

DEFENSE REPORT

Reagan's Effort to Reshape May Revive Debate over Age

The President is about to sign an executive order on the CIA delicate question of how to balance national security with

BY DOM BONAFEDE

The Reagan Administration, intent on revitalizing the U.S. intelligence apparatus, is seeking to assure that the changes conform to President Reagan's goals—to combat international terrorism and other perils to national security.

After several false starts, Reagan will shortly disclose the revisions in a new executive order—the third presidential directive governing intelligence activities in the past five years. In addition, William J. Casey, director of the Central Intelligence Agency, has taken administrative and organizational measures to further centralize operations under his aegis.

On another front, the Administration is pushing legislation to exempt the CIA from Freedom of Information Act strictures and is supporting a bill that would prohibit unauthorized disclosure of information identifying U.S. intelligence operatives.

Each of these steps is part of a concerted effort to strengthen the nation's intelligence machinery in keeping with Reagan's hardline defense posture and his political ideology.

Reagan's new executive order, covering the CIA and a galaxy of sister intelligence agencies, could nonetheless provoke an intense national debate over the delicate balance between individual rights and national security. Two earlier draft proposals, leaked to the press by antagonists, were purportedly designed to expand the CIA's jurisdiction to include domestic counterintelligence, lawfully the province of the Federal Bureau of Investigation.

That raised the specter of surreptitious entries, mail openings, electronic surveillance and even legitimate business organizations. It has triggered fears that the "new

CIA" will be like the old CIA, which in a torrent of headlines in the 1970s was exposed for illegally spying on American citizens, exhibiting a cavalier disregard for civil liberties, participating or conspiring in overseas assassination attempts and masterminding a host of bizarre, costly and embarrassing James Bond-like plots.

Adm. Bobby R. Inman, the deputy CIA director, publicly declared in March that while the reins on the agency may be eased, the scope of the proposed changes has been distorted and exaggerated. Yet, should Reagan persist in "unleashing" the CIA, the consequences almost certainly would be to revive the highly charged dispute over the proper role of the intelligence community in a free society.

The President has already been put on notice by the intelligence oversight committees in the House and Senate that the overwhelming majority of their members are opposed to any proposals that would allow the CIA to conduct covert domestic operations.

On Oct. 30, the Senate Select Committee on Intelligence, headed by Barry Goldwater, R-Ariz., sent its recommendations on the proposed executive order to Richard V. Allen, assistant to the President for national security affairs. Allen and an assistant, Donald Gregg, director of the National Security Council's intelligence cluster, are handling the issue for the White House. Although the committee's report is confidential, it is known that the members, in a bipartisan agreement, dissented from proposals that would permit the CIA to engage in domestic operations and offered several modifications. An addendum attached to the report included the views, mainly in opposition to particular provisions of the order, of several members.

On the same day, Edward P. Boland,

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hearing of the subcommittee on Constitutional Rights. Rodino and Don Edwards, D-Calif., the subcommittee chairman, contend that the executive order falls within their purview because it would diminish the authority of the Attorney General and the FBI in domestic intelligence matters. Both the Justice Department and the FBI come under the committee's jurisdiction.

order goes," Edwards said. "We're trying to let the American people and the media

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COMPUTERWORLD
16 NOVEMBER 1981

Electronics Underworld

Former CIA Agent Implicated in

By Christopher Simpson
Special to CW

The amazing case of Ed Wilson and Frank Terpil — the two former Central Intelligence Agency agents accused of shipping explosives to Libya — has led to criminal investigations on three continents, a congressional inquiry and a purge of senior U.S. intelligence officials in the last three years.

But that may be only the beginning.

Allegations of corruption in the traditionally top-secret procurement of computers and other sophisticated electronics by U.S. intelligence agencies have been brought to light recently by new press and government inquiries. Such contracts are worth tens of millions of dollars each year to U.S. manufacturers.

