of imagery in modern America.

We all know what a CIA director is supposed to look like: suave, urbane, perfectly combed silver hair, casually elegant clothes, an image suggesting squash at the club, a lunch of quiche and wine, trust funds, Wall Street law firms between government jobs, autumnal jaunts to New Haven or Cambridge for the Princeton game.

Most past CIA directors were perfect examples of the middle-aged preppy look. From Allen Dulles to Richard Helms, from George Bush to William Colby, these intelligence chiefs were reassuring symbols to senators, even when the agency was trying to explain consulting contracts with the Cosa Nostra and exploding cigars for Fidel Castro.

But, to be as kind as possible about this, William Casey simply does not look like a suave, urbane intelligence agent. (Never mind that he was an O.S.S. operative during World War II days; we're talking image property). With his round, open face, the vaguely unfocused glaze in his eyes, his mouth slightly open in perpetual

puzzlement, Casey does not look at all like a tough-minded preppy. Rather, he looks a good deal like . . . Guy Kibbee.

If you've ever seen a Busby Berkeley film, or one of those 1930s screwball comedies, you remember Guy Kibbee. He was a pudgy, agreeable gentleman with a big bankroll, a roving eye and an endless capacity for stumbling into trouble, usually ending up in his longjohns, trapped with some Sweet Cookie from the chorus in her apartment.

In "Goldiggers of 1933," Kibbee played Samuel H. Peabody, a rich man's lawyer trying to break up Ruby Keeler's romance with Dick Powell. Instead, a Sweet Cookie from the chorus named Aline MacMahon blackmailed him into putting up the money for Dick Powell's big show.

In "Dames" he played Horace P. Hemingway, brother-in-law to a puritanical millionaire, trying to stop Ruby Keeler's show business career. Instead, a Sweet Cookie from the chorus, played by Joan Blondell, blackmailed Kibbee into putting up the money for Dick Powell's big show. (Busby Berkeley was famous for his dance numbers, not his plot ingenuity).

When these Republican senators were young boys (or young man in the case of Goldwater), Guy Kibbee was one of the most familiar comedy figures in America. We all know how persistent the memories of youth can be. So it's obvious what must have happened. Every time Casey came before their committee, these Republicans saw not a shrewd veteran of intelligence and campaign wars; no, they saw a puzzled old man standing about in his longjohns in his Sweet Cookie's boudoir, as she paced about in her nightgown, waving a blank check in his face.

Their judgment was clouded by images of Kibbee — I mean, Casey — being pursued about a Zurich hotel room by some Sweet Cookie from Bulgaria demanding the secret codes to our nuclear submarines.

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entrust top-secret schemes to a man they had seen so often trapped in Joan Blondell's Murphy bed, or

Casey will never really solve his problems with the Senate Republicans until he tracks down Acolphe Menjou's tailor, Fred Astaire's barber, Alan Ladd's dentist, and takes up racquetball and wine-tasting. Otherwise, the Saturday matinee memories of Goldwater and Co. will keep insisting that Casey is the wrong Guy for the job.



William Casey



Guy Kibbee

## MARY McGRORY'S COMMENT

McCann Seeks  
A Casey Replay  
On Capitol Hill

**R**onald Reagan's choice for ambassador to Ireland, William McCann, seems bent on taking a page from the book of his patron, William J. Casey, who has just been rescued from drowning by a show of strength from his friends and some fancy White House footwork on Capitol Hill.

McCann, whose appointment was announced by the president himself at the Irish Embassy on St. Patrick's day, was, according to Capitol Hill sources, asked recently by Deputy Secretary of State William Clark to withdraw his name from consideration.

McCann, a New Jersey insurance tycoon and major Reagan fundraiser, declined. He feels he can make a fight of it and win.

The nomination, which has yet to be sent to Capitol Hill, has been in trouble since June 14, when the Newark Star-Ledger published allegations about McCann's extensive business dealings with a convicted felon named Louis Ostrer.

McCann, a large, genial Irishman, feels he is a victim of guilt by association.

When the story was taken up in Washington, reporters, who had heard from McCann that Casey was his sponsor, were told by White House aides like Michael Deaver that McCann was a multiple choice of Reaganites. By that time, of course, Casey, as a judge of men, was under a dark cloud because of his selection of the flamboyant Max Hugel as director of CIA covert operations. Deaver and others avowed that Daniel Terra and Charles Wick had been just as keen about McCann. It was unclear then whether they were trying to save Casey from McCann, or vice versa.

Casey, with the help of Paul Laxalt, the president's favorite senator, mounted a public campaign for salvation. Old friends from the OSS announced their support, and declared their intention to hold unprecedented public testimonials for the country's First Spook. More importantly, the hostility of Sen. Barry Goldwater, chairman of the Intelligence Committee, was neutralized by word from the White House that Goldwater's dream CIA Director, Adm. Bobby Inman, Casey's deputy, would not inherit the mantle. Inman, who has the innocent air of a nine-year old, buck teeth, prominent ears and all, went on television and pledged his fealty to Casey, and it was all over.

The White House did not unleash its lobbyists - Casey was on his own - but they did not forsake him in his hour of need. The price was too high. Casey is known to be an intimate friend of Reagan's, and his loss of so high a post would reflect on the president. So Reagan, on the eve of the Laxalt press conference, put out a character reference for the man who straightened out his campaign finances, and the White House thoughtfully issued a hair-raising list of possible successors - names like that of Gen. Vernon Walters, the scourge of Latin-American liberalism, and right-wing hero Gen. Daniel Graham.

Casey was exonerated by the Senate Committee in what he called "a cakewalk."

McCann, while Casey's fate hung in the balance, was summoned to the White House by personnel honcho Fred Fielding for a long seance. He protested his innocence and his viability. He is utterly confident that he can be installed in Phoenix Park, the lovely woodsy site of the U.S. Embassy in Dublin, where deer and cows graze, and where his children are already registered in local schools.

Friends of McCann are mobilizing for a replay of the Casey resurrection. They have selected Sen. Paul Tsongas, D-Mass., a member of the Foreign Relations Committee, for the role filled in the Casey case by Paul Laxalt. Tsongas comes from Lowell, which is McCann's native town, and is credited with crucial opposition to the nomination of Ernest Lefever for the State Department's human rights post.

Tsongas would be the ideal flag-bearer, since he is young, progressive and of impeccable reputation. He was first approached by the editor of the Lowell Sun, John Costello, who has been exceptionally critical of his performance in the Senate. Since then, numerous friends of McCann have approached Tsongas to lead the fight for McCann's confirmation. He will decide later this week whether or not to accept the honor.

Tsongas has had it pointed out to him that the White House has so far failed to try to recruit a Republican member of the Senate Foreign Relations Committee to take the lead for McCann.

"The White House had to do it for Casey," says one Irish-American Democrat, "because of his association with Reagan and because the agency was the CIA. They may not feel so obligated to McCann."

It is McCann's ill fortune to be under consideration for a post that becomes politically more conspicuous and sensitive every day. The Irish hunger strikers persist in their course - the latest victim, Kieran Doherty, was elected to the Irish parliament and reduces by one Prime Minister Garret FitzGerald's margin of three.

Better for McCann, at the moment anyway, if he had been named to Botswana.

## Row Over CIA Chief Uncovers Dispute On Need for Career Officer at Helm

By GERALD F. SEIB

*Staff Reporter of THE WALL STREET JOURNAL.*  
WASHINGTON—The current flap over William Casey has laid bare a festering dispute over whether he or an agency insider should hold the top post at the Central Intelligence Agency.

Some observers assert that much of the recent congressional opposition to Mr. Casey was drummed up by the so-called "old boys" network—that is, career-intelligence officials and retired intelligence officers. They think the CIA job should be held by a career officer, such as Adm. Bobby Ray Inman, Mr. Casey's deputy, according to these observers.

Mr. Casey's supporters, on the other hand, contend that as an outsider with a personal relationship with the President he is well-suited to lead the intelligence community.

The current congressional debate is less a result of new disclosures of financial dealings by Mr. Casey than a debate between these two camps, some congressional aides say. "None of this has anything to do with the financial side. The genesis of this is that the old boys decided to dump Casey for Inman," says one conservative congressional staff member, who would like to see the intelligence establishment shaken up by new faces.

From the start, some lawmakers and professional intelligence officials have been cool to the appointment of Mr. Casey as director of central intelligence. Because of his age—68 years old—they doubted he would have the vigor to push the kind of rebuilding program many thought necessary. And they were worried because Mr. Casey's only direct experience in intelligence work came more than three decades ago, when he was chief of European intelligence operations for the Office of Strategic Services, forerunner of the CIA.

In addition, some intelligence professionals and lawmakers worried because Mr. Casey had been President Reagan's campaign manager. They argued that the sensitive post of CIA Director shouldn't be filled by a political appointee.

Then Mr. Casey shocked the intelligence community by appointing Max Hugel, a Reagan campaign aide and intelligence novice, to the sensitive post of Deputy Director for Operations. That job, considered by many intelligence professionals to be the agency's most sensitive, put Mr. Hugel in charge of the agency's clandestine spy activities and secret operations.

The appointment was lambasted widely in the intelligence community and the press and on Capitol Hill. Mr. Casey was accused of mixing politics with intelligence work. The intelligence establishment began questioning Mr. Casey's judgment.

Mr. Casey's subsequent problems "fall into nothingness compared to the appointment of Max Hugel," contends one intelligence professional. "I know of nobody who didn't tell him he was out of his head" for naming Mr. Hugel.

After several weeks on the job, Mr. Hugel had to resign when business associates accused him of improper business dealings. On the same day Mr. Hugel quit, it was disclosed that a federal judge in New York ruled that Mr. Casey and other directors of Multiponics Inc., a failed agricultural concern, had misled potential investors. That disclosure has prompted a Senate Intelligence Committee inquiry of Mr. Casey, which will continue for about another two weeks.

So far, the inquiry hasn't disclosed any damaging new information about Mr. Casey's business past. But the congressional dissatisfaction continues to run deep, for reasons beyond Mr. Casey's business history. "administration" officials concede. "There's a feeling over there that he just isn't effective and they would rather have Inman as director," one White House official said.

By contrast, Admiral Inman is widely popular on Capitol Hill. He is a highly regarded professional with 21 years' experience in intelligence activities. Before being named Mr. Casey's deputy, he was Director of the National Security Agency, a secretive electronic surveillance and decoding organization within the Defense Department.

Sen. Barry Goldwater (R., Ariz.), Chairman of the Senate Intelligence Committee and the first lawmaker to call on Mr. Casey to resign, often has voiced high regard for Admiral Inman. In fact, he pushed Mr. Casey to name the Admiral to be his deputy.

"Admiral Inman is held in very high regard by this committee, in fact by every intelligence person I know around the world," Sen. Goldwater told Mr. Casey at his confirmation hearings.

Congressional sources say Sen. Goldwater believes Admiral Inman should have got the top CIA post in the first place. After Mr. Casey's highly publicized troubles, they say, Sen. Goldwater decided the CIA could function more quietly and effectively if Admiral Inman were elevated to the top spot.

Some members of the intelligence community, who also preferred Admiral Inman, pushed Sen. Goldwater to take his stand against Mr. Casey, congressional aides said.

Others say, however, that the role of the intelligence community in Mr. Casey's troubles is overrated. "I think this is a matter of giving the old boys network more

Biden (D., Del.) Mr. Casey's problems arose largely because some congressional leaders decided "nobody has confidence in

Michael Kilian

# A covert CIA news conference

In defending embattled Central Intelligence Agency Director William Casey, the White House pointed out that the controversial CIA plan to overthrow the government of Libya was actually one to overthrow the government of Mauritania, a small former French colony in Africa.

Q—Before we begin this news conference, Mr. Casey, could you explain why you have us all strapped to our chairs with iron balls chained to our feet?

A—Standard CIA press conference procedure, at least since I took over. We're going to stop these news leaks one way or another.

Q—But this is a news conference, isn't it? Afterwards we're all going to walk out of here.

A—Heh, heh, heh. Next question.

Q—Mr. Casey, despite the controversy surrounding you and reports that many CIA employes are plotting your ouster, you claim that a speech you gave them was received with a standing ovation. What did you say?

A—I told them I was going to resign, but I'm sure they recognized that was just cover.

Q—You mean, you're not going to resign?

A—Why should I? There's nothing that's come out that I haven't been doing all of my life. The Senate has given me a clean bill of health (cough, cough). That's what I've called you here to say.

Q—Speaking of cover, Mr. Casey, Newsweek reports that your former chief spy, Max Hugel, had come up with a plan to use disinformation, subversion, and paramilitary action to overthrow the Libyan government of Moammar Khadafy. Is this true?

A—Certainly not! What kind of people do you think we are? As the White House made clear, the plan was to overthrow the government of Mauritania.

Q—That makes it better?

A—You fail to understand our strategic interests. Mauritania is the gateway to Mali. And to some other country. I forget the name. Rorocco or something.

Q—Don't you mean Morocco?

A—Right. Morocco. I keep getting them mixed up now that the war's over.

Q—Do you mean the Viet Nam War?

A—Never heard of that. I'm talking about the most wonderful war of all time, WW Two, when I was running all the OSS agents in Europe. Did you know I had the perfect plan to capture Hitler? But the Russians ruined it by capturing Berlin.

Q—Getting back to these covert operations, sir, do you have any more Mauritanias up your sleeve?

A—Well, there's our plan to overthrow the government of strategic Sri Lanka. If we can't overthrow it, maybe we can

at least get them to change their name back to Ceylon. I have trouble spelling Sri Lanka. Then there's our plan to overthrow the government of all-important Bermuda. We're going to have teams of agents motor ashore on mopeds disguised as vacationing school teachers wearing Bermuda shorts . . .

Q—Why is Bermuda "all important"?

A—We're going to need it as a coaling station.

Q—Coaling station?

A—Some of those battleships we're taking out of mothballs are pretty old. Then there's our plan to remake strategic Lower Volta.

Q—But Mr. Casey, there is no Lower Volta. There's just Upper Volta.

A—That's what you think. The Russians have just hidden Lower Volta someplace. But I have agents out looking for it everywhere. Then there's my plan to capture Hitler.

Q—But, sir, Hitler committed suicide nearly 40 years ago.

A—That's what the Russians said. But who can trust a Commie? Besides, a perfect plan shouldn't go to waste.

Q—Mr. Casey, there are also reports that you sneer at agents who come up with intelligence that contradicts President Reagan's campaign statements. Can that be true?

A—Any agent who doesn't know that the Soviets are behind everything probably doesn't even know that the President is younger than all the world leaders he has to deal with.

Q—Mr. Casey, do you still defend your appointment of Max Hugel, a New Hampshire wheeler-dealer businessman with no espionage experience, as your top spy?

A—Hugel is the best undercover man I've ever seen.

Q—What do you mean?

A—He wears a toupee. Besides, look how he took care of the subversive Trilateral Commission and George Bush in the New Hampshire primary.

Q—But Bush is Vice President, and one of the most popular directors the CIA has ever had.

A—I know. I got my second standing ovation by telling the employes that I was really George Bush in a deep cover disguise.

Q—Mr. Casey, it's said the reason there was so much Senate opposition to you was not your questionable business dealings or your tainted record with the Nixon administration . . .

A—I am not a crook.

Q—One last question, Mr. Casey. Will we be able to leave here?

A—If you let me come with you. I've forgotten the way out.

3 August 1981

# A Conversation With Barry Goldwater

By ALBERT R. HUNT

WASHINGTON—A smile creases the craggy face of the veteran Senator when the legislative proposal aimed at preserving teen-age chastity comes up.

"How the hell are you going to preserve teen-age chastity?" he blurts out. "This has been going on since Adam and Eve and I don't know how old they were when they knocked that apple off. . . . Government can't stop promiscuity of teenagers."

This is the voice of the old conservative warhorse Barry Goldwater. He's discussing a proposal by two of the newer Republican conservative Senators, Orrin Hatch of Utah and Alabama's Jeremiah Denton, that is intended to curb teen-age promiscuity.

The Arizona Republican always has been salty and blunt. But his view on this seemingly peripheral issue also underscores the sharp rift between his brand of old-fashioned conservatism and that of the new right. Barry Goldwater accords very low priority to the so-called social issues—such as abortion and busing—that are the mainstay of the new right's position.

Thus he is viewed as a relic by many of the younger hard-core conservatives. Human Events, the weekly bible of the right, recently suggested the 72-year-old lawmaker "has all but tuned out of relevant conservative politics for years now." The new right direct-mail genius Richard Viguerie says conservatives owe Barry Goldwater a great debt "but nobody would suggest he's a conservative leader anymore."

Perhaps not, but these days Barry Goldwater's political juices are flowing more

freely than at any time since his ill-fated 1964 presidential run. He's in the thick of the news, defending the nomination of his friend Sandra O'Connor to the Supreme Court, assailing the Moral Majority and other new right figures. And, as chairman of the Senate Intelligence Committee, he has been smack in the middle of the

controversy over the fitness of William Casey to serve as CIA director.

Early last week the forthright and free-wheeling Mr. Goldwater offered his views on a variety of subjects. The following are excerpts from that conversation:

The new right: "I just dropped my subscription to Human Events last week, because I don't believe they represent true

conservatism. During some of my campaigns people said, 'Well, Goldwater isn't the old dog fighter he used to be.' I never thought you had to be a dog fighter to be a conservative and I disagree with Human Events on that. I also disagree with Viguerie whom I, by the way, helped get started. I lent him some of my fat-cat names so he could start building up his multimillion-dollar business.

"I've been a conservative all my life but I don't look upon conservatism as some

point that they will unite against the President or any Republican? But balancing that, I think, is that a growing number of people, of both liberal and conservative persuasion, realize that either we change our way of economic life or this country is going to cease to exist as we have known it."

