

SPIES AND COUNTERSPIES

"For a \$50 subscription to Aviation Week magazine, the Russians can learn about us what it takes us billions to learn about them," says William Colby, former director of the CIA.

At his desk in the CIA, Colby used to wonder what the job was like for his counterpart in Moscow, Yuri Andropov, then head of the KGB. Both men, he imagined, were sitting in front of a large jigsaw puzzle trying to figure out what the total picture would be.

"There was one difference. I didn't have all the pieces and I had to think what was missing and what would the final picture be. He had too many pieces. His problem was selection.

"Also, it must have been difficult for him to figure out what the U.S. was going to do because our system involves separation of powers and requires a coalition of forces to resolve an issue. In that sense, figuring out what they might do could be more predictable because the power in Russia is all there in the center and fewer elements are involved."

We have a new tale of two cities in Washington and Moscow today, with a remarkable similarity to the period Charles Dickens wrote about. "It was the best of times, it was the worst of times... an age of wisdom... an age of foolishness..."

Arthur Hartman, U.S. ambassador to the Soviet Union, does not trust the walls of his embassy in Moscow when he wants a private conversation with his wife. They go out for a walk to talk, not too close to any structure where the KGB might have a parabolic mike. Students of eavesdropping assume that Anatoly Dobrynin, the Soviet ambassador to the United States, is equally cautious in Washington.

Both men have reason.

The Soviets have been known to bug the Great Seal of the United States in the embassy in Moscow and the heel of the left shoe of the U.S. ambassador in Warsaw.

American intelligence agents have been known to dig under the Berlin Wall and tap into East German communications with Moscow. American electronic experts have also intercepted the radio telephone conversations of Soviet leaders as they drove through the Soviet capital.

Military attaches are generally regarded as "official spies" busily recording what they see and hear. Nowhere are they busier than in Moscow on the anniversary of the Bolshevik Revolution, when the world is given a peek at the latest in Soviet weaponry rolling through Red Square.

It proved more than a passing look several years ago when the Soviets decided to parade the SS9, their newest missile. It was so big the parade had to be re-routed and the new missile came by the U.S. embassy.

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At that moment, something ahead broke down, the parade stopped and for a half hour the Soviet's newest and biggest missile was parked in front of the embassy while Americans inside took pictures in gleeful abundance and dour Russians outside took pictures of them.

In the global battle of intelligence, both superpowers are aware that both use double agents. In fact, in 1959, at a dinner given him in the White House, Nikita Khrushchev threw an arm around Allen Dulles, then CIA director, and joked that both their countries could save money if they stopped paying the same spies.

Khrushchev could not have thought his joke was funny during the Cuban missile crisis of 1962. In that tense period, the U.S. had an agent inside the Kremlin, Col. Oleg Penkovsky, who kept Washington informed of the Soviet military response to the crisis. Penkovsky was discovered a short time later and executed.

Washington these days is believed to attract more spies than any other city in the world. It abounds in busy Soviets who keep the FBI busy watching them and others entering and exiting the Soviet embassy. Both Soviets and Americans presumably watch the traffic at the Chinese embassy. The Chinese keep a low profile.

The Senate Intelligence Committee has been told that Soviets or their subsidiaries in Washington have tried to plant or recruit agents in the policy levels of the state and defense departments as well as the NSA, CIA and the FBI. They have also approached members of congressional staffs with access to secret information.

Last year, the "acting" military attache in the Soviet embassy was expelled before he did any more acting. The FBI nabbed him on a dark night picking up a green plastic garbage bag at the base of a tree in a remote area outside Washington. The bag contained film of classified U.S. military documents.

Busy as they are in Washington, the Soviets or their intermediaries have been busier in the Silicon Valley of California. By legal or illegal means, through complicated purchases or dummy corporations or plain, old-fashioned spies, they intently pursue U.S. high technology. The Soviets are well behind the United States in the development of computers crucial to modern warfare.

We watch them. They watch us. We are ahead. They catch up. They are ahead. We catch up. Everybody is stronger. Nobody is safer.

CIA proper tool for foreign policy?

By SHERRY DEVLIN
Staff correspondent

MOSCOW, Idaho — Does the United States have any business sticking its nose — that is, its Central Intelligence Agency — into other people's politics?

President Dwight D. Eisenhower said yes. He told CIA operatives to engineer the ouster of Guatemalan President Jacobo Arbenz in 1954. They succeeded.

President John F. Kennedy said yes. He authorized the Bay of Pigs assault on Fidel Castro's Cuban dictatorship in 1961. It failed.

President Lyndon B. Johnson said yes. He OK'd repeated CIA plots to kill Castro. All failed, despite the use of Mafia hitmen and Cuban nationals.

President Richard M. Nixon said yes. He gave the CIA \$10 million to bribe Chilean congressmen not to ratify the election of President Salvador Allende in September 1970. The vote was ratified.