The federal indictment of Wilson, Terpil and one other defendant has focused on their alleged role in supplying C-4 plastique explosives and military fuel thickener (the basic ingredient in napalm) to Libya's Muammar Qaddafi. Missing from the government's indictment, however, is the fact that Wilson was employed by the U.S. government long after he left the CIA.

Interviews with former Wilson associates and a check of government records reveal that between 1971 and 1976 Wilson was a top procurement officer for a secret naval intelligence group known as Task Force 157. Former Task Force 157 agents now allege that Wilson used his position on the task force both to enrich himself and to lay the groundwork for his later career as an export "consultant" specializing in military technology.

Along the way, according to Kevin Mulcahy, a former Wilson business associate, Wilson made a small fortune in kickbacks from companies for which he arranged government contracts both in the U.S. and abroad. Mulcahy, a former CIA computer and electronics specialist hired by Wilson for his technical expertise, also told a Washington, D.C., grand jury that one of Wilson's best customers was Control Data Corp., the mainframe manufacturer.

A spokesman for CDC denied that charge. Wilson himself is presently a fugitive in Libya and could not be reached for comment.

'Foreign In'

What exactly According to c from former nav cers, it was a "human source foreign intelligence unit" staffed by "clandestine intelligence Case Officers."

Task Force 157's tasks ranged from systematically infiltrating international maritime unions to collecting intelligence on Soviet nuclear bomb shipments. It was involved in almost every major intelligence operation in the last 15 years, according to informed sources, from the bloody overthrow of the Allende government in Chile to Henry Kissinger's secret trip to Peking in 1971. One important function of the group was providing secure communications channels and data processing support for clandestine operations.

Most Task Force 157 agents worked for front companies — called "proprietarys" — of the Naval Intelligence Command. These companies were often "nonexistent corporate entities ... created by federal officials under the guidance of U.S. Navy auditors," according to former Task Force 157 Agent Gerald Walters. Two such proprietary of particular interest to the computer industry were Pierce Morgan Associates, a now-defunct "computer systems consulting" firm whose offices in Alexandria, Va., provided cover for Task Force 157 agents, and Consultants International, Inc., a Washington, D.C.-based import/export consulting firm.

Wilson's Navy Job

Wilson had a desk and his own staff at Task Force 157 headquarters, according to eyewitnesses. His Navy assignment included the creation of a network of corporations, many of which he personally controlled, to provide cover for sensitive Task

Gaddafi's Western Gunslingers

A Colorado trial involves attempted murder, Libya and the CIA

The only thing clear about the attempted killing of Faisal Zagallai, a Libyan graduate student at Colorado State University, is that Eugene Tafoya, the beefy ex-Green Beret who shot him last year, was not simply acting on his own. Thus Tafoya went on trial last week not only for attempted murder but also for conspiracy, although the prosecution is not yet sure who his co-conspirators were. Was he employed by Edwin Wilson, the former CIA agent who is now a fugitive in Tripoli arranging mercenary support for the Libyan armed forces? Was the murder attempt ordered directly by the Libyan government? Did Tafoya have any real connection to the CIA, as he claims, or only with renegade ex-CIA agent Wilson? As these questions are explored at Fort Collins, Colo., during Tafoya's trial, which could last a month, authorities hope, or perhaps fear, that some light will be shed on the mysterious web spun by Wilson that entangles former CIA officials and Western soldiers of fortune who are giving support to the radical government of Colonel Muammar Gaddafi.

Zagallai, 35, the son of a former mayor of Tripoli, originally came to the U.S. on a scholarship provided by the Gaddafi regime. But he soon soured on the dictator's repressive policies and became a leader of the anti-Gaddafi dissidents in the U.S., and had been warned by the FBI that he was a prime assassination target. Fortunately for him, the man who called at his apartment pretending to be a corporate recruiter bungled the job. Tafoya, 47, a 23-year veteran of the Army and the Marines, who fought in Viet Nam, fired at Zagallai at least twice at pointblank range but succeeded only in blinding him in one eye. Four months later, the .22-cal. pistol used in the attack was found near by and was easily traced to Tafoya, who was arrested at his home in Truth or Consequences, N. Mex., in April. Tafoya has variously claimed that he acted in self-defense after Zagallai pulled his own gun, and that he was on a secret mission for the CIA to warn Zagallai to tone down his criticism of Israel. As Tafoya tells it, he was at that time a kind of double agent, working for Wilson even while spying on him for the CIA. The agency denies that Tafoya was in its employ.