Business: "The businessman has become far, far more liberal—without being willing to admit it—as a result of this growing dependence on the federal govern-

*I've been a conservative all my life but I don't look upon conservatism as some of these people do. I don't believe abortion or busing are conservative or liberal.*

of these people do. I don't believe abortion or busing are conservative or liberal.

"You might say busing is centralism, but it's neither centralism nor noncentralism. It was a vehicle that gave us a way to accomplish a decision of the Supreme Court. I don't like busing but not for any conservative reason. On the subject of abortion, I've been a member of the Right to Life group, which my wife raised hell with me about because she started Planned Parenthood in Arizona. But I've left the Right to Life group not because I don't continue to vote for most of their principles but (because) I don't think any group that organizes themselves solely for the purpose of a single issue can call themselves conservative.

"I worked hard against labor unions when they did the same thing back in the 1950s. They came here with millions of dollars representing millions of people and saying, 'you either vote our way or we're going to get rid of you.' Now that's exactly what the Moral Majority is doing and what the Right to Life group is doing and, as a conservative, I find it every bit as distasteful."

Conservatism: "I don't think a conservative today is any different than a conservative has been since the days of the Greeks. We want to make progress on the proven values of the past. Our constitutional government is the finest thing ever devised by man. Why screw around with it? Our American free-market system has produced more goods for more people than all the other systems of the world put together. Now why should we follow Lord Keynes and go back to the days of socialism? In other words, don't fool around with things that don't work.

"A major factor today is that we have such a large percentage of our population living off the rest of the population. The question is: Will the Reagan economic policies turn out to hurt these people to the

ment for control, for liberal handouts. You have to admit the managerial expertise in this country has gone down. You don't find the woods full of good managers any more.

"Business has become more a system of conglomerates that will make anything, any item and any different variety of items, with the sole idea being to make some money. Nobody has pride in what they're doing; they just want to show a little profit. Now there's nothing wrong with making money. But I think there's something to be said for a manufacturer learning how to make what he started out to make and doing it well."

The Reagan administration: "I think the President has done well so far. The only criticism I have is that he has been too slow in making some appointments. I think he's still short over 20 top appointments in the Defense Department.

"As for policy and people, I can't think of any reason to be upset. We've been talking a lot about a tough foreign policy and I think (Secretary of State) Haig has provided that. I think the Russians understand it. I wouldn't say that (Defense Secretary) Caspar Weinberger is the most knowledgeable military man available but, after all, he went from a private to a captain working for Gen. MacArthur and that's tough. There's a lot of screaming about (Deputy Defense Secretary) Carlucci, but he damn near got killed in the service of his country and probably saved Portugal for us. (Mr. Carlucci formerly served as ambassador to Portugal.)

"People criticize Jim Watt but he is a Westerner and the Department of Interior is nothing but the West. I think I could put every inch of ground that the department controls east of the Mississippi in this office. But in the West the Department of Interior owns the land, runs the land, takes money from our states and here we have a man (Watt) who knows the trouble.

"I approve of Reagan's spending and

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tax cuts completely. I might have cut taxes differently but I approve of his tax cut. The first year it's going to cause a very large deficit. But in the succeeding years we probably should grow rapidly enough to provide a minimum of 10 million new jobs. I think his idea of allowing the wage-earner to keep and spend more of his own money is certainly going to promote new business and that's what we have to have."

Central Intelligence Agency: "What happened under the Church Committee (the Senate inquiry led by former Sen. Frank Church) almost destroyed American intelligence and most of it was based on untruths, some of it downright distortions. It caused a breakdown of morale in the intelligence family, not just the CIA, to the point that we are just now beginning to get a little back. Our intelligence-gathering is superb. Our assessment level has to be brought back but that takes time."

#### Drastic Steps Aren't Needed

"You have to remember that every excess that was practiced was by order of a President. And when the President says, 'Do it,' you do it. Forgetting that and recognizing that harm has been done, I don't think there are drastic steps that are needed. I think it has to be a slow process of rebuilding, of recognizing ability and promoting ability."

"That's my only real argument with Bill Casey. He promoted a man (Max Hugel) who had never been in intelligence, knew nothing about it, and made him head of clandestine operations, which is the chief spy. That was a major mistake and it has had a very, very damaging result on recruitment from below. But that will blow over and things will go along."

Civil rights: "I voted against the civil rights bill (the 1964 law including a public accommodations provision) for one reason . . . and that was they said you have to rent your home to anyone. I don't buy that. I'm old-fashioned, I think the right of property is one of the most sacred rights that we have. You try to tell me I have to rent my house to a drunken Irishman or a Communist, I'm going to tell you to go to hell."

"One time many years ago I felt that voting was more of a state's right than a federal right. I have changed my mind on that. I think that all people should be allowed to vote. When you get down to it, it's about the only muscle we have."

"I have always believed that the only difference between a black man and a white man is his color. We both bleed red, we both breathe. We do the same damn things, but one of them is black and the other is white. The same thing with Indians."

*Mr. Hunt, a member of the Journal's Washington bureau, covers politics.*



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## The CIA: Can Casey Survive?

Barry Goldwater, the senior senator from Arizona, had finally dropped off to sleep after a taxing day last week when the telephone rang. CIA director William J. Casey was on the line, anguished and angered by what he had just heard—the senator's televised call for Casey's resignation. "I can't believe you said that," Casey said. Goldwater, not at his best at that hour, according to a friend, immediately shot back: "Well, Bill, you better believe it, because that's what I said."

Goldwater, chairman of the Senate Select Committee on Intelligence, was hardly alone. Key committee members agreed that Casey had to go, and they said so

destabilize the regime of Libyan leader Muammar Kaddafi (page 19).

In fact, White House officials were beginning to translate their concerns about Casey into action. NEWSWEEK learned that a search has already begun for possible replacements for Casey, with three retired Army generals heading the list. They included Ambassador-at-Large Vernon Walters, a former CIA deputy director; Daniel O. Graham, a hard-right former director of the Pentagon's Defense Intelligence Agency (DIA), and Samuel V. Wilson, who has served as both DIA director and deputy director of the CIA. Conspicuously absent from the Administration short list was the current CIA deputy director, Adm. Bobby Ray Inman, a former director of the National Security Agency. His absence reflected a deepening rift between top Reagan aides who want to amend the CIA charter to give the agency more latitude in covert operations and Inman—an intelligence professional who believes the CIA's real problems are inadequate funding and a deteriorating analytical capability.

**Going Public:** Goldwater's decision to go public in the Casey affair was almost as big a surprise to the senator as it was to Casey and the White House. Privately Goldwater had often expressed hope that Casey would resign. He agreed to face TV cameras Thursday night to deny an inaccurate CBS News report that he had advised Casey directly to step down. But responding to a reporter's question, he confirmed his own grim conclusion about the CIA boss. "That he appointed an inexperienced man to be, in effect, the nation's top spy was bad enough," Goldwater said.

"Hugel's appointment is . . . sufficient . . . for Mr. Casey to retire or the President to have him retire."

Others quickly followed suit. Republican whip Ted Stevens of Alaska, whose loyalty is valued at the White House, said that conversations with other members of the Senate intelligence committee and the Senate defense appropriations subcommittee had persuaded him that his friend Casey should leave the CIA "for the good of the agency." When Majority Leader Howard Baker promised to support Goldwater, the speculation in Washington was that Casey would be gone by the weekend.

Then the snowball began to melt a bit. Casey himself launched an earnest counter-offensive, dropping by Congressional offices and asking for time to make his

defense. He promised to give the intelligence committee material this week that would "lay this controversy to rest." At a 25-minute meeting Friday in Howard Baker's office, according to one source present, Casey was "showing signs of the strain." Baker ultimately called all GOP members of the intelligence panel and urged them "not to get too far out in front until we are in possession of all the facts." Senate Democrats also began stressing the need for due process in deciding Casey's fate.

Official scrutiny of Casey's business record over the years has not prevented him from serving as chairman of the Securities and Exchange Commission, Under Secretary of State for Economic Affairs and president of the Export-Import Bank. But newspaper stories a fortnight ago disclosed that two Federal judges in the past year had cited Casey for financial improprieties

in connection with a failed agribusiness concern, Multiponics, Inc. And Democratic Sen. Daniel P. Moynihan said the intelligence panel, aided by ten FBI agents, planned a "thorough" investigation of Casey's taxes and other business ties—including some minor holdings not disclosed at his CIA confirmation hearings.

**'Harebrained' Schemes:** Goldwater and others on the Hill were clearly less concerned with Casey's corporate affairs than with his judgment as boss of the CIA. Choosing Hugel—who held a relatively minor post in the Reagan campaign—as deputy director for operations has been the most controversial of Casey's decisions at the agency, but it is not the only one to be called into question. He also signed off on a proposal for new, watered-down restrictions on the CIA without even reading it, a White House aide admitted. Moreover, some Con-

gressional sources said there was a feeling that Casey was too willing to approve "harebrained" schemes. After learning about the Libyan operation, for example, members of the House intelligence committee took the unusual step of writing directly to the President to object, bypassing Casey and Hugel. During the Carter Administration, such objections were registered verbally with former CIA director Stansfield Turner when he briefed the panel on covert plans. But Casey generally avoids such briefings, and members of the intelligence committee were not sure that their concerns would be passed on and considered.

At the White House, reaction to Casey's deepening problems did not show up in the kind of blind loyalty that bound Jimmy Carter so tightly to his banking buddy Bert Lance, who ultimately resigned under fire as director of the Office of Management and



The director: Buying himself a weekend

publicly—diverting attention from Ronald Reagan's initiation to summitry at Ottawa and presenting him with the first political crisis of his Administration. In public, Reagan's men described their boss as having "full confidence" in Casey. But privately, aides were troubled by the chorus of criticism from Capitol Hill. White House spokesman David Gergen conceded that the "climate" might change as a result of an intelligence committee staff report, due this week, on Casey's past business dealings and his controversial decision to put businessman Max Hugel—who resigned a fortnight ago—in charge of covert operations at the CIA. The House Select Committee on Intelligence, NEWSWEEK learned, was also questioning Casey's judgment in approving an elaborate plan to

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Budget. But Reagan and his men were beginning to resent what they saw as an unprincipled steamrolling of Casey by Goldwater and the media. The President "thinks the process that's being played out is not very fair," said one top aide, "particularly [among] senators who are prejudging this thing before the evidence is in." Reagan's closest ally on the Hill, Republican Sen. Paul Laxalt of Nevada, held a press conference on Saturday to defend Casey's record. Laxalt and CIA general counsel Stanley Sporkin suggested Goldwater had been "taken in by false information" about Casey's Multipionics dealings.

Whatever happened to Casey, top Reagan aides were determined that Inman not replace him as director. And the selection of any of the three generals under consideration would force the 50-year-old admiral out of the second spot as well, since the law forbids military officers from filling both top positions. That wouldn't pain the Reagan people, who have harbored doubts about Inman since March when he tried to torpedo the White House proposal for a revised CIA charter. He was, he said then, "doing his damndest to [avoid] a series of repugnant changes for which I would not stay in this Administration." Said a White House aide of Inman's performance: "He panicked. He lost his cool. He said something about his own reputation he had to protect."

**Alternatives:** Bypassing Inman—or prompting him to resign—could start a confirmation battle over anyone else nominated as Casey's successor. There also were problems connected with two of the generals under consideration. Vernon Walters, for example, was briefly involved in Watergate. As Richard Nixon's former military interpreter, subsequently named deputy CIA director, Walters initially followed White House orders and sought a halt in FBI efforts to learn who paid for the break-in; he later refused to go along with that ploy. Daniel Graham, long a critic of CIA strategic estimates, has become a bombastic favorite on the right-wing lecture circuit.

If there was anything the CIA did not need at this point it was another controversial shake-up in its high command—or another round of Congressional hearings focused on its mission, methods and lingering problems. Some agency veterans said there was even a virtue in retaining Casey on the ground that he could help prevent Reagan from cutting the secret CIA budget—always an easy target—if economic conditions next year fail to meet expectations. All these factors were likely to be considered by the Congress and the White House this week. And it was at least a small comfort to the agency that this particular CIA furor was clearly not of its own making.

DAVID M. ALPERN with DAVID C. MARTIN,  
JOHN J. LINDSAY and HENRY W. HUBBARD  
in Washington



John Ficara—NEWSWEEK



Wally McNamee—NEWSWEEK



AP



Deputy Director Inman, left, Graham, Walters and Wilson: A conspicuous absence on the short list for Casey's successor

ARTICLE APPEARED  
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*Clayton Fritchey*

# The New Moynihan

One of the most surprising developments of the 97th Congress has been the emergence of a famous "neo-conservative," Sen. Daniel Patrick Moynihan (D-N.Y.), as a leading neo-liberal critic of the Reagan administration.

Who would have believed a few months ago that Moynihan would end up as the choice of the liberal-oriented Democratic congressional leadership to make the party's reply to the president's televised pitch last week for his tax program?

Yet, only two hours after Reagan finished, there was Moynihan also on the networks firing away at Reagan's arguments. Even before going on the air, however, the senator was already saying, "Something like an auction of the Treasury has been going on. This administration is seemingly willing to pay any price to win votes for their version of the tax cut, simply to gain a victory on their own terms."

The honor of speaking for the Democrats, though, was not bestowed on the supposedly conservative New York senator solely because of his opposition to Reagan's fiscal policies. He was picked because, in contrast to some of his supposedly liberal but cautious Democratic colleagues, he has not hesitated in recent months to challenge the administration on any number of fronts.

As vice chairman of the Senate Intelligence Committee, he has been concentrating on an investigation into the tangled personal affairs of William J. Casey, director of the CIA. It has, of course, been acutely embarrassing to the White House, but no more so than some of the senator's other attacks on the Reagan regime.

He accused the administration of conducting "a campaign of political terrorism" to frighten Congress into slashing Social Security. He opposed efforts to cut housing subsidies and raise rents for low-income tenants. In defending Medicare, the senator said, "In all the talk of these budget cuts, there's almost no attention paid to the most dramatic effect of Medicare. It's changed the lives of old people." He was equally concerned about what would happen to children in foster care if assistance were jeopardized by administration plans to abdicate federal control. The senator thinks the cities, especially New York, are being shortchanged in the Reagan budget, with its reduction of social programs and increases in military spending.

Moynihan has been toughest of all on the administration's foreign policy. He says it doesn't have one—just "a series of speeches and trips and press statements." He was "appalled at the way we have handled ourselves in Asia and Pakistan." He criticized Secretary of State Alexander Haig for offering arms to the Chinese and getting "nothing in return."

Moynihan himself has never appreciated being called a neo-conservative, yet that is the way he has been widely perceived in recent years. The New York Times has referred to him as "a leading apostle of neo-conservative philosophy." In The Washington Post, he was described as "a leading spokesman for a melange of hard-line foreign policies and 'free enterprise liberalism' that has come to be called neo-conservative politics."

As such, Moynihan was closely identified with a prominent group of defecting Democrats and former Democrats who found their party's foreign and military policy too "soft" and its domestic social policies too "extreme." But, unlike Moynihan, many of these old associates are now serving in the Reagan administration or uncritically supporting it.

When Norman Podhoretz, editor of Commentary and a spokesman for the neo-conservatives, first began promoting Moynihan for president, he said, "If I had to invent a candidate to suit the political

mood of the country, it would be somebody like Moynihan."

That was in 1978. What would he say today?

The senator used to blast Democratic liberals on the grounds that they believed "government should be powerful and America should be weak." Still, in speaking for the Democrats at the Gridiron dinner this spring, the new Moynihan said, "We believe in American government, and we fully expect that those who now denigrate it, and even despise it, will soon or late find themselves turning to it in necessity, even desperation."

It is hardly surprising, then, that the Democratic leadership is turning to the senator as a liberal spokesman. The Democratic National Committee, in fact, has just launched a fund raising drive with a letter appealing for help in resisting Sen. Jesse Helms (R-N.C.) and other ultra-conservatives who, the committee claims, "now control the Republican Party."

The letter, signed by Moynihan and Rep. Morris Udall, contends that the "mandate" of November has been distorted into a demand, among things, for repealing the Voting Rights Act, outlawing all abortions, subverting Social Security, crippling day-care centers and allowing developers to exploit public lands.

The senator will be up for re-election next year. He also may be a candidate for president in 1984. In either event, he apparently won't be running as a neo-conservative.

# Press' job:

# Cover or undercover?

By LARS-ERIK NELSON

Washington—Four months after it decided, in the interests of secrecy, to stop giving briefings to newsmen, the Central Intelligence Agency has quietly decided to reinstitute the practice—but at a price.

The agency, according to a well-informed source, is again willing to brief selected American reporters in "special circumstances." It will give "background" information to newsmen about to embark on trips abroad, provided that, when they return, they brief the agency on the countries they have visited.

The shift in policy threatens to revive an 8-year-old dispute between the agency and the journalism community on the rights and wrongs of using newsmen to gather intelligence. It is also bound to raise new questions about the CIA at a time when the agency has successfully weathered a storm over the fitness of William Casey to be its director.

Most importantly, it once again raises the specter that any American newsmen operating abroad may be accused of reporting to the CIA, as well as to his editors.

**THE CONTROVERSY OVER** the CIA's use of journalists as agents and of journalist "cover" for its own career officers first erupted in 1973, when then-Director William Colby disclosed that the agency had about 40 full-time and part-time United States newsmen on its payroll. During the 1950s and 1960s, several correspondents for major American news organizations were, in fact, career CIA officers.

In November 1977, Colby's successor, Stansfield Turner, issued a set of guidelines that barred the CIA from entering any relationship with journalists "for the purpose of conducting intelligence activities." Turner allowed himself a loophole, but in general the guideline was strictly interpreted.

One former reporter recalls driving out to the CIA's leafy campus in McLean, Va., for a briefing before leaving on a trip to Eastern Europe. The scholarly, pinstriped CIA analyst discoursed for an hour on the politics and economics of the region—and then confessed he had never been to the Soviet Union.