"We have witnessed government after government being overthrown in Latin America, all guided by the invisible hand of the United States," says Larry Birns, a foreign policy analyst.

"Not one of these so-called secret wars has ever been debated in a public forum or approved by vote of Congress," Birns said. "Not one."

Instead, U.S. presidents from Harry Truman to Ronald Reagan have used the CIA as their strong arm abroad, said Birns, moderator of last week's Borah Symposium at the University of Idaho.

Truman used the intelligence agency to save Western Europe from the Communist threat of the late 1940s, subsidizing leaders, political parties and unions in Germany, France and Italy.

From there, the CIA took its influence peddling across the globe: the Philippines, Vietnam, Iran, Guatemala, Chile, Cuba, Angola, Laos and most recently Nicaragua.

"The record of CIA intervention is dismal, with no clear successes and many disastrous failures," said Amos Yoder, UI political science professor and an organizer of the Borah conference.

This year's symposium zeroed in on CIA intervention in Latin America, with emphasis on Chile and Nicaragua.

The seven panelists, including former CIA operatives, Latin Americans and political analysts, raised a long list of questions. Few were answered.

Does U.S. support for the 10,000 troops fighting Nicaragua's leftist Sandinista government constitute international terrorism?

Did the CIA engineer the overthrow and death of Chile's Allende in September 1973? What did the United States stand to gain by deposing Allende and installing Gen. Augusto Pinochet?

Does continued use of the CIA for intervention weaken this country's moral and political position abroad, and stimulate retaliation?

Should there not be more explicit legislation to control the CIA — to, as one participant said, "put a leash on the dirty tricks?"

William Colby, director of the CIA from 1973 to 1976, provided the defense of covert operations abroad.

"The CIA," Colby said, "enables our leaders to make foreign policy and defense decisions on the basis of knowledge rather than in the haze of ignorance and suspicion."

Jaime Barrios, a Chilean exile now living in New York City, provided the indictment.

The CIA-backed government in his native country has created "an economic wasteland ruled by coercion, intimidation and terror," Barrios said.

"The United States has robbed a whole generation of Chileans of the opportunity to determine their own destiny," he said. "La CIA has few friends in Chile."

The trouble started, Barrios said, when Allende won Chile's 1970 presidential election with 36 percent of the vote.

Nixon was incensed. Allende, said Nixon, was another Castro.

"During the two months following Allende's election, the CIA planted 1,000 articles in the Chilean press describing the horrors of socialist rule," Barrios said.

"Nixon funneled \$10 million into the operation, telling the CIA to assassinate Allende if all else failed," he said. "But on Nov. 4, 1970, Allende was installed by the Chilean congress."

The CIA, however, did not give up its campaign to destabilize Chile's left-wing government. Over the next three years, \$8 million in American money went into CIA

Colby said the money went to the country's moderate political parties — those that supported trade unions and a free press.

"We were looking toward the elections of 1976," he said. "We rather hoped the centrist forces could recover their power. That effort, however, was pre-empted by the military coup of September 1973."

Barrios described a more nefarious involvement.

"I don't believe a word Mr. Colby has said," he told one Borah session. "The lies, misinformation and sabotage engineered by your CIA undermined Latin America's oldest democracy."

The September coup left as many as 20,000 Chileans dead and many thousands more in exile. Allende was killed at the presidential palace. Pinochet was installed as dictator.

"Chile under the junta has suffered a long tableau of human rights violations and total social control," Barrios said. "Pinochet says destiny gave him his job. I say the CIA gave him his job."

And the CIA will continue doling out control of Latin American countries as long as it is the covert arm of the president's foreign policy advisers, said Ralph McGehee, a retired CIA operative and critic of agency policies.

"The agency's task is to develop an international anti-communist ideology," McGehee said. "The CIA then links every egalitarian political movement to the scourge of international communism."

"As with Guatemala in 1954, the CIA starts covert actions by dragging a red herring across the trail. The Soviets are coming, the Soviets are coming."

"A Soviet threat somehow justifies all that follows."

"All that follows" includes assassination of foreign chiefs of state, the murder of thousands of suspected Viet Cong in South Vietnam and the current offensive in Nicaragua.

"What you're forgetting, though," Colby told McGehee, "is that this isn't a black-hat-white-hat situation."

"Let's look at the real facts," Colby said. "Mr. Allende was deposed because he tried to impose socialism on a well-established Chilean middle class."

"The military overthrew Allende, not the CIA."

"There also was a very close relationship between Mr. Allende and the CIA. He planned to set

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The story of the CIA's
 Nugan Hand Bank—an institution committed to
 heroin dealing, money laundering,
 arms trafficking, and covert dirty tricks.