His connection with Wilson is another matter. After the shooting, Tafoya lived for three weeks at a 17th century farm estate in southern England owned by Wilson. His personal papers include the private telephone and telex numbers for Wilson in Tripoli, as well as notes from what appear to be conversations with him. Prosecutors also think that Tafoya is in-

ing to one of Wilson's former business associates. In a tape recording seized at Tafoya's house, a man believed to be Tafoya tells a phone caller that he was responsible for the bombing and is available for other jobs: "Do you know somebody that should quit breathing permanently?" Authorities have identified the man he spoke to as James Clinton Dean, another former Green Beret.

Wilson is a former covert operative for the CIA who helped organize the disastrous Bay of Pigs invasion by anti-Castro Cubans in 1961. He officially left the Government in 1976, when the naval intelli-



Eugene Tafoya and John Stubbs, inset

A web of violence and intrigue.

gence branch for which he was working, known as Task Force 157, was being disbanded by Navy Rear Admiral Bobby Inman. Wilson tried to persuade Inman to save Task Force 157 by offering what Inman took to be a bribe; the admiral, offended, immediately decided to abolish the operation. In 1980 Wilson was indicted on charges of illegally shipping explosives to Libya. He has been a fugitive, mainly in Tripoli, since then. In a series of articles over the past five months, the New York Times has described how Wilson and former CIA Colleague Frank Terrell have supplied sophisticated technology and trained personnel to the Libyan armed forces. Much of their business has been provided by former associates in the



the Times quotes some of those involved as saying that Americans have been sustaining Gaddafi's yearlong intervention into neighboring Chad.

John Anthony Stubbs, a British pilot who worked for Wilson until he was asked to deliver arms to a Chad airfield under siege, told TIME last week that as many as 45 Americans have also been recruited to help train Palestine Liberation Organization terrorists in Libya. According to Stubbs, the training operation is based in Kufra, about 800 miles south of Tripoli, and run by former U.S. Marine Corps Pilot Robert Hitchman, who once worked for the CIA-financed company Air America and now lives in an apartment in Wilson's villa. Says Stubbs: "I met Hitchman in Saigon in 1972. I never knew exactly which side he was working for. When I was in Libya, we used to play chess at Wilson's villa. He runs the P.L.O. helicopter training for the Libyan government, and he flies them himself. The Americans he hires are mainly Viet Nam veterans, and they work for about \$4,000 a month."

When testimony gets under way in the heavily guarded courtroom in Fort Collins, a central question will be whether Libya's World Revolutionary Committee was telling the truth when it initially claimed to have ordered the murder of Faisal Zagallai. If it did, it probably acted through Wilson. This possibility has spurred the Justice Department, CIA and FBI to pursue more aggressively their investigation of the former operative's empire. An interagency task force has been set up to coordinate the case, and the House Intelligence Committee will begin public hearings by the end of the year. The result may be a fuller understanding of the old-boy dealings between present and former intelligence agents. There is a growing suspicion, as well, that close scrutiny of Wilson's affairs will turn up embarrassing connections with high officials, both in the U.S. and abroad, who may have participated in business deals with the entrepreneur in Tripoli.

—By Walter Isaacson.

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WILMINGTON SUNDAY NEWS JOURNAL (DE)
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Libyans gave Billy extra loan

By JOE TRENTO

Staff reporter

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WASHINGTON — Federal prosecutors ignored information that Billy Carter may have received \$420,000, not \$220,000, from the Libyan government and failed to investigate reports that he had discussed a machine-gun deal with renegade CIA agent Frank Terpil.