"Well, when I get back, I'll tell you what it was like," the reporter offered. "That will not be necessary," another CIA officer said primly. "We'll just read what you write."

Under the new guidelines, such "debriefings" would be the expected repayment for the initial meeting.

**A CIA OFFICIAL HASTENS** to add that the agency is not asking reporters to recruit spies or operate as bagmen or even to find out specific pieces of information: "We are not tasking newsmen. We are not giving them assignments. But we have decided

that information-sharing from now on is going to be a two-way street. We used to think we should brief reporters out of a sense of public responsibility. Now, we want something in return."

In fact, there has long been an informal sharing of information between journalists and the CIA. In some countries, the Soviet Union, for example, everybody—journalists, spies, diplomats, scholars and even the Russians themselves—is wrestling with the same problem, trying to pierce a shroud of official secrecy and find out what is really going on.

To quote former Washington Post correspondent Ward Just: "There is a natural affinity between journalists and spies." But editors argue that the mere suspicion that a reporter might be in contact with the CIA undermines his credibility and exposes him to possible arrest.

The CIA argues that any patriotic correspondent should be happy to report on anything he may have learned that could help the national interest. Many correspondents are indeed willing to do so—on a voluntary basis. To make them sing for their supper is something else again.

**AND THERE IS A DARKER SIDE.** A journalist, as much as a spymaster, has an obligation to protect sources. How many people—either in this country or overseas—would talk to a reporter at the risk of having their names entered somewhere in a CIA dossier?

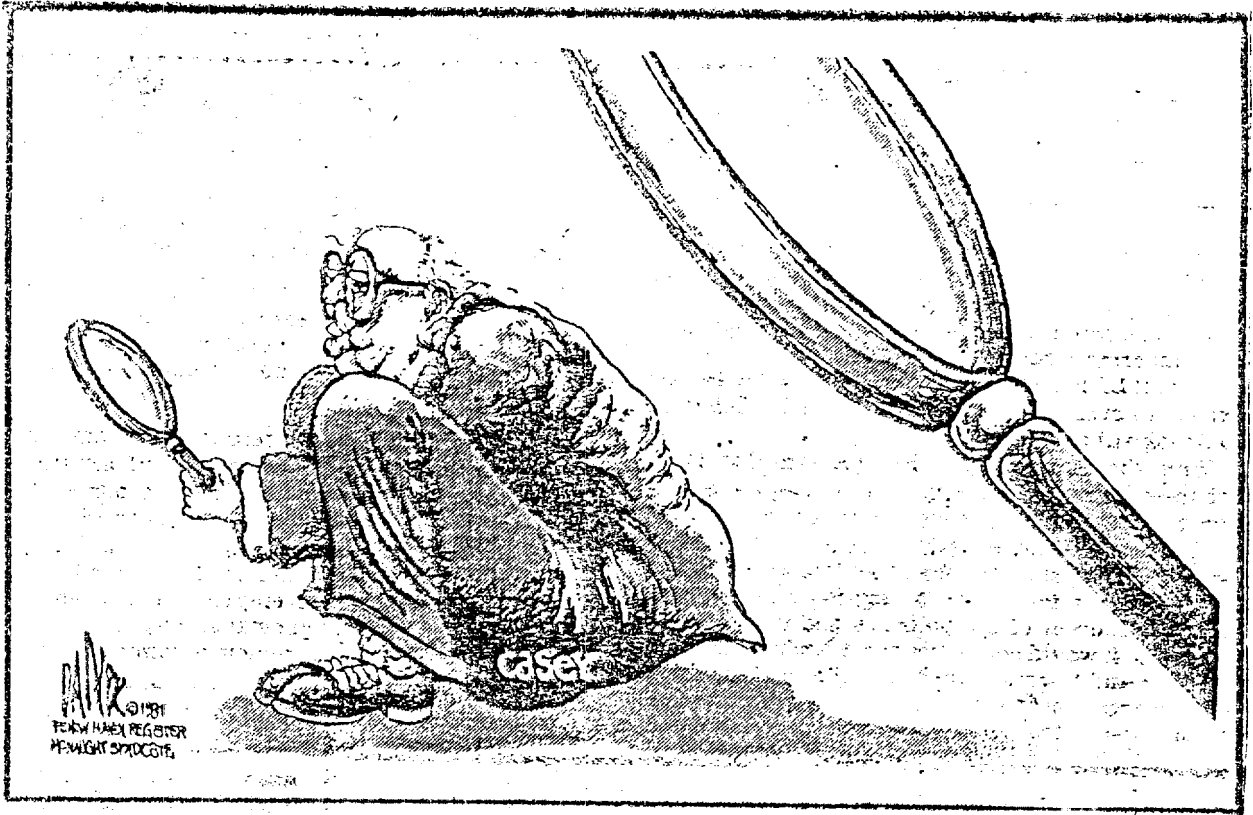
How many American television crews would be allowed to film a foreign demonstration—or even a bridge or a dam—if it were suspected that their on-air film and the thousands of feet of "out-takes" would be turned over to the CIA?

Colby and Turner both opened up the CIA so that its analysts could enlighten the community, at the same time that they cracked down on the use of reporters to gather intelligence. Casey is going in exactly the opposite direction.

There is an obvious advantage in this for the CIA. Newsmen can move around much more freely than the average CIA agent operating under "shallow cover" as an embassy diplomat. But in the end, it is self-defeating. Once journalists are open to the accusation that they are spies, they run the risk of finding themselves in the same position as the scholarly CIA analyst on Eastern Europe, discouraging learnedly on places he had never seen.

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ON PAGE 12

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NEW YORK DAILY NEWS  
3 August 1981



ARTICLE APPEARED  
ON PAGE 11

U.S. NEWS & WORLD REPORT  
3 August 1981

## Washington Whispers.

Even White House aides who don't like William Casey, the embattled CIA director, complained over what they described as efforts by Casey's enemies within the CIA to help members of Congress dig up information they hoped would lead to Casey's dismissal.

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ON PAGE 17

TIME  
3 August 1981

## Casey's Shadow

### Senators urge CIA chief to quit

It is one of the most delicate appointments a President makes: whom to trust with the sensitive task of directing the Central Intelligence Agency. Last week President Reagan's selection of William J. Casey, his former campaign manager, to head the CIA came under increasingly serious assault from Republicans on Capitol Hill. After sounding out the Senate Select Committee on Intelligence, which oversees the agency, Assistant Majority Leader Ted Stevens of Alaska said that a bipartisan committee majority wants Casey to quit.

At issue is Casey's poor judgment in appointing a political crony, Max Hugel, to head the CIA's clandestine operations. A New Hampshire entrepreneur with no relevant background in intelligence work, Hugel quit under fire two weeks ago when two former business associates accused him of illegal stock manipulations before he joined the agency. The committee is also probing Casey's own



William Casey

business past, including findings by two courts that he and other directors of Multiponics, a New Orleans agribusiness firm, had deceived investors and operated the company to protect their own financial interests instead of those of stockholders.

For two weeks, the Intelligence Committee's chairman, Arizona's Barry Goldwater, had privately told colleagues that "Casey must go," while publicly denying any intention to force him out. But last week Goldwater startled other committee members by holding a press conference at which he contended that Casey's selection of Hugel had been "a sufficient mistake for Mr. Casey to consider withdrawing himself or having the President do so." The CIA chief's poor judgment in choosing Hugel, said Goldwater, was "dangerous."

Stevens declared that Casey should leave "for the good of the agency." He was joined by Delaware Republican William Roth, who said that the controversy makes it "impossible for Mr. Casey to effectively discharge his duties." More significant, Senate Majority Leader Howard Baker expressed full confidence in Goldwater and added: "I will back up Goldwater in whatever he decides to do."

New York's Daniel Patrick Moynihan, a committee Democrat, was angry at the failure of White House aides and Attorney General William French Smith to return telephone calls requesting records of Casey's business. Vowed Moynihan: "If they are going to cover up, they are going to lose themselves a director of the CIA." Both the Justice Department and the White House hastily promised to furnish the records.

At week's end a new allegation was raised against Casey. Carl G. Paffen-dorf, president of COAP Systems Inc., a computerized financial planning company, said that Casey had lent the company \$100,000 in 1971-72 when Casey was chairman of the Securities and Exchange Commission. In return, claimed Paffen-dorf, he had given Casey a \$10,000 interest in another computer firm, Penverter Partners. Casey had failed to report this gift in financial statements required for his Senate confirmation to head the CIA. An agency spokesman said Casey had paid "a nominal consideration" for the Penverter interest and had not considered it a gift.

The Senate committee has no power to dismiss Casey directly. As Goldwater conceded: "Mr. Casey is a creature of the President. As long as the President retains confidence in him, he stays." Amid last week's rising furor, Reagan declared: "We are cooperating fully with the Senate committee. I have not changed my mind about Bill Casey." So far, said one senior committee staffer, "there's no smoking gun, but there's plenty of smoke." But unless it clears quickly, Casey might well face strong political pressure to resign as the nation's spymaster.



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ON PAGE 7

U.S. NEWS & WORLD REPORT  
3 August 1981

## As Pressure Built Against CIA's Casey—

William Casey's critics said his days as the nation's spy chief were numbered in late July—even as President Reagan reaffirmed "full confidence" in the director of the Central Intelligence Agency.

The 68-year-old Casey was given little chance of surviving in the face of a campaign for his ouster mounted mainly by influential Republican senators.

They charged that he was unfit for his job because of questionable business dealings and poor judgment displayed in appointing as the CIA spy-master a presidential campaign worker with no experience in intelligence.

The controversial chief of clandestine operations, Max Hugel, was forced to resign on July 14, within hours after disclosure of improper and possibly illegal business practices.

Senator Barry Goldwater (R-Ariz.), chairman of the Senate Intelligence Committee, triggered the Casey-must-go campaign on July 23 with the assertion that the Hugel appointment alone was sufficient reason for his removal.

Two other ranking Republican senators—Ted Stevens of Alaska, assistant majority leader, and William Roth of Delaware, a member of the Intelligence Committee—made even stronger demands for Casey's resignation. Stevens warned that the administration would be risking "substantial" embarrassment if it insisted on keeping Casey.

Nevertheless, the White House on July 24 claimed to be solidly behind Casey, a New York lawyer who served as Reagan's presidential campaign manager.

"Unless something new comes to light, the President is going to stand

very firm," said one Reagan aide. "He's not going to see Casey railroaded."

Another White House official said Reagan "thinks he owes more to Casey than he does."

The controversy was expected to come to a head quickly, with the Senate Intelligence Committee preparing reports on the results of an investigation before the end of July.

Aside from the appointment of Hugel, which stirred the intelligence community, the committee's investigation focused on Casey's involvement in a bankrupt New Orleans farming company. In two court rulings, the officers and directors of the firm, including Casey, were pictured as having misled investors and driven the company into debt for their advantage.

Under investigation also were claims that Casey was once fined \$40,000 for plagiarism and that he settled another case out of court after being accused of violating federal securities law.

In the circumstances, many analysts said, the White House, while going through the motions of defending Casey, seemed unlikely to resist a move by a GOP-dominated Senate Intelligence Committee to force him out. □



Casey



Goldwater

# Big media need new lynching victim



WILLIAM  
RUSHER

WASHINGTON — It has been evident for several months that the media are eager to do for some hapless official of the Reagan administration what they did for Bert Lance: Lynch him, just to teach the new boys who's really boss around here. For a while Alexander Haig was the front-running candidate, but he seems to have survived the first wave of attacks. Ernest Lefever, nominated as assistant secretary of state for human rights, was the next person to get his foot tangled in the meat-grinder, and he ultimately emerged as sausage; but Lefever was evidently too small an offering to appease the local gods fully.

Recently, it has seemed that Interior Secretary Watt would be the third person to play "It" in this macabre game of tag, but a couple of weeks ago attention suddenly shifted to CIA Director William Casey. The job that has been done on Casey, by the massed bands of the media and two or three vengeful senators, is one of the most disgraceful and unjustifiable muggings of an honorable public servant in a good many years.

## Sentenced before dawn

The Get Casey operation was so inept and transparent that it would have been comical if a good man's

reputation and career hadn't been on the line. Normally, when a man's enemies set out to destroy him, they first take care to provide themselves with a publishable excuse or two. In this instance, however, the news that Casey would in all likelihood be executed at dawn arrived on the nation's front pages and television screens in advance of any explanation of what crime he was being accused of.

Reading between the lines, a sophisticated reader might conclude that Casey had thwarted or otherwise severely annoyed Barry Goldwater, who is chairman of the Senate Intelligence Committee. If so, it was a dangerous (though not necessarily mistaken) thing to do. An official of the Executive branch is well advised to stay on good terms, if humanly possible, with the chairman of the Senate committee charged with overseeing his particular agency's activities. But, even assuming Casey had somehow managed to outrage Goldwater, the penalty for a first offense is not ordinarily the instant obliteration of the offender.

For lack of any other apparent reason for Casey's impending demise, media reports concentrated for a day or two on his alleged "blunder" in naming an inexperienced New Hampshire politico, Max Hugel, as head of the CIA's clandestine operations. (Hugel had resigned several days earlier, in the wake of allegations of impropriety in his business affairs.) Goldwater lent credence to this theory when he called a press conference and grimly declared that, in view of the Hugel episode, Casey might indeed

resign, or be fired.

But Mr. Reagan let it be known that, on the contrary, he was sticking by Casey, and the embattled CIA director's enemies in the media and the Senate went hunting for some other excuse for the forthcoming auto da fe.

## The fire fanned further

For a time it was thought that paydirt had been struck in an ancient lawsuit involving a private business venture of Casey's that had gone sour and been criticized by a judge. Goldwater poured a little gasoline on that fire, too — aided, in this case, by the ranking Democrat on the Intelligence Committee, Pat Moynihan, who hinted darkly that important documents were being withheld from the subcommittee's investigators. But the lawsuit turned out to be old news, and clearly incapable of justifying the sacking of Casey.

Rather desperately, the anti-Casey forces then leaked word that what Casey really deserved to be fired for was a secret proposal to assassinate Libya's Moammar Qaddafi. But it turned out that this suggestion (which would be a violation of current CIA guidelines) had involved overthrowing Qaddafi, not assassinating him.

By now, the rather Kafkaesque attempt to destroy Bill Casey without first finding a respectable reason had floated around Washington for over a week. As of this writing, it has collapsed. But what an ordeal to put a thoroughly decent man through! Is it any wonder that good men for government jobs are hard to find?

# RADIO TV REPORTS, INC

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FOR PUBLIC AFFAIRS STAFF

PROGRAM Good Morning Washington STATION WJLA-TV  
ABC Network

DATE August 3, 1981 9:30 AM CITY Washington, DC

SUBJECT KGB Operations

LARK MCCARTHY: When you say the word spy, I think we all get a certain image. We think of the cloaks and the caggers and the whole bits. Well, Harry Rositzke says it doesn't quite work that way. And he's a man who should know. He is a former CIA officer, and in that position he recruited spies and he monitored the KGB from Washington, Germany, and India.

Welcome to Good Morning Washington.

HARRY ROSITZKE: Thank you, Lark.

MCCARTHY: I have to start by thanking you for being such a good sport. When we decided that we wanted to show the people of Washington how this thing was, Harry said, "Fine. I'd love to take you on a tour," which he did. So thank you so much.

ROSITZKE: I enjoyed the tour, particularly of the company.

MCCARTHY: Oh, it was terrific.

Before we get to our little tour, let's explain exactly what the KGB is.

ROSITZKE: Well, those are the initials for the Russian words the Committee of State Security. And that Committee of State Security has two parts. One is like CIA operations, and they are a foreign intelligence service. The other part is like the FBI. They're the domestic security service. And they're the ones that keep eyes on the dissidents, on anybody who's against the regime. But our interest, I think, mainly is what they do abroad.

# Leftist media hate business— —therefore, Casey Business tie makes him a 'criminal'



LEV  
NAVROZOV

Because most people in the world deal with small, simple, clear-cut financial transactions. Thus, a Soviet or American official, journalist or academic gets a definite and constant salary, minus taxes, and buys with it whatever he needs.

Not so a businessman. His transactions may involve billions of dollars, be infinitely complex and hence almost infinitely ambiguous. Marx, who never made any business transaction but only spent someone else's money (that of a businessman named Engels), could well despise any businessman (except Engels, of course) as a criminal by definition. Here is a good example.

In 1979, an American businessman named William Casey learned that his friend's company, COAP Systems, faced bankruptcy because it could not meet its payrolls. Casey gave the company several *personal* loans totaling \$15,000 to enable it to pull through. The loans were paid back. But here hangs the tale.

Some Soviet or American officials, journalists or academics have never made or received any such extraordinary loans, so they may not know what a great favor loans can be. Casey's friend *did* know. So he wanted to show his gratitude—to pay interest on the loans, so to speak, and in November 1976 he sold Casey \$10,000 worth of stock in a computer company for a very low price.

## Pack of prosecutors

The rest is obvious. Hundreds of investigative reporters (who we may also call prosecutors) from The New York Times et al. pounced on Casey's friend—hundreds of prosecutors, without a single counsel for the defense being given equal time.

Their purpose was to convince Casey's friend that \$10,000 was not interest on Casey's loans, but a gift, for surely a token of gratitude is a gift.

As a naive, outside businessman, sheltered and absolutely unprepared to deal with the hostile press like most American businessmen are, Casey's friend readily agreed that the \$10,000 was a token of gratitude, and hence a gift, rather than the payment of interest on the loans.

"Aha!" the pack of prosecutors exclaimed in chorus. "A gift in November 1976! And in his financial disclosure statement last January, Casey said that he had not received any gifts worth more than \$500 in the last five years; that is, since January 1976."