BLOOD MONEY

BY PENNY LERNOUX

Early on a Sunday morning in January 1980, two policemen driving along a lonely stretch of highway near the Australian city of Sydney came upon a Mercedes-Benz sedan with its lights on. Inside the car slumped across the front seat in a pool of blood was the body of a middle-aged man. In the dead man's pockets the police found the business card of William Colby, a Washington lawyer who three years earlier had been director of the Central Intelligence Agency. On the back of the card was the itinerary of a trip Colby intended to make to Asia.

Next to the body was a new rifle. Alongside it was a Bible with a meat-pie wrapper as a place mark. On the wrapper were scrawled names—William Colby's and California Congressman Bob Wilson's. Wilson was then the ranking Republican member of the House Armed Services Committee.

The dead man turned out to be a Sydney merchant banker named Frank Nugan. He was a co-owner of the Nugan Hand Bank, an Australian bank with 22 branches worldwide. Investigators at first theorized that Frank Nugan had killed himself because of business troubles. Only later was it learned that among the people with whom his bank did business were a number of prominent mobsters. But this would soon seem like a minor detail. For Frank Nugan's apparent suicide triggered an international scandal that continues to this day, involving heroin dealing, arms trafficking, money laundering, the CIA, and enough high-ranking U.S. military officers to launch a major invasion.

At the time of his death, 37-year-old Frank Nugan was facing criminal charges for defrauding shareholders in the Nugan-family food business. Auditors had discovered big cash payoffs by the company to people apparently linked to drug trafficking. Three months later, after the Nugan Hand Bank collapsed, it was learned that Nugan had illegally diverted \$1.6 million of the bank's money to the family business. The bank's directors knew of Nugan's legal troubles, and one of them frequently accompanied him to the hearings that led to formal charges. This man was General Edwin F. Black, former commander of troops in Thailand during the Vietnam War and later assistant army chief of staff in the Pacific. He was then the Nugan Hand Bank's representative in Hawaii.

Frank Nugan was also in hot water with the bank's auditors, who had refused to approve the accounts for the bank's Bahama and Cayman branches. This meant that the bank was about to be decertified. If it were decertified, it would lose its commercial status with other banks and would

collapse. Stephen K. A. Hill, a Nugan Hand director who later testified that he rewrote the books on Frank Nugan's instructions, had had no problem with the auditors during earlier meetings. On at least one occasion he was accompanied by another high-ranking former U.S. military officer, Earl P. ("Buddy") Yates, retired U.S. admiral and former chief of staff for strategic planning with U.S. forces in Asia and the Pacific. Yates was the Nugan Hand Bank's president.

Nugan, at that time, had taken to going to church almost daily. He wrote mystical notes to himself in a Bible, which was always with him. "Visualize 100,000 customers worldwide," said one. "Prayerize. Actualize." And he spent money as if he owned the mint—\$500,000 to remodel his family's lavish waterfront home in Sydney, complete with sand for an artificial beach. On the day he died he was completing negotiations for the purchase of a \$2.2-million country estate.

If such actions reflect suicidal intent, none of Nugan's associates seemed

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only in isolated bits and pieces, in part because of the U.S.-intelligence community's reluctance to help or supply information to Australian investigators.

The Australian government's investigation of the bank's dealings is still under way, and among the details that have emerged so far are the following:

- The Nugan Hand banking group participated in at least two U.S.-government-covert-action operations.

- The bank had strong links to the U.S.-intelligence community, and some of the banking group's executives were involved in large weapons shipments to American-aided forces fighting against Communist guerrillas in Angola.

- According to the report, retired Admiral Yates, while president of Nugan Hand, as part of a bank project urged a CIA contract agent to threaten the Haitian government with a coup. (Yates told the *Wall Street Journal* that the overthrow threat wasn't proposed by him but by a prospective bank client. Yates said he quickly rejected the idea.)

- Most of the bank's business was found to have been money laundering rather than deposit taking.

- The bank was also involved in dealings with international heroin syndicates, and there is evidence of massive fraud against United States and foreign citizens.

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Former Central Intelligence Director William Colby said Congress vigorously oversees the U.S. spy business.

However, former CIA agent Ralph McGehee claimed lawmakers and the public were victims of the agency's misinformation.

Colby on Monday told a symposium on Latin America that Congress proved it monitors CIA activities when it halted the intelligence-gathering agency activities in Angola in 1975.

"There have been and still is vigorous supervision over Central Intelligence operations," he said. "Oversight committees work by fixing responsibility on a small number of congressmen and committees so that, if there is some error, it is clear that senators and congressman are responsible for the error."

But McGehee told the University of Idaho audience that congressional oversight committees only hear what the CIA wants to tell them.

"Unfortunately the oversight committees are briefed by the CIA which tells them what it is doing in a country," he said. "I have helped prepare briefings for congressional committees, and I know how distorted those briefing materials are. They are not presented with the true facts."

He said the CIA deals in misinformation with the American people as the primary target.

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