Carter visited Libya twice — in 1978 and 1979 — and publicly advocated Libyan and Arab causes while his older brother, Jimmy, was president. While looking into whether Billy Carter's involvement with Libya constituted acting as an agent for a foreign government, federal investigators determined that the Libyans had "loaned" Billy Carter \$200,000 and given him \$20,000 more to cover expenses related to a visit made by a Libyan delegation to the United States. The so-called loans later became a media field-day and brought embarrassment to the Carter White House.

But there are fresh reports that Billy Carter got much more from the Libyans. The Sunday News Journal was told last week that the National Security Agency knew in May 1980 that Carter had received an additional \$200,000 from the Libyan government, but that proof of that payment was withheld from investigators on the grounds of national security.

Carter was under investigation for failure to register as a Libyan agent amid allegations that he had attempted to influence the Carter administration to lift a ban against

selling transport aircraft and other military hardware to Libya. (It is illegal to lobby for a foreign power without registering with the Department of Justice.)

The investigation, by the Senate and the Justice Department, ended last year. The ban on military exports to Libya was never lifted, and Carter by that time had agreed to register as a foreign agent, maintaining all along that the money from Libya was a loan.

The information that Carter was also involved with Terpil came last week from Justice Department documents. The department did nothing to determine the extent of Carter's dealings with Terpil, and prosecutors in the Terpil case say that his link with Carter was never adequately explored.

Carter met Terpil at a dinner — and was photographed with him watching a parade — on his second visit to Libya in 1979. A few months later, in January 1980, Carter told a Justice Department official and an FBI agent that Terpil had recently contacted him about getting lots of machine guns for Libya.

The Justice Department official, Joel Lisker, was interviewing Carter as part of the investigation of Carter's failure to register as a Libyan agent.

Lisker, now chief counsel for the Senate subcommittee on internal security and terrorism, said he was "very much aware" of the investigation into Terpil and another CIA renegade agent, Edwin P. Wilson, and believed that the Carter's statement was important enough to call him back to for more details.

But Lisker said that when he did call back, Carter denied making his earlier statements about Terpil.

Lisker sent the reports to Assistant U.S. Attorney E. Lawrence Barcella Jr., the key prosecutor looking into the activities of Wilson and Terpil, activities that include gun-running and training and recruiting terrorists for Libya.

Barcella says he didn't follow up on the memos because he thought that it was Lisker's responsibility.

Lisker said "it is standard proce-

... to refer information like this to the prosecutors working the case and that is what we did."

Details of Lisker's meeting with Carter and Carter's statements about Terpil are part of a report filed by FBI Agent Richard Fugate and Lisker obtained by the Sunday News Journal.

Carter, reached late last week in California, confirmed that he had met Terpil in Libya, but vehemently denied ever telling Lisker anything about machine guns.

Using expletives, Carter called Lisker, now a lawyer for a Senate committee, "probably... one of the biggest liars I have ever met in my life. That memo was written 14 or 15 days after he questioned me.

New findings reveal that probers over- looked new loan and Carter's talks with CIA renegade Terpil

taking no notes. That document that Lisker wrote is probably the biggest bunch of s--- ever printed by a government official."

Carter said his lawyer had instructed him not to say anything about the gifts or loans he got from Libya.

Through reliable sources at the highest level of the U.S. intelligence community, the Sunday News Journal has learned that the National Security Agency, while monitoring communications involving Terpil and Wilson, found out about the second \$200,000 check Carter had received from the Libyans, a check written on a London bank.

Lisker said that he, too, had heard about the second check but that this and other details of the Carter case were kept from investigators because the CIA and the National Security Agency claimed it could compromise intelligence sources.