True, in the turnover of billions of dollars, Casey could have forgotten about the receipt of stock worth \$10,000 about five years ago since that stock was registered in the books as a purchase, even if at a very low price, not as a gift. Psychologically, it was not a gift, either—it was interest on the loans. But what prosecutor would make allowances like that? To point them out is the business of the counsel for the defense. And there is none. Only a pack of daily prosecutors.

Most top figures and appointees of the Republican Party are businessmen. And it is far easier for a pack of newspaper prosecutors to demonstrate that any businessman is a criminal than it was for Marx.

The more a targeted businessman will attempt to explain, under their relentless daily investigation, nay, inquisition, that a certain \$10,000 he received about five years ago was interest on loans, not a gift, the guiltier, more confused and contradictory he will sound.

"If it was interest on the loans," they will scream in chorus, "why was it registered on the books as a purchase? And if it is not registered as interest on the loans, then it is a gift, a gift, a gift! You are a liar, a liar, a liar! A thief, a robber, an expropriator!"

Besides, compared with the good old times of Marx, any business, as well as any independent activity, is enmeshed in such an infinity of government rules and regulations that even a saint protected by the world's most cautious law firm will ignore or violate some of them as soon as he breathes on his own. The only way to not be guilty in advance and a priori is to draw a salary, with taxes deducted by your superiors, and never do anything except attend to your office and create paperwork you are told to create by a written instruction in triplicate.

## What about Times' records?

Open up the business records of New York Times Inc. to me and I will show you that in one *day* it commits more financial irregularities and/or ambiguities than it has exposed in the business lifetime of Casey.

During World War II, Adolph Ochs, the publisher of The New York Times, had all the assets of the newspaper kept as a security by a war munitions corporation, which thus practically owned The New York Times. Meanwhile, Ochs lied editorially that The New York Times was not beholden financially to any company. But that was long ago.

And who can investigate The New York Times today? No one. It is a \$3 billion business named New York Times Inc. that is entitled to investigate its political opponents to prove that every businessman it targets is a mendacious criminal, as Marx "demonstrated" about 140 years ago.

## Casey Speech Lifts Off Some CIA O

CIA Director William Casey partially pulled aside the agency's veil of secrecy last week in an address to CIA employees that has become public.

In it, Casey discussed agency operations during his first six months and made disclosures that normally would never have seen the light of day, including the names of people running key departments.

Casey was provisionally cleared last week by a Senate Intelligence Committee Wednesday of known allegations regarding his past business dealings and his judgment at the CIA. He explained his actions in a "pep talk" to agency employees Monday at their heavily guarded headquarters in Langley, Va.

CIA spokesmen by telephone gave the media a severely trimmed version of the remarks made by the director shortly after he delivered them. But when it was learned Casey had distributed the complete 11-page text to senators he visited on Capitol Hill, the agency issued the full contents.

As part of the speech, Casey told the CIA workers that during his first six months as their chief, "I have traveled to Europe, Asia, Central America and the Middle East and met with over 20 Station Chiefs in those areas."

For security reasons, the movements abroad of the CIA chief and top intelligence officials are never disclosed.

Other comments included:

• "John Stein is charged with strengthening counter-intelligence covert action and paramilitary capabilities as well as overseeing Clair George's direction of the clandestine service."

George has never before been publically named and the reference to a build-up of paramilitary capabilities is not the type of item generally disclosed.

Stein was appointed to succeed Max Hugel, the Casey appointee who resigned July 14 after published allegations - which Hugel denied - of past questionable securities transactions. Reporters following up on the appointment were told only that he was a veteran officer.

• "Last Wednesday, I returned from California where I visited contractors and Air Force program managers. I was filled with admiration for the ingenuity which Les Dirks and I have applied to create such pow-

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• "One of the charges I have given to John McMahon, Harry Rowen and our new chief of domestic collection, Joe Shugrue, is to see that our intelligence collection, analysis and estimating is augmented, checked and evaluated in every possible way by knowledgeable people and institutions in the private sector."

The reference to "domestic collection" may not be as ominous as it sounds. The CIA is forbidden by charter to engage in domestic spy activity but has agents authorized to interview Americans who return from abroad who might have information of intelligence value.

• "Jim Glerum has been asked to review employment forms and polygraph procedures to see if more can be done to bring out past incidents which could embarrass the Agency. Stan Sporkin [CIA General Counsel] is reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

CIA employees are required to submit to polygraph or "lie detector" tests when hired and periodically thereafter. Former CIA agents Frank Terpil and Edwin Wilson were reported to have trained terrorists in Libya and engaged in arms deals.

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- "Last Wednesday, I returned from California where I visited contractors and Air Force program managers. I was filled with admiration for the ingenuity which Les Dirks and our Science & Technology Director

erful and productive technological marvels for collecting intelligence."

Again, the statement revealed detail of the director's travel and mentioned equipment apparently connected with surreptitious intelligence-gathering.

- "I have seen drafts of estimates prepared a year or more ago by analysts in this building which accurately predicted what has happened in Nicaragua and Cuba's new aggressive policies in Central America."

"We had this work at a time when those developments certainly should have been carefully considered. Sadly, these analytical insights were strangled in the clearance and coordinating process so that they did not reach policymakers in a national estimate."

There has been criticism that past CIA intelligence estimates were sometimes almost useless because they were loaded with conflicting views and qualifying footnotes from other agencies.

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# CIA's Casey Part Of Larger Problem

By JIM O'HARA

Tennessean Staff Writer

CIA Director William J. Casey received an endorsement of sorts last week from the Senate Select Committee on Intelligence. "Based upon the staff review to date, and Mr. Casey's lengthy testimony, it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as DCI... There will be, in timely fashion, a final report dealing with the issues concerning Mr. Casey's past activities, and also with the appointment of Mr. Max Hugel."

The week before Sen. Barry Goldwater, chairman of the committee, had called for Casey's resignation, but over last weekend the director launched a publicity counterattack, and with the committee's report appears a survivor for now.

Observers noted it was not a positive call to the Reagan administration to keep Casey, and there will still be the "final report" on Hugel, whom Casey appointed director of covert operations but who resigned when questions were raised about his past financial dealings. Casey himself is appealing a federal judge's ruling that he and others misled investors in a 1968 business deal.

Dr. Harry Howe Ransom, a Vanderbilt University professor, has observed the U.S. intelligence community for years and is considered one of the foremost academic experts on the CIA. In an interview last week, he said the "Casey problem is not just a Casey problem. It's a problem that our presidents do not understand the importance of intelligence and have made careless decisions about the leadership of the CIA."

Casey, he suggested, would have made a better postmaster general than director of Central Intelligence. The following is a transcription of the interview with Ransom:

Q: William Colby, a former director of the Central Intelligence Agency, said when William J. Casey was first picked that he had an "unique and appropriate background" for the job. He pointed to Casey's service not only in the OSS, but also as a tax lawyer, SEC chairman and undersecretary of state. Casey was also active in organizations like the Veterans of Foreign Intelligence. What should Congress look for in the CIA director?

A: I was looking at the list of directors. There have been 13 directors of the CIA since 1947. There have been a number of categories we can classify. Six of these 13 have been military professionals, three have been intelligence professionals, if you include Allen Dulles—he had been deputy director two years before he became director. There have been two I classify as outsiders. That is to say: John McCone, who was a businessman and had been head of the Atomic Energy Commission, as was James Schlesinger, who was a PhD in economics and also former director of the budget. Then there have been two politicians—George Bush and Casey. I would have to classify

Casey as a politician rather than an outsider.

Casey first came into political prominence in the Nixon campaign. He helped raise a lot of money. That was his role with Reagan—he got the campaign organized and raised a lot of money. That's why I call him a politician even though he has held important positions in government. I think he was appointed to those positions as a reward for his political efforts.

I would have to say as a generalization that the outsiders and the intelligence professionals have probably done a far better job overall.

Q: Why have the professionals and the outsiders done a better job?

A: I think it may have less to do with their professions and experience, and more to do with their character, their intelligence and their personality. It boils down to the care and judgment which the President and his advisers use in choosing a person to head the agency.

I would say the President should regard the directorship of the intelligence agency as important as the chief justiceship of the United States. It is clear to me that hasn't been the case.

In my own view, that person should serve for a fixed term, say six or nine years that would overlap administrations.

It was not until Jimmy Carter's administration that it was assumed that a new incoming administration would appoint a new director of CIA. Until that time, that office didn't usually change with administrations, which I think is the proper concept. That was the original concept. Allen Dulles served eight or nine years

People will say I'm naive to suggest we take the CIA out of politics. I know you cannot do that entirely, but I think part of the problems Mr. Casey has had is that he came out of politics into a job that should be above politics.

He is a symbol of an argument that goes on between what I call "right wing ideologues" and the "pragmatic professionals" over the nature of the threat to the United States' security. Casey came in as a kind of swash-buckling former OSS person, an aggressive businessman, who is extremely partisan—both partisan within a wing of the Republican Party and partisan in the broader sense.

**Q: What about the argument that one of Casey's strengths was his personal friendship with President Reagan, and that that guarantees access?**

**A:** Right, that's one of the appeals Casey had. To intelligence professionals, it said, 'Now we have a man close to the President, and our views, our estimates, our analyses will get to the President.' That advantage has to be weighed against the built-in disadvantage that Casey might in fact discover what the President wants to hear and then bring him that information. That's the danger.

For several months, there has been circulating the story that the CIA did a thorough study of international terrorism and came up with the finding that there wasn't all that much influence of the Soviet Union.

That was an unpopular view. It made Alexander Haig look foolish and so forth. The word is that Casey had that estimate rewritten. I'm speculating. I haven't seen the estimate. The danger is that when there is a close relationship between the President and the CIA director, unless the President is careful, the President might end up receiving intelligence to please rather than receiving an objective view.

**Q: You mentioned that Casey**

tradition of the OSS. That may have been the only criticism leveled at Casey during his confirmation hearings. The CIA in 1981 is different from the OSS of World War II.

**A:** I think the fundamental difference is fairly obvious. An intelligence agency in time of war is going to operate in a different context from an intelligence agency in a time of relative peace. We're not really at peace. It's something in-between we call a cold war.

If an agency assumes war-time assumptions, it's likely to end up in self-fulfilling prophecy. It assumes we have all these enemies. It tends to focus on them and may in fact ignore some of the real problems.

**Q: In the first six months of Casey's tenure did you see signs of that OSS attitude?**

**A:** The most striking, overwhelming sign was his appointment of Max Hugel to the most sensitive of all positions in the CIA—director of operations. That post is engaged in the dirty tricks. Mr. Hugel seems to lack any of the experience or sensitivity that is required in that job. That seemed to me to be the most serious charge against William Casey, not his questionable business activities of the past...although that is a serious matter when you are talking about an office as important as director of Central Intelligence, where he literally has the authority to spend millions of dollars on his personal voucher. You don't want that man to be under any question.

His judgment in appointing to this office a businessman/politician like Hugel who is substantially unqualified—that indicates what I would call the old swash-buckling OSS concept of the job. There were many Hugels probably in the OSS.

**Q: Sen. Barry Goldwater made that point initially. He said the appointment of Hugel was reason enough to demand Casey's resignation. What specifically is it about Hugel, is it his lack of**

ally say from where I sit. I don't know Mr. Hugel and never heard of him until he was appointed, but all the reports I read indicate that he is an aggressive personality with lots of energy but not experienced and sensitive to the highly delicate problem of managing covert operations. One just has to infer that. I don't think that it is just that the intelligence professionals resented seeing a non-professional appointed to the job. I think it was his personality.

I suspect behind Goldwater's complaint is the failure of Casey and Hugel to deal appropriately with the Senate Intelligence Committee.

**Q: How do you think that they failed?**

**A:** Perhaps in the fundamental sense of not keeping the committee adequately informed because we have a new oversight mechanism and a mandate that the legislators get fully informed. This is speculation on my part, but people have also speculated that Goldwater wanted the deputy director, Adm. Bobby Inman, to be head of Central Intelligence, and he has never been happy about Casey.

Casey himself implied, in his speech to CIA employees, that the Hugel appointment was a mistake. Well, it was a pretty large mistake. All decision-makers make mistakes, but there are some few mistakes perhaps that are unpardonable.

**Q: Should Casey have been fired?**

**A:** Yes, Casey should be allowed to resign. It's conceivable that my judgment is not fair to Casey but it's his responsibility to maintain a relationship with the Senate Intelligence Committee, and it wasn't just Goldwater. It was the Republican whip in the Senate, Sen. Ted Stevens of Alas-

CONTINUED



la, who called for his resignation, and Sen. William Roth of Delaware. These are all conservative Republican leaders.

There's a sure indication that Casey has failed to maintain a liaison of confidence with the Senate committee. If there were just a few Democrats sniping at him from the wings, I would have to say that's the usual game.

**Q: Do you think he's lost control of the agency? Do you think there's a fracturing within the intelligence community?**

**A:** I expect so. I'm under the impression there have always been struggles within the agency between those involved in intelligence analysis and those involved in covert operations. I always felt it was a mistake to combine covert operations with intelligence analysis.

Originally Congress intended the CIA to be an intelligence agency and covert operations was combined on the idea there was no where else to put it. This has damaged the intelligence function.

The only problem is the question of where you put covert operations. One solution is to abolish them. I have never quite come to that conclusion.

But I'm not enthusiastic about returning to the old routine of having covert operations going all over the world, and there is some indication of that under Casey and Hugel. I say some indication because these things are mostly secret.

**Q: What do you think, then, was really at stake in this Casey furor? Was it his questionable appointment of Hugel, his questionable business ethics, or is it something more fundamental to the intelligence business?**

**A:** I think that our government has never developed a careful conception of the intelligence system, and therefore we have had this very uneven, spotty record of having had 13 directors in 34 years. We've had five in the last eight years. That's too many.

The Casey problem is not just a Casey problem. It's a problem that our leadership does not understand the importance of intel-

ligence and has made careless use of the CIA.

Casey, given his contributions to the Reagan campaign, might well have been appointed in the old days Postmaster General, or even some other Cabinet position. But to put him in the directorship of CIA, as a kind of patronage job if you will, shows a fuzzy conception of the nature of intelligence and the importance of intelligence.

Let us not forget that Carter's first nominee for the director of Central Intelligence had to be withdrawn, Ted Sorenson, because he was not acceptable to the Senate committee and to certain members of the intelligence community.

Again that was probably a poor choice. I have great respect for Sorenson. He's an able person. But he just had too much of a political record.

**Q: That takes us back to the Senate hearings. When Casey was before the Senate committee there were only three hours of public testimony, and it was basically public testimonials.**

**A:** Yes, I've read the transcript of the hearing. He was handled with kid gloves. His business dealings did come up but everybody said this was all old stuff.

If we assume Casey's appointment was a mistake, I think the Senate committee has to take some blame.

But it is traditional for the Senate to almost always give the President a great deal of leeway. They didn't do that in the Sorenson case where he withdrew.

**Q: Was the difference between Casey and Sorenson that Sorenson was unacceptable to the intelligence community where Casey was not?**

**A:** I believe the intelligence community was so enthusiastic about having a person who was going to be close to the President that they did not oppose Casey.

**Q: Were you surprised with the PR blitz that Casey engineered?**

**A:** I think all of that shows bad judgment. It shows that Casey is an intensely political man. It that's not really appropriate for the head of the CIA.

**Q: Has Casey survived and what kind of effect will that have on the agency?**

**A:** Using a baseball analogy, I think the Senate committee last week gave him a base on balls. I don't think Casey hit a home run.

He may survive in the short run. Reagan may allow him to save face by keeping him on a few months. I don't believe he will survive in the long run.

My own speculation is that he is still in office today because of a bitter controversy over who should succeed him. If you read the confirmation hearings, you can see how Goldwater and other senators were all telling Casey, 'Whatever you do, you must appoint Bobby Inman as your deputy director.' I think Inman has impressed them enormously. He is a thoroughly professional intelligence person.

As I understand it, Inman has put the brakes on a lot of the attempts to unleash the CIA, to get them into domestic operations, and the right-wing doesn't like that at all.

If this is true, Casey is in office still because of a lack of consensus over who should succeed him.

A heavy cloud still hangs over the CIA with Casey as director, and that's bad. Casey may not be so much to blame for this as the other unresolved issues—the lack of conceptual clarity about what the CIA should be, what it should do and not do, and who the director should be.

**Q: That takes us to the future. What needs to be done?**

**A:** Congress has never been able to write a new charter for the CIA. There are bits and pieces—executive orders—and Congress has established its right of oversight. There is still no revised charter.

One of the elements of that charter would be that the director serve for a fixed term, six or nine years. That would call for a much more careful look at who's going to sit in that office. Now it's assumed he sits at the will of the President.

Perhaps that would remove the director from the political controversies of the moment.

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THE WASHINGTON POST  
2 August 1981

## Following the Chart of William Casey

William Casey, the embattled director of the CIA, was born on March 13, 1913, and has his sun in Pisces. This sun, strongly configured with other planets, especially with steadying Saturn, gives him the fortitude and strength to remain cool under stress, while his optimism will make him feel that everything will turn out all right.

There has been a controversy swirling about his judgment and business ventures. His chart, however, is that of a decent, honest man, too strong to stoop to underhanded tactics or any kind of deception. His planetary configurations provide him with a strong ego and a good self-image. His Piscean influence soothes the rough edges and makes him idealistic. The chart shows he is sentimental and mellows his stubbornness with compassion. He can be a loyal friend or a formidable enemy.

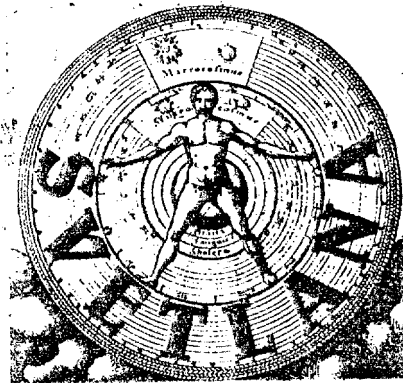
His Mercury (planet of mind) indicates he can learn quickly but is easily bored with details; he is innovative, witty and quick at repartee. If there is a flaw it is in his optimism. He has a tendency to give a person the benefit of doubt, often too much of a benefit. Such an aspect makes a person take risks, believing that everything will turn out for the best.

His chart indicates excellent business ability and a talent for making money. He is capable of undertaking risky ventures that often pay off. At the same time, because of his natal overoptimistic aspect he could be led down the proverbial garden path since he prefers to think positive rather than negative.

Because of his chart, I cannot believe this man would ever deliberately deceive anyone. In fact, the opposite could be true. Because of that positive streak he could be deceived instead.

His judgment is excellent and would remain so if he listened more to his mental reservations. He is excellent in assessing immediately and correctly the resources of other people, but then he gets carried away with his tendency to believe the best. If he cannot conquer this impulse, he should always have someone around who can play devil's advocate.

Even though the Senate Select Committee on Intelligence decided this week that "no basis has been found for con-



cluding Mr. Casey is unfit to serve" as head of the CIA, there are questions still to be resolved: Will he remain in office? Will he resign? Will he be forced to resign? This is not the chart of a man who can be easily pushed around, and if he knows he is right, he will fight. At the present his aspects indicate a situation where the chickens have come home to roost.

A crucial time for him and the final resolution occurs during September-October of this year. I do not have his hour of birth, which is imperative since his chart indicates an end to a cycle. If he was born early in the morning, the cycle lasts through 1984, but if he was born in late afternoon or evening, his status changes before the end of this year. But whatever his fate might be, as an astrologer, I would tend to agree with Sen. Goldwater — who also questioned Casey's judgment — that his tendency to give too much benefit of the doubt and to be overoptimistic are not necessarily the qualities that are desirable for the director of the CIA.

*Svetlana Godillo is an astrologer who lives in Washington.*

# Casey probe casts doubt on

## AN ANALYSIS

By JOSEPH VOLZ

Washington (News Bureau)—When CIA Director William J. Casey ducked out a side door of the Capitol after a daylong session with the Senate Intelligence Committee last Tuesday, reporters who had been pursuing him wondered if his six-month career as the nation's spymaster had come to an end.

"Mighty Casey snuck out because he struck out," cracked one wag.

But a few minutes later, when the committee chairman, Sen. Barry Goldwater (R-Ariz.), appeared before the TV cameras, it was clear that the opposite had happened—Goldwater had struck out.

The committee, in an action almost unheard of, decided to ignore its chairman's call for Casey's ouster and voted unanimously that Casey was "not unfit" to hold his post.

CASEY, 58, NORMALLY OUTSPOKEN, decided it was no time to brag about his victory and hurried away. He even called off two testimonial lunches this week.

It is now becoming clear that the committee was far from unanimous in its feelings about Casey. And just as clear is the fact that some committee members believe Goldwater embarrassed himself

# Barry's leadership

and them by his conduct over the past week or so.

Goldwater's side of the story began two weeks ago when Max Hugel, a New Hampshire businessman who had been Casey's colleague in the Reagan presidential campaign last year, resigned as CIA chief of covert operations over allegations of stock manipulation while in private business.

Goldwater was never enthusiastic about Casey as CIA director, faulting his judgment in placing the inexperienced Hugel in the highly sensitive post. Goldwater first privately suggested to committee members that Casey had to go because of the Hugel affair.

BY LAST MONDAY, after the Intelligence Committee staff had begun its investigation of Casey's business dealings prior to his CIA appointment, Goldwater had reversed himself again. He suggested to committee members that the probe be called off without hearing from Casey, who was due before the committee Tuesday.

Sen. Daniel Patrick Moynihan (D-N.Y.) talked Goldwater out of the idea of calling off the hearing, and Casey went before the panel.

Publicly, Goldwater's peers have nothing but praise for him. "He's beloved," Moynihan said. "Everybody loves Barry," Sen. Henry M. Jackson of Washington, another senior Democrat, said. But privately, some senators are questioning whether the job of running the Intelligence Committee has not become too much for Goldwater, who is 72.

# Missing men and plots—the mysteries pile up around CIA

by David Blundy, Washington

"IT'S JUST like John Le Carré," said an aid to a member of the Senate intelligence committee last week. Le Carré's myopic hero, George Smiley of British intelligence, would peer disapprovingly at the murky antics of the American "cousins" at the Central Intelligence Agency. He would summon his arthritic researcher, Miss Connie Sachs, to look into those "dunderheads" at Langley CIA headquarters in Virginia. She would have four separate mysteries to examine:

● First there was the sinister death in June of Dennis McNell, and the disappearance of his two brothers, Sam and Thomas, the businessmen whose testimony forced the resignation two weeks ago of the head of CIA covert operations, Max Hugel. On Friday, the chief medical examiner of New York City requested the exhumation of Dennis's body. His death certificate says he died of natural causes, but there are suspicions that he had been beaten.

● Then there is the mystery of the covert CIA operation to assassinate Colonel Gadaffi of Libya, which was leaked and later denied by White House aides; they said subsequently it was an operation against Mauritania, not Libya.

● Next comes the extraordinary revelation of Bobby Inman, deputy director of the CIA, who said on national television that the organisation was looking for "commercial props," which means using business as a cover for CIA operations. "It is outrageous," said a US oil executive

why had lunch with Inman last week. "It puts all of us in jeopardy."

● And last, why did William Casey, who is accused of financial misconduct and bad judgment and seemed last week certain to lose his job, remain as the head of the CIA?

At the end of May, Tom and Sam McNell took their evidence of Max Hugel's stock manipulations to the Washington Post (The details were printed two weeks ago). It included tape recordings of telephone conversations in which Hugel makes this threat against the two brothers: "I'll cut your balls off. I'll get my Korean gang after you."

One week later, on June 1, the other brother, Dennis, returned home from jogging, and complained to his wife of severe stomach pains. He was taken to hospital where he died. According to medical reports his spleen was ruptured. There was no suspicion of foul play at the time, but last week a New York district attorney said that McNell's illness could have been caused by a beating. A Chicago businessman and associate of the McNells, Stanley Kielmar, says that Dennis "had been abducted and beaten" twice.

The Federal Bureau of Investigation is also probing the recent disappearance of the brothers Sam and Tom. There is a suspicion they are fleeing not from the wrath of Hugel and the CIA but from an investigation into the \$3 million (£1.6

million) reported missing from their company. The McNell brothers' visit to the Washington Post meant professional death for Max Hugel, who had been promoted to director of covert operations, or "super spy," as the position is known, only the month before.

The reasons why this former businessman with a penchant for four-letter words and no known intelligence background was chosen for the most important job at the CIA began to emerge only last week.

One reason, of course, is that Hugel is a buddy of William Casey and was owed a favour for his work on the Reagan election campaign. But last week, the CIA's deputy director, Bobby Inman, gave another explanation. He said on national television that in the light of the loss of the US embassy in Teheran "it was Bill Casey's judgement that they (the clandestine services) were going to have to rely far more on non-official cover and the use of commercial drops to provide the necessary cover for clandestine agents all over the world." An experienced businessman (Hugel) could be helpful in leading the way towards rebuilding the clandestine service.

Casey and Hugel aimed to return the CIA, which in Inman's words had been "drawn down" in funds and personnel over the past decade, back to the youthful vigour of the Fifties and Sixties. Hugel's objective, according to Newsweek magazine last Monday, was Libya. He prepared a

destabilisation plan with a series of classic stages: dis-information, the creation of a counter-government and an escalating paramilitary campaign by disaffected Libyan nationals, ending in the "ultimate" removal of Gadaffi from power. This phrase seemed to imply his assassination.

Newsweek says the plan was sent for approval to the select committee on intelligence and rejected. White House denials were swift, but fresh leaks to the Washington Post said there was indeed a plan but the target was the West African nation of Mauritania.

Leaks to The Sunday Times, however, suggest that Libyan destabilisation was the objective. "It was not to be carried out in Libya itself, but through states in the geographic area," said a well-informed source. "The committee did not oppose the objective, only some of the methods involved."

Amazingly, the CIA's top man, William Casey, has survived it all thanks mainly to White House intervention. He maintains the deciding factor was his own innocence. "The bottom of the barrel has been scraped," he said last week.

There is nothing more. Some members of the intelligence committee, who are still investigating Casey, doubt that. But perhaps they should emulate George Smiley in Tinker, Tailor, Soldier, Spy, who "struggled it all aside, distrustful as ever of the standard shapes of human motives."

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NEW YORK DAILY NEWS  
2 August 1981

# MYSTERY OF THE McNELLS

*Answer to riddle of stocks & spies  
tied to brothers—2 missing, 1 dead*

By BARBARA ETTORRE

IT IS A MYSTERY that would wilt Nero Wolfe's orchids.

It involves more than \$3 million in purloined money and three brothers—two of them missing, the third dead.

It has tainted the spy chief of the Central Intelligence Agency and has touched the director of the CIA, a trusted associate of the President of the United States. It has raised questions about the judgment of the director who, after all, heads one of the most sensitive agencies in the Western world.

The story reaches into the labyrinths of the Washington bureaucracy, the monied halls of Wall Street and the congressional committee rooms on Capitol Hill. It has led to the little town of Bridgton, Maine, where the body of a Queens man is buried.

And, perhaps a bigger mystery is unfolding.

Queens District Attorney John Santucci expects to announce this week whether to order the exhumation of the body of Dennis McNell, the 42-year-old brother of Samuel and Thomas McNell, to determine if he died suspiciously on June 1—two weeks before his older brothers disappeared. The brothers are being hunted nationwide by the Federal Bureau of Investigation.

**WHERE ARE SAMUEL** and Thomas McNell? And, where is the more than \$3 million in assets mysteriously taken from the Triad Energy Corp., a New York-based company that Samuel founded and headed, where Thomas was a consultant, and Dennis, an administrative assistant?

The saga exploded like a bombshell July 14, when a copyright story by The Washington Post quoted Samuel and Thomas McNell's allegations of financial improprieties of Max Hugel, the deputy director of the CIA and its head of clandestine operations.

The two McNells charged that Hugel had supplied them with inside information on two companies in 1974, when they were managing a small brokerage firm. The use of inside information, corporate secrets not known to the general public, to make profits on stock deals is illegal under securities regulations.

Hugel denied the allegations, charging the brothers were trying to blackmail him. But he resigned immediately, embarrassed the CIA.

The bantam-sized Hugel had been a surprise selection as the CIA's No. 3 man. A "tough little

*Where are Samuel and  
Thomas McNell and the  
more than \$3 million  
taken from the Triad  
Energy Corp.?*

Computer Corp. in New Hampshire. A good friend of William Loeb, the powerful, conservative publisher of the Manchester (N.H.) Union Leader, Hugel had run President Reagan's successful campaign in Nashua, N.H. Along the way, Hugel became the protege of William Casey, Reagan's campaign director. When Casey became CIA director, Hugel, 56, got the CIA post.

**APPARENTLY, THERE HAD** been a long and bitter relationship between the McNells and Hugel. The McNells charged he drove an earlier company of theirs into bankruptcy.

But what was the real reason why the McNells wanted the downfall of Max Hugel? Were they simply doing their duty as citizens? Or were theirs sinister reasons?

Samuel and Thomas McNell have not appeared at Triad's small office at 111 Broadway since before their charges against Hugel appeared, although Triad associates said they have received phone calls from Thomas McNell after the death of his brother, Dennis. The death was attributed to a ruptured spleen, along with intestinal bleeding as a result of

Here the mystery takes a macabre turn: Dennis McNell was thought to have been suffering from cirrhosis of the liver, hepatitis and diabetes, a

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NEW YORK TIMES  
2 AUGUST 1981

# The Posse on Casey's Trail Reins In Fast

By JUDITH MILLER

WASHINGTON

**F**OR a while, it seemed all too familiar. A newspaper account raised questions about a well-known public official. Influential senators called upon him to step down for the good of the country. A committee investigation was launched; probers and prey are followed around town by troops of reporters.

But beyond that, the drama of William J. Casey failed to follow the script. Last week, there was no terse resignation announcement. Rather, the momentum seemed to dissipate as rapidly as it had built, leaving many genuinely puzzled. Virtually all Democrats and Republicans of the Senate Select Committee on Intelligence, which is still officially investigating charges of financial misconduct raised against Mr. Casey, agreed that the affair was unusual in large part because the object of the inquiry was the Director of Central Intelligence.

"Another important difference," argued Senator Richard G. Lugar, Republican of Indiana, "was that it was the Senate Intelligence Committee that was in charge." The panel, Mr. Lugar noted, is unusual because it is handpicked by the Senate leadership to reflect a range of "responsible" ideology and because of the sensitive nature of the activities it monitors.

The Casey affair, however, has demonstrated that in at least one critical respect, the intelligence panel seems to have become similar to other Congressional panels. "The committee has become more like the Senate as a whole," observed Senator Joseph R. Biden Jr., a Democratic member. "The separation of powers has been muted in every aspect under Republican control."

Like the community it watches, the intelligence panel operates in an atmosphere of secrecy unparalleled on Capitol Hill. So, while panel members burned about Mr. Casey's appointment of Max C. Hugel, a campaign aide and intelligence novice, as head of covert services, their sentiment was not publicly aired until Mr. Hugel was forced to resign in the wake of a financial scandal.

But when it did blow up, it became what Senator Robert Packwood, Republican of Oregon, called a "one-week wonder." The private grumbling of the panel chairman, Senator Barry Goldwater, that his choice and the agency's deputy director, Adm. Bobby R. Inman, had not gotten the top agency job erupted in a suggestion at an impromptu press conference that Mr. Casey step down. Only four days later, after a five-hour closed meeting with Mr. Casey, Mr. Goldwater and the panel vice chairman, Senator Daniel Patrick Moynihan, said "no basis had been found for concluding that Mr. Casey is unfit to serve."

What had happened? For one thing, Mr. Casey and Admiral Inman both visited members to assure them that the agency would respond more quickly and fully to committee calls for consultation. Friends and supporters of Mr. Casey called committee members on his behalf.

Also important was whispering from the White House and the "intelligence community" — former and current intelligence officials and their friends — warning that scandal and a prolonged inquiry would deny the agency the morale and stability it requires to do its job. Even if Mr. Casey were to step aside, White House aides said that the top job would not go to Admiral Inman, the committee's favorite, and that he might even lose the deputy's post because proposed nominees for chief had former or current White House personnel to occupy top jobs at the agency. Finally, the White House and Senate leadership successfully focused the controversy not on Mr. Casey's management of



The New York Times / D. Gorton  
William J. Casey

the agency, but on allegations of impropriety in his former business dealings and on the lack of due process being afforded him. They were outraged at colleagues who called for Mr. Casey's resignation before an inquiry had begun.

Mr. Lugar said that the committee had last week investigated the matter sufficiently to issue the preliminary judgment expressed by Mr. Goldwater and Mr. Moynihan. But Mr. Biden noted that the panel had not yet interviewed a single former business partner of Mr. Casey's nor had the staff reviewed the transcript of the court cases at issue. Nevertheless, committee members all agreed that it was essential to the agency's stability that they issue at least some statement; the price of Mr. Biden's support was a Democratic counsel to assist in the investigation and a commitment to explore "loose ends."

The committees were not always so attuned to their constituencies. Established in 1975 to investigate allegations of substantial improprieties, the Senate panel, then headed by Senator Frank Church, concluded after a 15-month inquiry that while the national intelligence system was a "permanent and necessary component of our government," the agencies had committed abuses. Rather than rely on the previous practice of sporadic conversation with favored House and Senate leaders, the Church committee recommended permanent oversight committees.

Initially, the agencies, stunned and angered by the public rebuke, resisted cooperation. But with the conservative tide sweeping the country came the call for a reinvigorated intelligence capability. Indeed, committee members are among the most vigorous proponents of the agency's requests for greater resources, more flexibility and exemption from public disclosure laws. Senator Biden, for instance, says a thorough investigation of the charges against Mr. Casey is needed precisely because Congress might resist unleashing the agency if it lacks confidence in the oversight panels.

The staff inquiry, therefore, is likely to continue. Privately, however, some senators are concerned that Mr. Goldwater's quixotic and mercurial behavior may impair the effort. Others think he has been chastened by the Casey affair. "It's going to tone him down a little," a Republican committee member predicted. Perhaps. Still others are concerned that a future disclosure about Mr. Casey's conduct of financial dealings, or a scandal over a failed covert operation may again trigger calls for an inquiry — or accusations that the panel failed to do its job.

*David Wise*

## Who Will Control the CIA Outsiders or the Old Boys?

William J. Casey has survived as CIA director, at least for the moment, but the wrong conclusions will probably be drawn from the Senate investigation of his activities and the pratfall from power of his spymaster, Max Hugel.

The moral of the story, some will assume, is that the CIA should be left to the professionals. That, of course, is precisely what the powerful network of Old Boys, both inside and outside the CIA, would like the public to think. The intelligence professionals, the career spies, prefer to regard "the agency" as their private preserve. Outsiders are poachers.

While the controversy may have appeared on the surface to be a struggle between the Senate intelligence committee and Casey, the real struggle was over who will control the CIA. Arrayed on one side were Casey and the president, who gingerly supported his CIA director. On the other side were the Old Boys, the present and former CIA professionals, and their allies on Capitol Hill.

It was an old battle played out again with a new cast of characters. Back in 1965, President Lyndon Johnson appointed Adm. William F. Raborn Jr., the man responsible for the development of the Polaris missile, as CIA chief. The Old Boys were annoyed. Within weeks, stories found their way into print reporting that at CIA meetings Raborn was a muddle of confusion, "so unlettered in international politics," as Newsweek put it, "that he could not pronounce or even remember the names of some foreign capitals and chiefs of state." Six months later, Raborn was out as CIA director. With the admiral piped ashore, Johnson named a professional, Richard Helms, to the post.