The Sunday News Journal has learned that Bobby Ray Inman, then head of the National Security

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ON PAGE 16

LOS ANGELES TIMES
15 November 1981

Casey Lighting a Fire Under the but Problems Persist

By ROBERT C. TOTH,
Times Staff Writer

WASHINGTON—Despite an arrogant manner and a tendency to mumble, CIA Director William J. Casey has come a long way, even his critics concede, in restoring morale at the once badly shattered Central Intelligence Agency.

And spending for U.S. intelligence activities has been increased 10%, even though American agents overseas have not exactly been "unleashed" as President Reagan promised during the 1980 election campaign.

U.S. agents conducted about 10 undercover operations in the final year of Jimmy Carter's Administration, the same number as are now in progress.

"There is certainly more enthusiasm for (intelligence) operations now," one official said. "But they are limited by budget constraints, congressional oversight and the fact that this Administration does not yet have a coherent foreign policy which covert operations would be used to support."

"When they get their policy act together," this official predicted, "there will probably be more operations. The Carter Administration needed a moral rationale for such things. Until Afghanistan, they had none and there were virtually no clandestine activities for the first three Carter years."

Excuses Not Needed

"They saw the Soviet invasion as immoral, so gun-running (of Soviet-made arms from Egypt) to the Afghan rebels was justified. These (Reagan) people don't need such excuses," the official said.

But even as Casey and Reagan have moved to reinvigorate the nation's intelligence agencies, new problems have cropped up and some lingering, old problems have taken on new twists. For instance:

—The sordid "gun for hire" exploits of such former Central Intelligence agents as Edwin P. Wilson, who is accused of exporting terrorist equipment to Libya, have raised questions about the duties of CIA men once they leave the agency, especially those who use expertise

revived speculation about Russian "moles" inside U.S. intelligence agencies.

—The leaking of U.S. secrets to the press, although greatly reduced, has yet to be stopped.

The most recent case of leaked secrets found White House "hard-liners" pitted against CIA "liberals," reversing past patterns, amid almost comic confusion.

The case involved a CIA plan, approved by the White House, to provide several hundred thousand dollars to political activists in Mauritania, an Arab country in northwestern Africa, to counter money funneled to Mauritania by Libya. It was laid before the House and Senate Intelligence committees in June.

House Democrats objected to the operation and wrote a rare letter of protest to Reagan, whereupon the proposal was killed.

Existence of the letter was leaked a month later by White House officials, sources said, in an attempt to embarrass CIA leaders, including Casey and Deputy CIA Director Bobby R. Inman, who opposed efforts to give the CIA domestic spying authority.

The White House officials, led by Richard V. Allen, national security adviser to the President, have pushed for a "stronger" executive order to the intelligence agencies to satisfy the "unleashing" promises made in the campaign and to improve U.S. counterintelligence capabilities.

The comic aspects then began. A Democrat on the House Intelligence Committee, based on second-hand knowledge, told a reporter the CIA plan was aimed at overthrowing, perhaps even assassinating, Libya's Moammar Kadafi. A White House official told a reporter, wrongly, that the target country was Mauritius, which is a black southeast African country. The correct country then was identified to calm the infuriated citizens of Mauritius.

"We shot ourselves in the foot with three countries over a plan that was never approved," one intelligence official complained. "The KGB must still be laughing."

Radical order agencies, sought, made. M officials authority ated do on the p better de getting t spying fears ab

prospective gain.

Moreover, the FBI's counterintelligence division "does not need any unleashing," a senior FBI official said. "We have all the scope and range of authority we need to perform our mission." He also implied that he thought the FBI did not need any help from the CIA in its work.

Among congressmen on record against such moves are all the members of the Senate Intelligence Committee, both Republicans and Democrats. As Sen. Malcolm Wallop (R-Wyo.), put it, Reagan will be "pilloried" if he exposes "law abiding Americans to CIA scrutiny."

Concerns of Congress

At least one more draft of a Reagan executive order for the CIA, which is intended to replace the 1978 order issued by Carter, is being written "to reflect the concerns of Congress," according to senior intelligence officials. Its release is expected within a few weeks.