Besides Raborn and Casey, at least two other outsiders who served as CIA directors were targeted by the professionals. President Nixon named James A. Schlesinger to the job in 1973. Schlesinger fired a number of Old Boys, arousing much ire within the agency. Under Jimmy Carter, Adm. Stansfield Turner managed to survive as CIA chief, but many old agency hands refer to him mockingly as "the Admiral."

The current flap had its unobtrusive beginnings late in March when Casey quietly moved John McMahon out as deputy director for operations (the CIA's covert side) to head intelligence and analysis. Then, on May 11, Casey tapped Hugel, who had worked with him in the Reagan campaign, to be the DDO.

Only four days later, on May 15, Cord Meyer, the covert-operator-turned-columnist, surfaced Hugel's name, revealing the appointment of "a rank amateur" to head the agency's cloak-and-dagger directorate. The drama had begun.

Two brothers, former business associates of the Brooklyn-born Hugel, went to The Washington Post. On July 14, within hours of the newspaper's publication of charges of improper or illegal business activities by Hugel, he had resigned. There were those who argued, albeit not seriously, that the disclosures only proved Hugel's superior qualifications for the job. According to the Hugel tapes and other revelations in The Post, the spymaster had threatened to kill a lawyer who got in his way, warned his business associate that he would hang him by the testicles and admitted (in his unpublished autobiography) that he was a liar, informer and a bunko artist. To top it all, he beat the CIA lie detector. What finer background could *anyone* have to head the CIA's dirty tricks division?

But Hugel went quickly down the tube. Perhaps, one anonymous White House official speculated, with some help from "former intelligence officials." Whether anyone, inside or outside the CIA greased the ways for Hugel's fall, remains, like so much about the agency, clouded in mists. But it is very clear that Casey's appointment of Hugel, a one-time sewing machine manufacturer, rankled the CIA professionals like nothing in recent memory.

From the tree-shaded lanes of Langley to the Federal-style homes of Georgetown, the sputtering could be heard wherever old spooks gathered. It was as though a busboy had suddenly been made a Member of the Club. Unheard of!

On the very day that Hugel resigned, stories mysteriously surfaced noting that a federal judge—two months earlier on May 19—had ruled that Casey and others had "omitted and misrepresented facts" to investors in Multiponics, Inc., a company that owned farm acreage in the South. In succeeding days, Casey's image came to resemble nothing so much as a series of ducks in a carnival shooting gallery. One duck carried a sign reading "Multiponics." Others read "Vesco," "ITT," or had similar labels of cases in which the CIA director's name had figured in the past. No sooner would one duck be shot down than another would pop up.

Casey had concealed a \$10,000 gift, said one story. Casey had links to a New Jersey garbage man who might have links to the Mafia, said another. Soon Barry Goldwater and other influential Republicans were calling for Casey's resignation. In the midst of it all, Samuel and Thomas McNell, Hugel's accusers, vanished.

CONTINUED

The White House—remembering President Carter's difficulties with Bert Lance—gave Casey only lukewarm support, but the CIA director rallied his friends and supporters and had gained ground by the time the Senate committee held its one day of hearings into the affair on Wednesday and found Casey not "unfit" to serve. There was some feeling in Washington that Goldwater and other senators, in their earlier calls for Casey's resignation, had rushed to judgment. But Goldwater is clearly the CIA professionals' favorite senator. "I don't even like to have an intelligence oversight committee," he said recently. "I don't think it's any of our business."

Complicating the struggle was the figure of Adm. Bobby Inman, Casey's deputy, who went on ABC's "Nightline" in a rare appearance to defend his chief and to deny that he, Inman, was "orchestrating" the scandal in order to succeed Casey. Inman, who was undoubtedly Goldwater's choice for the job of CIA director before it went to Casey, is an intelligence professional—he formerly headed the National Security Agency—who is often surprisingly outspoken.

"Clearly," he told Ted Koppel on ABC, "those inside the agency would prefer that all the promotions come from the inside."

As Inman suggests, the Old Boys would have us believe that covert operations and clandestine collection should be run by the professionals. The difficulty is that the CIA professionals are the same wonderful folks who brought us the Bay of Pigs. They also produced Operation CHAOS, the illegal spying on Americans who opposed the war in Vietnam, as well as MKULTRA, the drug-testing program in which Americans were lured from bars by the CIA and given LSD without their knowledge, and HTLINGUAL, in which the agency steamed open hundreds of thousands of first-class letters in violation of federal law.

It was the professionals of the DDO who tried to kill Patrice Lumumba by poisoning his toothbrush, who wanted to make Castro's beard fall out by dusting his shoes with thallium salts, who tried to capture a crocodile and hire an African witch doctor to brew its gall bladder into a special posion, who attempted to use dogs as mind readers and cats as eavesdroppers. And who hired two Mafia thugs to put botulinum in Castro's food. (The CIA tested the poison on monkeys first. The monkeys died.)

Casey does seem in his checkered career to have walked very close to the edge of impropriety. An awful lot of people seem to have sued him over the years. And his appointment of Hugel, who was obviously modeled on Maxwell Smart, did show poor judgment. But, in principle, there is no reason why reputable outsiders should not be appointed to the top jobs at CIA. At the very least, they will save us from the professionals.

*David Wise writes frequently about intelligence. His most recent book is "Spectrum," a novel about a power struggle inside the CIA.*



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# Views

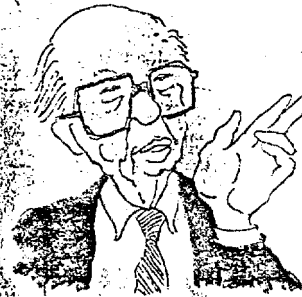
A portfolio from around the nation

Dan Wasserman

THE SENATORS STARTED IN  
ON THE WHOLE LIST OF  
CHARGES -



DECEPTION, SECRET DEALS,  
POLITICAL PAYOFFS



I HAD TO REMIND THEM...



THAT'S WHAT I WAS  
HIRED FOR



## The storm over Casey is quiet, but not done

Demands for the resignation of Central Intelligence Agency chief William J. Casey, it appeared at week's end, had blown over, as it had begun, much in the manner of a midsummer lightning storm. The sudden calm may mask, for the rest of the summer at least, discontent with Mr. Casey's stewardship of the United States' intelligence apparatus. Beneath that discontent are substantial reasons for doubting his fitness for the office.

After several days in which Sen. Barry Goldwater (R., Ariz.), chairman of the Senate Intelligence Committee, and others were calling openly for Mr. Casey's resignation, the committee met in secret, examined some records of Mr. Casey's past business indiscretions, talked to Mr. Casey at some length and issued a formal statement that he is not unfit to serve. Sen. Joseph R. Biden Jr. (D., Del.), no fan of Mr. Casey's, explained that the statement reflected "the overwhelming sentiment by the vast majority of the committee to get this matter behind us for the good of the agency."

So much for that. The fact is that neither the committee nor the full Congress has the authority to fire him. Having confirmed the appointment, the only power over the matter which remained on Capitol Hill was that of moral suasion.

Another fact, a political one, is that had the committee flatly concluded that Mr. Casey was unfit, the likelihood would have been that President Reagan and those around him would have been moved, as a matter of practical politics and administration, to have demanded that Mr. Casey step down. In a flashy political move, the White House had made it quietly clear that if

Mr. Casey *did* go he would be replaced not by Sen. Goldwater's favorite, Deputy Director Bobby R. Inman, but by someone from an informal White House list that was taken by committee members to be unattractive.

The most telling case against Mr. Casey, of course, was his appointment, without consultation with the Senate committee, of Max C. Hugel as chief of covert operations. Mr. Hugel, who had no experience whatever in intelligence operations was subsequently publicly exposed as having been involved in business dealings that were, in the kindest light, intolerably shoddy. He resigned. Mr. Casey stood firm, and the storm burst.

In the course of the open controversy, no significant new information was brought to light — or apparently dug up by the committee's staff — on Mr. Casey's questionable business dealings. Certainly, nothing came forward that suggests that his choice of Mr. Hugel was anything but gross bad judgment.

The Congress is exhausted from its budget and tax debates and most of its members are looking forward to a summer recess, suspending serious business. Perhaps that is just as well. But in the meantime, Mr. Casey's background clearly has not been exhaustively examined. It should be, by the committee, which has pledged to do so; and by the White House, which would serve Mr. Reagan and the effective administration of the CIA by digging unrelentingly. Mr. Casey is vulnerable, by his own misjudgments. That vulnerability cannot responsibly be allowed to undermine the national interests of the United States.

ARTICLE APPEARED  
ON PAGE E-1

NEW YORK TIMES  
2 AUGUST 1981

ESSAY

# Report To Andropov

By William Safire

WASHINGTON.— *Boris Grishin, ace operative of the K.G.B. in Washington, who works under cover as hors d'oeuvres specialist at Ridgewell's Catering Service, is filing this report explaining the Casey case to Yuri Andropov, his boss in Moscow.*

Is plot by clique in C.I.A. bureaucracy using liberal media and befuddled Republican senators to throw out hardliners appointed by Reagan to toughen up agency. Is being called Golderwatergate.

Began late last year when dovish clique who make up what I overheard them call "oh-boy! network" got Senator Barry Goldwater to push for Admiral Bobby (am not being familiar, that's his name) Inman as Director of Central Intelligence. Instead, Reagan chose "Wild Bill" Casey, throwback to Cold War Donovan era, who in turn appointed as dirty-tricks boss a man the oh-boy network considered a pushy street fighter from Brooklyn and Not Our Kind.

Inman operated the "Big Ear" of the National Security Agency and protected the Establishment by never releasing embarrassing "Kissinger withholds." He is seen by right-wing Madison Group as soft on SALT, and was made Casey's deputy as sop to Goldwater.

Coup was then plotted. Couple of Wall Street operators, the McNutt brothers (if I overheard that correctly) may have gotten in contact with C.I.A. oh-boy net, who urged them to go to the media to discredit new dirty-tricks boss and become

means to replace Casey, too. (C.I.A. Inspector General Charley Briggs will be asked by senators to investigate any contacts with McNutts and C.I.A. personnel, and any aid that subsequently may have been given them in skipping country with millions.)

When huge headlines appeared accusing dirty-tricks boss as a man who may have experience in dirty tricks, Not Our Kind fellow had to quit. But Goldwater was prodded by John Blake, oh-boy net member now Senate Intelligence staff chief, to say, "Casey's gotta go too."

When CBS reported Goldwater wanted to dump Casey, Goldwater called press conference to deny it. But instead of denying, confirmed. Confusion attributed by gossipers to various causes; by other senators to need for drugs to relieve intense pain in hip. Combined with well-timed release of old story about Casey civil lawsuit, led to firestorm asking for Casey resignation.

Republican Senators Stevens and Roth, thinking only of tax-cut fight, panicked; only Democrat Jackson kept cool. White House realized that get-Casey maneuver was intended to put Inman in, to restore method of national intelligence estimates preferred by oh-boys, and to smooth feathers of station chiefs ruffled by Casey.

National Security bosses, ultra-hardliners sore at Casey for approving relatively mild version of upcoming Executive Order on intelligence operations, recognized they are better off with Casey than with Inman, who is no softie either but the candidate of the C.I.A. détentniks. To show Goldwater his coup could not succeed, they put out to Newsweek the names of potential Casey replacements — definitely not Inman. Inman is now Outman.

When Casey refused to cave in, and no new revelations added fuel to firestorm, and Casey allies George Shultz and Bill Simon got to Reagan, the coup attempt lost momentum. Sneaking suspicion about instigation and motive of original country-skipping accusers cooled off some media.

In speech to C.I.A. operatives, given to Senate in knowledge it would then leak, Casey obliquely took on the oh-boy net of détentniks. Said that an accurate assessment of Nicaragua had been pre-

pared by C.I.A. last year and was wrongly squelched within agency; also criticized a recent analysis of Cuban activity in Latin America that failed to take Soviet activity into account. Oh-boy doves in the room, who already stimulated stories through Hill allies to stop formulation of Libyan plans, saw hardline handwriting on wall.

Upshot: coup attempt has fizzled. Goldwater seems out to prove "senator" and "senile" have same root, and has shown he can be easily manipulated by what he thinks are "professionals" but who are merely one clique which was pushed forward by Stansfield Turner.

At dinner party in McLean other night, where my pickled water chestnuts wrapped in bacon made big hit, agency doves were distressed at "burning" Inman — who did not know how he was being used — but hopeful that Casey and Reagan, too, will pass. They are proud of demonstrated influence at Senate and House intelligence committees and think they can obstruct, through Congress, any covert operations that might aid Savimbi, the Kurds, the Afghans, anti-Qadafi Libyans, anti-Khomeini Iranans, or anti-Sandinist Nicaraguans.

Comrade Andropov! The public exposure of the détentnik clique in C.I.A. controlling the Intelligence Overseer in the Senate is unhelpful to us. Watch my reports for further details. And keep an eye on your own Number Two.

Beginning today, William Safire's column will appear every Sunday and Thursday. Anthony Lewis, who is now on vacation, will appear every Monday and Thursday.

NEW YORK DAILY NEWS  
2 August 1981

## EDITORIALS

# The man with the golden touch

Thanks to a remarkable series of maneuvers by Ronald Reagan, this country has just undergone the most dramatic shift in basic economic policies it has experienced in nearly half a century. And that, among other things, is a sharp reminder of just how badly Reagan's Democratic opponents have underestimated him.

In judging a would-be president, political pundits debate his IQ, his mastery of detailed factual information about foreign policy or the money supply and the sophistication of his political philosophy. On all these counts, Reagan probably rates no higher than Franklin Roosevelt—whom the late Walter Lippmann once dismissed as simply "an amiable man with an unaccountable desire to be President".

Actually, though, the most important quality of a prospective president is an intangible called leadership—which, in turn, rests heavily on persuasiveness. And in this respect, Reagan, like FDR, has shown himself a standout.

The common Democratic putdown of Reagan in his pre-White House days was that he was "just an actor". But that isn't true; he had also had a whole second career as a pitchman for General Electric—a job which often took him before skeptical blue-collar audiences.

This experience helped give him the cast of mind of a good salesman. Instead of getting angry at people who disagree with him, he tries to figure out what motivates them and what could change their minds.

Perhaps most important of all, Reagan has an uncanny intuition about what is politically possible. And that doesn't always lead him to compromise. Only a week ago, the wise money in Washington was saying that CIA Director William Casey was a dead duck. Reagan, on the other hand, sniffed the wind, concluded that it was possible to save Casey—and almost overnight the wise money was proved wrong.

Like FDR again, Reagan is a true political innovator. The traditional rewards and punishments with which a President used to sway Congress have lost some—though by no means all—of their effectiveness. But as a pioneer in the age of mass communications, Reagan knows that he can bring different rewards and punishments to bear on congressmen by going over their heads to the American people.

The jury is still out on whether the programs Reagan so skillfully sells are the wisest possible for the problems we face. But his ability to rally

LONDON OBSERVER  
2 August 1981

# Old boys of CIA gunning for Casey

from PETER PRINGLE in Washington

THREE former CIA agents are having lunch in the Class Reunion, a saloon haunt for politicians and journalists one block from the White House.

One of the agents, scar-faced and with two fingers missing, parachuted into Dien Bien Phu, Vietnam, the day before the French left. Another has the biggest hands you ever saw and a reputation—that no one questions—for disposing silently of several of Uncle Sam's enemies around the world.

Today the topic is the future of CIA director Bill Casey. How long can he stay in his job? Calls for him to step down started two weeks ago after the resignation of Max Hugel, chief of covert operations, for his alleged stock manipulation.

The three men offer some inside information. 'We think,' says the man with the big hands, 'that Inman would do a better job.' He is referring to Bobby Inman, an admiral with a background in intelligence work. Inman is a first rate intelligence officer, straight, hard working, a brilliant analyst. He is the best chorus the other two.

This is the CIA's old boy network—going about its business, in this case lobbying for Admiral Inman against the beleaguered Casey. It is the end of a surreal week when Americans have watched Casey, their chief spy, move around Capitol Hill, pursued by photographers, as he, too, is investigated for shady business deals.

No one is quite sure how it will turn out or what the influence of the old boy network will be.

'You ask me what this is all about and I say that is a good question,' says Casey. 'Some people say it is the Russians. A lot of people say I am stupid. Some people think it is politics. Some people think it is the old boy network.'

Casey survives the investigations, but the search continues for the motives of those who have tried to bring him down. Meanwhile more

damage is done to the image of the CIA than anything since the famous Congressional revelations about the agency's dirty tricks, department five years ago.

No one really thinks the



WILLIAM CASEY:  
Can he stay?

Russians are involved, nor that Casey is stupid. Politics, everyone agrees, have played their part, so has the old boy network. But this has been no ordinary political punch-up and two major questions lurk in the wake of it.

The first is a straightforward mystery. Casey's problems started when the *Washington Post* found two New York businessmen willing to give evidence of Hugel's stock manipulations. They were Samuel and Thomas McNell, who gave the *Post* recordings of their conversations with Hugel, and then almost immediately disappeared. They took with them, apparently, \$3.3 million from the family firm, Triad Energy Corp., of New York, and have not been seen since.

A week later, a third brother, Dennis McNell, 41, died in mysterious circumstances on June 1.

The second question posed by the Casey affair is more profound. It is whether the United States, and particularly the CIA, has tried to run a covert action campaign to topple the regime of Colonel Qadhafi of Libya. It is something that the liberals have suspected, but never been able to prove.

In the wake of Hugel's resignation, senior Republicans on Capitol Hill called for Casey to step down, essentially for bungling Hugel's appointment. Among them, ironically, was Barry Goldwater, the conservative Republican friend of the CIA, who is head of the Senate Intelligence Committee.

Goldwater, apparently prompted by members of the CIA's old boy network on his staff, had always wanted Admiral Inman, a former head of the super secret National Security Agency, to run the CIA. His choice reflected the classic split in the agency's activities. Inman believes the prime task of the CIA is intelligence analysis, not covert actions. Casey is a covert action man.

When the *Washington Post* exposed Hugel's business deals, Goldwater pounced. Hugel was Casey's man and so Casey should resign, the Senator demanded. Democrats joined him.

The Senate Intelligence Committee demanded an investigation into Casey's business dealings, especially one affair in which he is alleged to have knowingly misled investors in an agricultural concern in 1968. But the committee could not prove anything. On Wednesday its members found Casey fit for continued duty as director.

## Covert plan

In the meantime, however, the old boy network had apparently been at work. Several members of the Intelligence Committee, some 'reliable sources' told the *Washington Post*, had recently sent a rare letter of complaint to the President about a plan for a covert operation in an African country. What was worse: This plan had been approved by Casey and delivered to the committee by Hugel.

On Monday, *Newsweek* magazine 'revealed' that the African country was Libya. The plan, said the magazine, had been approved by the White House crisis management team, and was a large-scale and costly scheme to overthrow Qadhafi.

The next day the White House denied Libya was the target and, a support of the denial, Administration 'sources' told the *Washington Post* the African country was in fact Mauritania.

Mauritania has a tiny population of one and a half million and recently went through a military coup shifting its allegiance from Morocco (friendly to America) to Libya (unfriendly). Was this worth a full-scale, 'costly' cover action? If so, was this part of a larger plan to topple Qadhafi?

It is certainly true that Washington-Tripoli relations have deteriorated sharply since Mr Reagan came to office. During May a whole series of diplomatic setbacks occurred. The United States closed the Libyan Mission in Washington and told American oil executives with operations in Libya to begin an orderly drawdown.

According to some press reports, senior government officials began describing Qadhafi as a cancer that has to be cut out.

Senior State Department officials also leaked the 'news' of a secret American strategy to 'use Egypt and other moderate Arab states' to get rid of Qadhafi.

Admittedly, the United States is in a much better position than it was under President Carter to deal with a disruption of Libyan oil supplies. With a world surplus of 2.3 million-barrels of oil daily, the United States could find alternative supplies—but does it want to?

Undoubtedly the CIA would like to assert itself in Libya, but its position is complicated by the extraordinary freelance activities of two ex-CIA operatives—Frank Ternil and Edwin Wilson.

They are on the run after being accused in this country of smuggling arms to Libya and there is also a strong suspicion that the CIA had knowledge of their operations, even if it did not

take part in them.

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WINSTON-SALEM JOURNAL (N.C.)  
2 August 1981

## A Shabby Performance

So William Casey apparently will get to keep his job after all: Following five hours of closed-door testimony by the CIA director last week, the Senate Intelligence Committee announced that Casey really was pretty much pure as the driven snow, despite all those nasty things that people had been saying about him. Thus ended, at least for the moment, one of the best examples in recent memory of Washington at its worst.

The main player in — or main perpetrator of, to be more accurate — the Casey saga was none other than Mr. Lob-one-into-the-men's-room-of-the-Kremlin himself: Republican Sen. Barry Goldwater of Arizona, chairman of the intelligence committee. Goldwater, it seems, does not like Casey or Casey's handling of the CIA. So he orchestrated one of the shortest — and one of the shabbiest — exercises in the old Washington game of floating out suspicions about someone until that someone sinks.

Casey's original sins were several, in Goldwater's eyes. First, Casey is a member in good standing of the Eastern Republican establishment that did so much to destroy Goldwater's 1964 presidential candidacy. Second, Casey isn't Adm. Bobby Inman, the No. 2 man at the CIA and Goldwater's first choice for Casey's job. Third, Casey has proved himself incapable of paying the sort of obeisances that Goldwater and some other members of the intelligence committee deem proper.

So Goldwater was ready to pounce when Casey fell on hard times a couple of weeks ago. One of Casey's key appointees — Max Hugel, chief of covert operations — was accused of financial wrongdoing; he promptly resigned. Then

Casey himself was found by two courts to have engaged in some less-than-charming business dealings.

Goldwater could hardly restrain himself. He in effect demanded Casey's resignation, calling the Hugel appointment a "dangerous" piece of bad judgment. The intelligence committee started an investigation into Casey's business dealings, as well as the Hugel appointment. The Washington rumor mill went into high gear, and the predictable here's-today's-suspicion stories appeared in the press. At least one senator used the magic words — "cover up" — in reference to the White House's handling of the Casey affair. And of course Casey was forced to utter the inevitable pleas of innocence, and President Reagan was forced to give the predictable assurances of full faith in his subordinate.

And then? And then the whole thing fell apart. At his own request, Casey appeared before the intelligence committee last week and testified for five hours. After the meeting, Goldwater, with a straight face, declared, "It is the unanimous judgment of the committee that there is no basis for concluding that Mr. Casey is unfit to serve as director of central intelligence."

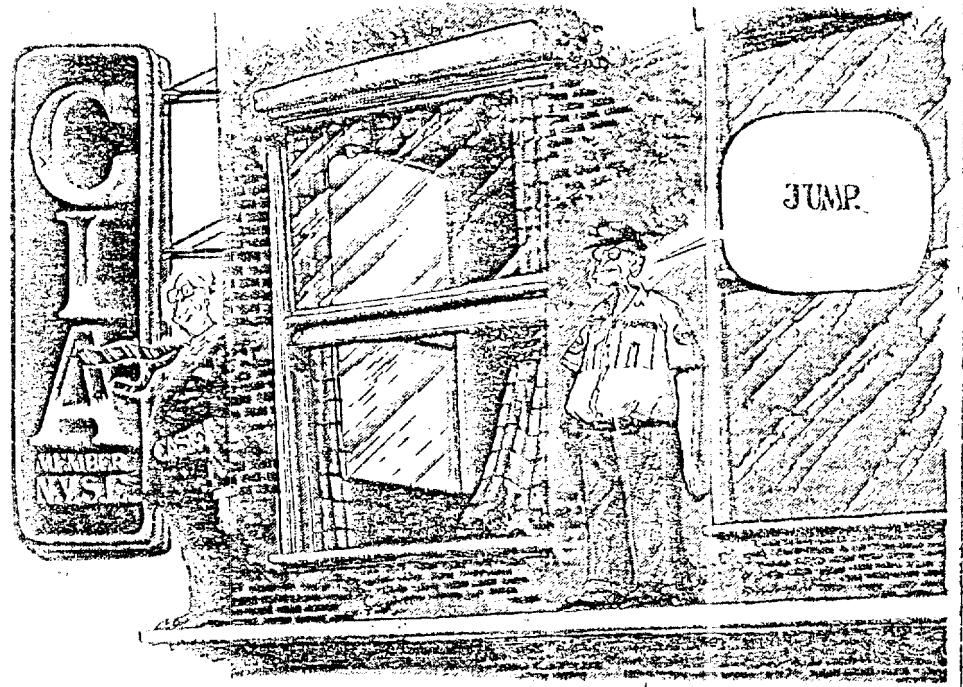
"No basis"? Goldwater was not the only player in the attempt to oust Casey, but he certainly was the main one. He ran Casey through the hoops for two weeks, then had the gall to unapologetically announce that, gee, Casey's business practices and CIA management decisions weren't significant problems, after all. To say no more, Goldwater's performance was appalling and worthy of Washington at its worst.

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ON PAGE A21

THE WASHINGTON POST  
1 August 1981



*Drawing  
Board*



By Olin for The Columbus Dispatch



## Goldwater Redux

Since his 1964 presidential campaign, Barry Goldwater of Arizona has had to live with the sobriquet that he sometimes "shoots from the hip." Forget that what seems political carelessness to some may be refreshing candor to others, the image has lurked barely beneath the surface all these years.

Now the old image has reappeared in Senator Goldwater's handling of the case of CIA director William J. Casey. Mr. Goldwater, as chairman of the Senate Intelligence Committee, angrily urged Mr. Casey to "retire" for poor judgment in choosing as CIA spy chief a man later forced to resign because of questionable business dealings. After a week of headlines, the senator as much as conceded he had misfired and said the whole controversy might not even have arisen had Mr. Casey informed him beforehand of the appointee's impending trouble.

No admission that he may have missed the mark arose after Mr. Goldwater rebuked the Rev. Jerry Falwell for opposing the Supreme Court nomination of Judge Sandra Day O'Connor. Colleagues roundly congratulated the senator.

The O'Connor and Casey cases are obviously of differing caliber. But both underscore the very special Goldwater-Reagan relationship as the president boldly moves the country in the direction Mr. Goldwater long

ago insisted it should move.

It can never be far from the mind of either how one's long road to the White House began where the other's was ending short. Near the close of Mr. Goldwater's disastrous 1964 campaign, Mr. Reagan, barely on the edge of politics then, made an eleventh-hour television appeal that electrified conservatives and raised \$600,000 overnight. "You and I have a rendezvous with destiny," Mr. Reagan told the American people, more prophetically than anyone could have imagined then.

In 1976 Mr. Goldwater resisted Mr. Reagan's bid to unseat President Ford amid charges that he (Reagan) was prone to Goldwater-like carelessness. Mr. Reagan took the shortcoming to heart and won in a landslide four years later, while Mr. Goldwater barely was returned to the Senate.

Mr. Reagan has presided as protege to Mr. Goldwater the prophet, even though the president is 70 and the senator 72. Mr. Reagan followed Mr. Goldwater's advice to nominate Mrs. O'Connor; he did not follow Mr. Goldwater's impulsive advice to retire Mr. Casey.

Thus do the paths of prophets and proteges diverge. "But then, why shouldn't they?" Mr. Goldwater would probably bark. He's always been one to extol honest choices, not echoes, which, after all, is his enduring charm and value, despite an occasional misfire.

DETROIT FREE PRESS

1 August 1981

## CASEY : The CIA director gets a hasty absolution from his Senate overseers

AN ADMINISTRATION that talked a lot about public and private morality during last year's political campaign has shown itself remarkably blase about the activities of its CIA director, William P. Casey. And so has the Senate Select Committee on Intelligence.

The committee, chaired by Republican Sen. Barry Goldwater, talked with Mr. Casey for a while Wednesday and concluded that he was fit to serve as head of the CIA, despite the allegations of slick dealing in his business enterprises and poor judgment in picking his deputy.

Mr. Casey was installed at the CIA by President Reagan, an old friend, after he served as campaign manager for the president in last fall's Republican sweep. Mr. Casey is also former secretary and director of Multiponics Inc., a farming enterprise that in 1968 milked \$917,000 from investors for the benefit of its own officers and directors.

President Reagan says the Multiponics incident happened a long time ago and, anyhow, it was merely a technical violation on Mr. Casey's part. The matter was not

considered so technical by the victims, who are seeking redress in federal courts.

Mr. Casey has been involved in other operations that are open to question. The Senate committee is nervous about brushing them off completely, although its members obviously would love to forget the whole thing. The committee absolved Mr. Casey before its staff had even finished investigating the situation, but it has promised to "follow up on points that need clarification," and issue a final report sometime in the future.

Mr. Casey's choice for CIA deputy director, Max Hugel, has already resigned following accusations that he passed inside information about a firm he once headed to some Wall Street brokers. The selection of Mr. Hugel, a man with no credentials to be a spymaster, has been cited as proof of Mr. Casey's own lack of experience in the intelligence business. But the Intelligence Committee had no taste for further embarrassing the administration at this time. Its members have given Mr. Casey a clean bill of health for now, but chances are his problems are not going to go entirely away.

# The CIA's feud by leak



Mr William Casey should be quickly cleared or fired, but not subjected to long trial by innuendo

Damage will be done to America's Central Intelligence Agency if the accusations against its present director, Mr William Casey, are not immediately cleared up. Neither the CIA nor America can afford such damage to be done at the very moment when the agency hoped it could put a dark decade behind it.

There are only two ways for the CIA to be able quickly to get on with that job of recovery again, so that it once more becomes the major prop it should be in America's defence effort. Either Mr Casey should go. Or his critics on Capitol Hill should conduct their inquiry quickly and, if they exonerate him, as quickly still their sniper fire. On Wednesday the senate intelligence committee unanimously decided there was no need for him to resign, but distinguished senators were still muttering that some points needed clarification.

## Scrutinised to death?

Mr Casey is an old fighter, and he has been fighting rather than giving up easily these past three weeks. His careless mixture of lumbering old Republican gentility from the top east-coast drawer and rasping commands in the voice of a New York cab driver do not endear him to many. He is impatient, highly political. He was clearly slow to take seriously charges against him (see page 30), some of which date back to before senate confirmation hearings for other distinguished government jobs he held in the Nixon years, at which they were disclosed; and others which seem not to have been disclosed when he was confirmed earlier this year in his present job but which hardly seem to have involved financial dealings of major consequence to a man of Mr Casey's background. Indeed, it is unlikely that much

would have been made of any of these charges against him had he avoided the crashing mistake of appointing as his director of clandestine services at the CIA a small-time millionaire who then had to resign in a hurry when the Washington Post revealed questionable dealings in his own business past.

Now that a lot is being made of the accusations against Mr Casey, the issues raised are far more serious than the actual charges. Can good and generally honourable lawyer/businessmen like Mr Casey afford to accept ministerial challenge in Washington when activities dating from before the Simon-pure era of post-Watergate may be scrutinised to death? Can Washington's post-Watergate taste for "trial by innuendo", as Senator Henry Jackson calls the present campaign, and trial by competitive press leaks, ever be put to rest? Can the CIA itself ever stop the debilitating internal wars which the Watergate era and the power-shyness of the Carter-Mondale era are jointly responsible for? At present too much of the inside knowledge that the CIA exists to procure is being used as ammunition in its faction fights, instead of against Mr Brezhnev's friends.

Mr Casey gets high marks from some intelligence insiders for his tough way of managing the agency, his efforts to eschew press briefings and yet to undercut the agency's internal wrangling by bringing political choices into the open. Others on the losing end of his ministry detest him for his toughness, and leak their detestation. Whether Mr Casey stays or goes, senators and congressmen must squelch this habit of feud by leak in the agency. Both congress and the White House must back Mr Casey, or his-successor, to the hilt.

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ON PAGE A13

THE WASHINGTON POST  
1 August 1981

## Casey Failed to List N.J. Client In Financial Disclosure Report

By George Lardner Jr.  
Washington Post Staff Writer

CIA Director William J. Casey failed to list a New Jersey waste disposal firm and other clients in his financial disclosure report to the Senate Intelligence Committee despite a rule calling for disclosure of all but minor sources of income over the past five years.

Instead, Casey apparently duplicated a list of clients he had submitted to the Office of Government Ethics, whose rules call only for the disclosure of clients who had paid him \$5,000 or more in the last two years.

The intelligence committee had asked him in January, in connection with confirmation proceedings, for an accounting of all salaries, fees and other items of income over \$500, and their sources, during the past five years.

As part of its effort to wrap up the Senate inquiry into Casey's business affairs that it started last month, the committee staff now has reportedly asked Casey to dig back into his records for the last 10 years.

Casey had represented the waste disposal firm, SCA Services Inc., a company with alleged ties to organized crime, in 1977 in an unsuccessful effort to head off Securities and Exchange Commission action against the corporation and some of its top officers.

Although SEC lawyers went ahead with the complaint, which alleged the diversion of some \$4 million in company funds for personal use by its officials, Casey reportedly negotiated a settlement of the case whereby SCA neither admitted nor denied the charges. A former chairman of the SEC, Casey was affiliated at the time with the New York-based law firm of Rogers & Wells.

Officials at the Office of Government Ethics said yesterday that CIA lawyers also had notified them on Casey's behalf that he failed to disclose stock holdings in three corporations on any of his financial disclosure forms.

David R. Scott, chief counsel of the ethics office, which is part of the executive branch, said an

amendment submitted this week showed holdings valued at \$50,000 in Vanguard Ventures, \$15,000 in the Energy Transition Corp. and \$10,000 in SWC Information Co. Scott said his office was in the process of obtaining more information about the companies.

The committee agreed unanimously Wednesday after a closed-door session with Casey that it had no basis "for concluding Mr. Casey is unfit to serve" as CIA director. But it also decided, as Chairman Barry Goldwater (R-Ariz.) unenthusiastically described it, to "chase down some of the loose ends" before wrapping up the inquiry and writing a final report.

Goldwater had called for Casey's resignation only last week, but he did an abrupt turnabout. By Wednesday, the senator "wanted to shut it [the inquiry] down" altogether, one source said.

Several committee members such as Sens. Joseph R. Biden Jr. (D-Del.) and Daniel Patrick Moynihan (D-N.Y.), however, maintained that there were too many questions still unanswered, concerning Casey's business dealings and Casey's appointment of Max Hugel, a Reagan campaign colleague, as the CIA's chief of covert operations. Hugel resigned July 14 after disclosure of alleged financial misconduct of his own.

Still to be checked, for instance, are court records concerning Casey's involvement with Multiponics Inc., a bankrupt agribusiness firm based in New Orleans. Casey, who was an officer and a director, played down his role in the company in representations to the Senate committee, but, according to trial testimony cited in a forthcoming New York magazine article, Casey said that "I kept very much on top of the important things that the corporation was doing."

Although committee members have said they want to complete the inquiry this month, it could stretch into September. A minority counsel, Bernhard K. Wruble, 39, began work yesterday in tandem with special counsel Fred D. Thompson, whose appointment Goldwater announced Monday.