Casey must take some blame for the controversy. Although he backed the intelligence community's view against the White House in the end, he long failed to heed warnings that Congress was not prepared to loosen the reins very much on intelligence activities.

This was part of Casey's larger failure to take Congress seriously during his first six months on the job, congressional and other sources said. He usually sent Inman, a congressional favorite and highly respected professional intelligence officer, to explain his policies to the lawmakers.

"It was a mistake to rely too

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THE WASHINGTON POST
10 November 1981

Morocco Seeks Defenses Beyond Wall of Sand

By Howard Simons
and Edward Cody
Washington Post Foreign Service

RABAT, Morocco — From the air, the sand walls built by Morocco to keep out Polisario guerrilla raids seem to stretch across the western Sahara desert without end, punctuated every three or four miles by forts that look like those children make on beaches.

Most of Morocco's Army in the contested territory of the former Spanish Sahara 600 miles south of here sits dug into the miniforts, behind 400 miles of land mines and surrounded by barbed wire and radar.

Its mission is to protect the 103,000-square-mile territory claimed by the Libyan- and Algerian-backed Polisario as the Saharan Arab Democratic Republic but absorbed by Morocco as its rightful heritage from precolonial times.

"The security belt is not a Maginot Line, but rather an obstacle to infiltration," said Col. Naji Mekki, a French-educated professional who fought against Israel on the Golan Heights in 1973 and now commands troops guarding a large chunk of the nine-foot-high wall.

As an obstacle, in the assessment of Moroccan and foreign military specialists in this North African country, the wall has indeed halted most infiltration into the main population centers that King Hassan II has defined as the "useful Sahara."

In the last few weeks, however, the six-year-old war for control of

this Arab wasteland has shown signs of expanding beyond infiltration and Polisario's traditional hit-and-run raids. As a result, Hassan is seeking increased military and diplomatic help from the United States. And the Reagan administration, in response, is considering providing U.S. training that would add search-and-destroy commando tactics to the Moroccan military's mostly static defenses.

Francis J. (Bing) West Jr., assistant secretary of defense for international security affairs, said during a visit in Morocco with a 23-member U.S. military team that the administration will try to provide U.S. radar detection and jamming equipment, which is used to defend against ground-to-air missiles, for Hassan's American-made F5 and French-made Mirage I warplanes.

In doing so, West appeared to accept Morocco's charge that Polisario has deployed Soviet-made SA6 missiles since a major battle Oct. 13 at the desert outpost of Guelta Zemmour, gaining the capability of downing even high-flying Moroccan ground support or reconnaissance planes for the first time since the conflict began.

Western military experts who have been following the war raised the possibility that the five Moroccan planes shot down around Guelta Zemmour might have been hit by SA9s — heat-seeking missiles that do not use the radar guidance devices that the U.S. equipment is designed to thwart.

Polisario guerrillas previously had used only shoulder-fired SA7 missiles, which are unable to hit high-flying Moroccan reconnaissance aircraft. The SA9, according to U.S. experts, is an upgraded version of the SA7, with greater speed and altitude. Its introduction, along with T54 tanks reportedly used at the

Guelta Zemmour battle, represents what Moroccan and foreign military experts here view as a significant increase in the quality of Libyan-supplied weaponry for the guerrillas.

In a conversation with the head of Morocco's Air Force, Col. Maj. Mohammed Kabbaj, West strongly suggested that part of the response should also be a shift to more aggressive and mobile tactics by Morocco's 150,000-man armed forces and that the United States is prepared to offer training to meet this end.

"We can train General Dlimi's forces," West was overheard saying to Kabbaj in the bar of Fez's best hotel. He referred to Gen. Ahmed Dlimi, chief of Hassan's armed forces.

As an example of what should be done, West cited an Egyptian behind-the-lines raid in which commandos destroyed a Libyan air base during the brief Egyptian-Libyan border war of 1977.