## CIA

## Casey's casebook

WASHINGTON, DC

There is a theory that if an American politician is going to get into trouble, he is far more likely to do so in the summer. It takes less of an event than to make the news, and less of a scandal to shock the public and the press. Into the breach this summer has come Mr William Casey, the director of central intelligence. Mr Casey has been fighting a very public battle to keep his job. Such conservative Republican lights as Senator Barry Goldwater of Arizona have called for his resignation (though Mr Goldwater has also withdrawn his call). And the White House, apparently trying to avoid the sort of fulsome and foolish backing given by President Carter to his one-time budget director, Mr Bert Lance, who stood accused of financial shenanigans, has been measuring out its declarations of support very carefully indeed.

Although he had served in the office of strategic services during the second world war, Mr Casey was not an automatic choice to run the CIA and co-ordinate American intelligence efforts generally. But that was the job he wanted, and Mr Reagan was so grateful to him for reorganising his campaign for the nomination after it had faltered early in 1980 that he did not hesitate to go along.

The White House also gave Mr Casey a virtual carte blanche for the selection of his closest aides and associates, and there Mr Casey made an undoubted mistake: the choice of Mr Max Hugel as deputy CIA director for "operations" (the agency euphemism for clandestine services and covert action). Mr Hugel, a rich, self-made New York businessman who was "100% Reagan"—as one of his friends told the CIA during a background investigation—had no qualification whatsoever

for that job, with the possible exception of having learned Japanese many years ago. "Max was very, very unsophisticated and unknowledgeable, and he thought he was a lot smarter than he was", a former superior told the Washington Post. Just a few weeks ago, the Post broke the story of Mr Hugel's questionable (and possibly illegal) business dealings with a family of New York stockbrokers.

Mr Hugel was cut loose by the White House within hours, and Mr Casey lost no time in disavowing any truly close acquaintance with this man whom he had entrusted with one of the most sensitive jobs in the American government. But it was too late. The appointment of Mr Hugel raised such profound questions about Mr Casey's judgment that the director's own record as a Wall Street lawyer and businessman came under new, more careful examination by members of congress and the press.

Some embarrassments have ensued. A federal judge recently ruled that Mr Casey and other directors of an agricultural company that went bankrupt many years ago had misled investors in documents they circulated about the company. Mr Casey was a lawyer for a waste-disposal company that has been linked in sworn testimony to organised crime. And during his confirmation hearing for the CIA job this year he neglected to tell the senate intelligence committee about one of his investments (as required) and about the gift of a \$10,000 interest in a business venture.

Questions also remain about Mr Casey's performance as chairman of the Securities and Exchange Commission

during the Nixon administration, including his candour on matters relating to the fugitive financier, Mr Robert Vesco. Then there is the bizarre incident in Mr Casey's past involving his plagiarising two and a half pages from a book written by someone else. All these matters aroused the senate intelligence committee enough to make it hire a former Watergate investigator, Mr Fred Thompson of Nashville, as a special counsel for the Casey affair.

Mr Casey said he was eager to testify and clear his name. Three of his supporters, including a senator and the CIA's general counsel, Mr Stanley Sporkin (who previously worked with him at the SEC), took the extraordinary step of holding a news conference at a Washington hotel, arranged by a private public relations firm, to express their confidence in him. Several of Mr Casey's prominent and most unimpeachable friends from former administrations have announced that they will give lunches in support of Mr Casey in New York and Washington.

Meanwhile, as if to fulfil a prophecy by Mr Casey's leading opponent, Senator Goldwater, serious questions have now arisen in congress concerning a secret plan for some covert CIA action in Africa drawn up by Mr Casey and Mr Hugel. Initial reports (leaked by Mr Casey's opponents within the agency?) suggested that the plan was directed at Colonel Qaddafi of Libya, but the White House denied it; it was then said to involve Mauritania and the struggle in the western Sahara. Members of the house of representatives select committee on intelligence took the unusual step of writing to the president to suggest that the plan was poorly thought out and unwise.

Mr Casey may recover from these exposures. The senate intelligence committee agreed on Wednesday, after meeting for seven hours, that there was no need for him to resign. But the CIA, where it should be said that there are also many strong supporters of Mr Casey's cause and whose morale and effectiveness Mr Reagan and Mr Casey hoped to improve, has not been helped by this latest bout of probes into its rulers.

## Casey survives, for now

By its handling of the current investigation of Central Intelligence Agency Director William J. Casey, the Senate Select Committee on Intelligence is perpetuating and refining the pattern of tunnel-vision and ineffectiveness it began to weave during Casey's confirmation hearing earlier this year.

Just a few days ago, committee Chairman Sen. Barry Goldwater and two other prominent Republicans surprisingly called for Casey's resignation. Casey was accused of bad judgment for hiring Max C. Hugel to head the CIA's clandestine operations after Hugel resigned in the wake of accusations that he had been involved in improper financial practices while in private business. Casey also is shadowed by recent revelations that he and others had knowingly misled investors in a New Orleans-based agri-business in 1968.

Why Goldwater suddenly turned on Casey would make a good story. Certainly it is reasonable to wonder what Goldwater's real motives were, especially since neither the committee he heads nor the full Senate made any serious attempt to probe Casey's background during the confirmation hearing.

As President Reagan's allies rallied behind Casey to stem the cries for his resignation, the intelligence committee, which had ordered a staff investigation of Casey's financial difficulties, decided to meet privately with Casey. A curious turn of events, indeed.

It certainly is puzzling for the committee to meet with Casey and then, with Goldwater concurring, give him a vote of confidence, before the committee's special staff investigation of Casey's financial dealings was completed. As one committee member was quoted as saying, the panel put the cart before the horse.

Despite the questions about Casey's judgment in hiring Hugel, and about his own financial problems, the reasons for Goldwater's near-panic call for Casey's resignation are not entirely clear. Neither are the reasons for the intelligence committee's premature support of Casey, except for the fact that the White House obviously wants to do everything possible to keep Casey on the job.

Lost in all this behind-the-scenes maneuvering are the questions that are most basic to the public interest — the matter of Casey's fitness to head the CIA, the effect his leadership might have on that agency's effectiveness, and the absolute truth about his financial history. Those issues have never been scrutinized fully in public.

The big question now is whether the intelligence committee's staff investigation will reveal all the facts about Casey's financial problems and his fitness to serve in the public interest, or whether the whitewash that seems to be on the drawing boards will be added to the Senate's earlier ostrich-like inquiry of Casey's background.

MIAMI HERALD (FL)  
1 AUGUST 1981

## EDITORIALS

# Maneuvering Over CIA Hurts National Interests

**T**HE CENTRAL Intelligence Agency is perhaps the most sensitive of all Federal bodies. Can it be run effectively by a 68-year-old who has personal court battles yet to fight and who must peek continually over his shoulder to see if his fickle friends are faltering or his political enemies gaining?

Probably not. If William Casey's first concern were for the welfare of the nation's intelligence operations, he would resign. If the Senate's top priority were its Constitutional responsibility to give advice and consent on major Presidential appointments, it likely would not have confirmed him originally and certainly would have conducted a thorough investigation during the recent scandal.

Mr. Casey's own bad judgment is evident in the decade-old business entanglements that still must divert his energy and attention from the nation's critical interests. Worse even than his investment dealings was his decision to use the key post of deputy in charge of spies as a political-patronage plum. The job went to Max Hugel, a crude Reagan-campaign crony with no qualifications whatever for the intelligence job.

The focus shifted to Mr. Casey after

Mr. Hugel was forced to resign because of allegations of business practices that, if proved, would constitute fraud.

Sen. Barry Goldwater, a chief CIA supporter, alternately attacked and feinted, calling for Mr. Casey's resignation twice and then concluding that he should stay on. It was clear that a number of Republican chits were called in as the White House maneuvered to avoid the political embarrassment of having a key appointee forced out. Senior senators who ought to know better participated in politicizing the decision on the fitness of the director of the CIA.

The inevitable result of that fiasco is that Mr. Casey's effectiveness, which was questionable from the start, now is impaired even further. The Administration won a political fight at the cost of retreating on the front of sound governance. In pursuit of political solidarity, it accepted damaged goods in a position so critical that continued suspicion and future scandals are certain to arise.

When they do, the public rightly will blame the President for bad judgment and the Senate for abdicating its responsibility to check and balance the Executive.

## Insiders Report Tracking the Issues through Diverting Attention from Intelligence

The outcry which led to the resignation of Max Hugel, third ranking official at the Central Intelligence Agency, and which has badly weakened the prestige and effectiveness of William Casey, Director of Central Intelligence, is rooted in public and congressional concern over the effectiveness of the intelligence community. The fact that both of these officials lacked contemporary intelligence experience and were appointed because of their work in the 1980 presidential campaign has been publicly deplored by prominent public officials, and there has been pressure for "intelligence professionals" to fill both positions. Mr. Hugel's successor, John Stein, is such a professional, a veteran of the operations directorate of the CIA.

There is a strong consensus both in Congress and among the general public to improve the quality of American intelligence, and a feeling that this can best be achieved by removing restrictions from the professionals in the community. This interest is demonstrated by the careful manner in which the Senate is approaching the issue of exempting the intelligence community from the provisions of the Freedom of Information Act. Currently two bills, S.1273 introduced by Senator John Chafee, and S.1235 sponsored by Senator Alphonse D'Amato, are being considered by the Senate Select Committee on Intelligence. Both of these bills are designed to help the intelligence community preserve necessary secrecy while doing as little violence as possible to the principle of freedom of information.

In other actions, Congress is moving closer to adopting the Intelligence Identities Protection Act (S.391 and H.R. 4). This act is attempt to frustrate a number of groups committed to destroying U.S. intelligence, which among other efforts publish names of individuals which they claim are CIA agents. Opposition to this act has come primarily from the American Civil Liberties Union, which contends that careful study of State Department records will reveal the identity of CIA agents and that hence this information is in the public domain. The recent Supreme Court decision, *Haig vs. Agee*, which ruled that the lifting of Philip Agee's passport in 1974 was constitutional, concluded: "Agee's disclosures, among other things, have the declared purpose of obstructing intelligence operations and the recruiting of intelligence personnel. They are clearly not protected by the Constitution." This Supreme Court decision is evidence that any effort to challenge the Intelligence Identities Protection Act on constitutional grounds will not be successful.

It is unfortunate that upgrading the performance of American intelligence has become so firmly identified with insulating the intelligence bureaucracy from outside competition. This identification has been reinforced by the Hugel affair. Before the election there had been recognition that within the intelligence community there were severe problems with the analytical bureaucracy, and that any effort to reform this would require at the very least competitive assessment by experts taken from outside the

community. As the

We will reestablish the intelligence Advisory Administration, as

distinguished Americans to perform a constant audit of national intelligence research and performance. We will propose methods of providing alternative intelligence estimates in order to improve the quality of the estimates by constructive competition.

Yet Mr. Casey's commitment to the competitive estimates process has been lukewarm at best. In his first address to the CIA staff, he stated:

I found in SALT I, for example, that some of the judgements were soft. They leaned toward a kind of benign interpretation rather than a harder interpretation of assessing or viewing a situation as being more dangerous. . . . At the PFIAB I supported a competitive assessment process, but I am open as to how that can best be done. Like anyone else I am in favor of improving our analytical capabilities—that is something easy to be for.

Mr. Casey's actions since this address was made have confirmed its tone. None of the important critics of the intelligence analytical process has been appointed to the CIA staff. A special National Intelligence Council at the CIA, formed to "upgrade the system under which national intelligence estimates are produced," is dismissed by many as decorative. They note that the chairman of the new panel, Henry Rowen, was associated with many of the intelligence failures of the 1960s and early 1970s while president of the RAND Corporation, even though in the late 1970s he criticized the "CIA's optimistic assessments of Soviet military strength." They also point out that the panel is empowered only to make minor changes in the existing system, rather than radical improvements.

Of even more concern are the persistent reports that the plans for reconstituting PFIAB will no longer give it direct access to the President. Instead, it will report to the Director of Central Intelligence. The "A-Team/B-Team" experiment in competitive analysis would not have been carried out if PFIAB had not had this access to the President, and there are real concerns that if PFIAB is so constituted it will become a prisoner to the intelligence bureaucracy.

It would appear as though the result of the Hugel resignation and the criticism it brought upon Mr. Casey has been to increase his dependence on the intelligence bureaucracy. His ability to challenge established institutions and mental patterns within the CIA has been undercut, and any confrontation with department heads or national intelligence officers would have a detrimental effect on his image if leaked. Firm action is needed by the White House in this situation. PFIAB should be immediately re-established, and with its backing Mr. Casey should be given the authority to make some badly needed institutional changes.





# Inside Wa

THIS WEEK'S NEWS FROM

## NATO Alliance at Stake

### Can Reagan Derail Soviet-German Natural Gas Deal?

The most important topic brought up at the Ottawa summit was not U.S. interest rates, which many money men predict will soon begin to fall if the President sticks to his economic and monetary program, but strategic trade with the Soviet Union. The President and his aides, including Secretary of State Alexander Haig, are said to have strongly counseled the allies to unite behind a far more restrictive technology transfer policy and specifically warned German Chancellor Helmut Schmidt not to go ahead with a deal in which West Germany would become increasingly dependent on the Soviets for energy supplies.

So firm was the U.S. position that the final communique, though a compromise, did incorporate language calling for the allies to take economic actions that "continue to be compatible with our political security objectives."

Moreover, at U.S. insistence, leaders of the seven major nations at Ottawa agreed to another high-level meeting for the purpose of arriving at "a better definition of what things should and should not be sent" to Moscow "in light of Soviet expansionism."

What particularly concerns the Reagan Administration is Chancellor Schmidt's apparent determination to cut a deal with the Soviets on natural gas. This deal, which Schmidt suggests is innocuous, may, according to Soviet experts here, result in the complete neutralization of Western Europe.

Under the terms of this on-again, off-again project, which was initially okayed by President Carter, the West would supply the Soviets with materials and money so they could lay down a 3,600-mile pipeline extending from the rich gas fields of northwestern Siberia's Yamal Peninsula, across Eastern Europe, to the Federal Republic of Germany. At that point, it would be linked to an existing Western European pipeline network for distribution. Once completed, the Soviets would be able to deliver an estimated 40 billion to 70 billion cubic meters of gas per year into Western European markets.

Indeed, so dangerous is this plan considered to be for the West that Sen. Jake Garn (R.-Utah), along with Representatives John LeBoutillier (R.-N.Y.) and James Nelligan (R.-Pa.), addressed a letter to the President on June 5 in which he outlined his deep concerns. With Garn in the forefront, some 43 senators and House members dispatched another letter to Reagan three weeks later asking for an "immediate" halt to any U.S. participation in the pipeline construction. Furthermore, Garn outlined several ideas—which the President used at the Ottawa summit—which would provide Western Europe with alternative sources of energy.

The President's decision to raise the subject at the summit was also bolstered by a recent study put out by two vice presidents of the Chase Manhattan Bank. In their paper, called, "Soviet Gas to the West: Risk or Reward?" Miriam Karr and Roger W. Robinson Jr. underscore the grave dangers in the pipeline deal.

Under the proposed project, they say, the Soviets would be mainlining gas to 10 European countries—Germany, France, Italy, Austria, Finland, Belgium, the Netherlands, Sweden, Switzerland and Greece. The largest variant of the plan envisions deliveries to Britain and Spain as well.

By 1990, according to the authors, "it is estimated that the USSR would supply 35 per cent of Western Europe's gas requirements," thus making most of NATO increasingly reliant on Soviet energy sources.

Whereas today the Soviets supply just about 18 per cent of what West Germany consumes in natural gas, for instance, by 1990, assuming the pipeline is in place, the Soviet share will have more than doubled. (Other studies show that France, which now receives 7 per cent of its natural gas supply from the Soviets, will be relying on Moscow for more than four times the quantity in 1990. Austria, now receiving 55 per cent of its gas supply from the Russians, will be getting 70 per cent at the end of the decade.)

Moreover, note the authors, many areas of Germany are already overwhelmingly dependent on the Soviets for natural gas. "For example, Bavaria at present depends on the USSR for 80 per cent to 90 per cent of its total gas consumption. Major

Bavarian industrial consumers linked to Soviet gas are the chemical, petrochemical and automotive industries.

"The Saar and Rhineland regions rely on Soviet sources for about 50 per cent of gas consumption, while for Baden-Wuerttemberg and Hessen the share is somewhat less than 50 per cent. It is estimated that two-thirds of Soviet gas goes to German industrial users with the remaining one-third going to households."

Not only would Western Europe be far more dependent on the Soviets for energy supplies, but the Russians would be earning enormous amounts of foreign currencies. Moreover, they would be in a perfect position to blackmail NATO governments with potential cut-offs in natural gas. While the Soviets are said to have a good track record for observing commercial undertakings, disruptions in Soviet gas deliveries to Europe have occurred as recently as this year.

The authors of the Chase Manhattan study also say: "A less apparent dimension to East-West resource projects... is Moscow's long-term strategy of transforming economic dependencies into tools of international diplomacy. In the words

of President Leonid I. Brezhnev: "... The accelerated development and exploitation of Siberian natural gas resources is a matter of highest economic and *political* [note: emphasis ours] priority."

With his own gut reactions bolstered by the Garn letter and the Chase Manhattan study, the President, say informed sources, went to Ottawa intent on trying to stop Schmidt from going ahead with the deal. The President was also vigorously supported in his effort by Pentagon chieftain Caspar Weinberger, U.N. Ambassador Jeane Kirkpatrick and CIA chieftain William Casey. Weinberger and Casey, reportedly, pushed for the President to take an exceptionally tough stance with Schmidt, while Secretary of State Alexander Haig and Special Trade Representative William Brock pressed for the "soft" line.

Nevertheless, Reagan brought up the subject at Ottawa, much to Schmidt's discomfiture. Whether the President can eventually force Schmidt to back down is problematical, but a goodly number of strategic trade experts in Washington think it's absolutely essential if NATO is going to survive as an anti-Soviet force.