Then, called to a telephone in the Fez hotel bar, West was overheard talking with an aide in Rabat and referring to CIA Deputy Director Bobby Inman, Deputy Secretary of Defense Frank Carlucci and "the station chief," the designation given the top CIA officer in embassies abroad. It was not clear whether these references meant the CIA would play a role in any U.S. military aid.

Although the extent and nature of U.S. help are still under negotiation, Hassan has urged increased U.S. help for the war, particularly since last May's defeat of president Valery Giscard d'Estaing in France robbed him of a personal friend and reliable military ally. In addition, the administration in Washington has signaled its readiness to back U.S. friends in the region.

"The leadership of the Reagan administration has stated that your country's concerns are my country's

Suppression at the CIA

Sometime soon, CIA Director William Casey will hand President Reagan a draft executive order setting new operational guidelines for U.S. intelligence agencies. Ostensibly, it will fulfill Candidate Reagan's campaign promise last year to undo "ill-considered restrictions" that shackled U.S. intelligence in the Carter-Church era. In truth, thanks to some adroit obstructionism from within the CIA itself, it will undo very little. The undermining of an earlier draft which correctly stressed the vital mission and objectives of the intelligence agencies represents a cautionary tale.

Scheduled for overhauling is Jimmy Carter's Executive Order No. 12036, which grew out of Senator Church's witchhunts of the early 1970s. It is rife with confusing legal restrictions. For instance, an American citizen entering a Soviet embassy cannot be investigated without a priori knowledge that he is engaged in a crime against the U.S. This limitation no doubt facilitated the passage of U.S. satellite secrets to the Soviets at their Mexico City embassy by an American citizen not long ago. Restrictions on counter-intelligence operations by the FBI, CIA and military intelligence have made it easier for the Soviets and their surrogates, such as the Cuban DGI, to operate within the U.S. itself. U.S. ability to conduct covert action abroad was almost eliminated.

One of Mr. Reagan's campaign promises was to get U.S. intelligence back into business. It was felt that a turn of the knob on the door to the CIA director's office would do the trick. It wasn't that easy.

Mr. Casey said at the start that he wanted to move slowly and asked for no immediate changes in the legal restrictions. He kept many of the top-ranking officials appointed during the Carter era, who were at ease with the

legal restrictions and saw little need to improve the agency's performance.

In May, a new executive order was drafted and ready for the President's consideration. Gone were the "shall nots" of the Carter era; instead, it emphasized in positive terms the role and responsibilities of the intelligence community. It pledged that the agencies would uphold the laws of the U.S. and act in the least obtrusive manner in gathering intelligence. It also promised to guard against the infringement of American national security and constitutional rights by Soviet and other hostile agents. In a short five pages that draft order would have closed the book on the 1970s witchhunts and given much needed direction to our intelligence services.

The May draft, however, was never shown to President Reagan to our knowledge. Many holdovers from the Carter administration opposed the changes. According to one close source, CIA Deputy Director Adm. Bobby Inman—originally a Carter appointee—threatened to quit if President Reagan was even shown the May draft order. Faced with such opposition, Mr. Casey told the policymakers to go back to the drawing board.

The latest draft, our sources tell us, merely sticks some positive improvements into the "can't-do" format of the Carter order. This plays into the hands of the anti-CIA forces in Washington, who will make a shooting gallery of any loosening of the Carter-Church fetters, dragging out their standard claim that "abuses" will occur.

The President will stand far less chance of being picked apart if he issues an order telling the intelligence agencies to get busy gathering intelligence to counter the world-wide security threat that is posed by the Soviet KGB and its terrorist offshoots. We urge him to send Mr. Casey back to retrieve the May draft. If anyone in the CIA wants to resign, so be it.

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WALL STREET JOURNAL
2 November 1981

Reagan's Plan to Loosen Reins on CIA Raises Fears of Corporate Infiltration

By GERALD F. SEIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The Reagan administration has kicked up a fuss by proposing to give the Central Intelligence Agency new freedom to infiltrate and influence domestic organizations. To worried civil libertarians, the proposal conjures up images of CIA agents joining and subverting dissident political groups.

But some lawmakers and analysts warn that the Reagan plan would open the door to CIA infiltration of some other important organizations: U.S. corporations.

In its quest for information about foreign countries, these analysts say, the CIA could be tempted to plant agents in U.S. companies with overseas operations. Or the CIA might decide to place an agent to sabotage business deals abroad that the government decided weren't in the nation's best interest.

Such moves would be possible under the controversial proposal made by the Reagan administration, critics say. "The focus of much of the commentary has been on the threat it poses to political groups," says Kenneth Bass, who oversaw intelligence policy for the Justice Department during the Carter administration. "My experience makes me think the most likely targets for that activity would be multinationals."

Members of the Senate Intelligence Committee share his concern. The committee has recommended that the Reagan administration change its plan, and Senate staff members say that worries about business privacy weighed heavily in the Senators' decision to protest. "Their concern is wide and deep," says one Senate aide. "This is a big issue, this business infiltration."

Economic Intelligence

The proposed changes are part of a draft executive order on intelligence agencies the Reagan administration has submitted to Congress for comment. The proposed order would allow the CIA to join domestic organizations and, with the Attorney General's approval, try to influence their activities.

The current executive order on intelligence, signed by President Carter, specifically bans attempts by intelligence agencies to influence domestic organizations. It allows infiltration of domestic groups, but only under carefully defined procedures that are eliminated under the Reagan proposal.

CIA officials assert that they generally aren't interested in domestic spying. And Mr. Bass acknowledges that the Reagan administration mightn't have infiltration of businesses in mind. "It's probably much more innocuous than is its intention," he says.

But he notes that U.S. foreign-policy makers are increasingly concerned about international economic matters. Eventually, he worries, the CIA "would find that it was being asked increasingly to provide economic intelligence to policy makers, and would find that the easiest way to respond would be to come inside into American corporations."

For example, intelligence analysts say, the CIA might decide it would like information about the Soviet Union's probable food needs in future years. One way to get information would be to have an agent in a grain-marketing company that does business with the Soviet Union.

Or, congressional aides say, the CIA might decide that it would like to stop sales of U.S. products to unfriendly countries. It might be tempted to hire operatives inside a company to try to sabotage such transactions.

'Not Far-Fetched'

"It's not far-fetched," says Jay Peterzell, research associate at the Center for National Security Studies, a research group that has warned in the past of the risk of business surveillance. "Corporations go against what the government thinks is the national interest all the time."

Over the years, though, some companies have cooperated with the CIA voluntarily—and very quietly. They have shared information or allowed CIA analysts to talk to employees who have been abroad.

But CIA infiltration of companies would be dramatically different, analysts say, because the businesses wouldn't be aware of the CIA's activities. "No matter how patriotic the business concern, there has got to come a point where it feels there is information it can't share with the CIA," Mr. Bass says.

The Reagan administration's proposals still could be altered before they take effect. The draft executive order won't be official unless President Reagan signs it. And there are signs the administration may heed the objections Congress is expressing over the domestic-infiltration proposal and other plans to loosen restrictions on domestic CIA activities.

Late last week, Rep. Edward Boland (D., Mass.), chairman of a House Intelligence subcommittee, sent a letter to Adm. Bobby R. Inman, the CIA's deputy director, urging that the agency's domestic covert action be restricted in scope, approved by the President and reported to Congress. Rep. Boland also objected to allowing the CIA to infiltrate domestic organizations. Among other things, he prefers maintaining a distinction between the CIA, which conducts intelligence-gathering operations overseas, and the Federal Bureau of Investigation's domestic activities.

Rep. Don Edwards (D., Calif.), chairman of a House subcommittee on constitutional rights, said last week that he has "reason to believe" the administration soon will propose a new draft reflecting some of the changes recommended by the Senate Intelligence Committee. But, notes one Intelligence Committee staff member, "there are no guarantees" that Congress' suggestions will be followed.