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When will the CIA get smart?

WOULD YOU BELIEVE... IRANIAN MODERATES?

by Marci McDonald

AT first, John Horton had passed it off as just another cocktail party anecdote. In the summer of 1983, over drinks at a fellow spook's dinner party in Washington, a visiting Republican fundraiser from California buttonholed him with horror stories about doing business in Mexico. The bagman knew Horton was a respected CIA veteran, a former Mexican station chief who had been called back from an eight-year retirement to take over the controversial post of National Intelligence Officer (NIO) for Latin America on the elite inter-agency panel that turned out the intelligence community's top-secret surveys known as Estimates. He also knew that Horton was working on an analysis of Mexico and the bagman wanted to make one thing clear: Mexico was on the brink of collapse. To illustrate his point, he somberly recounted the example of his Mexico City business partner who was so worried about the situation that he kept his private plane constantly warmed up at the airport in case he had to get out in a hurry.

The notion of a Lear jet purring on the tarmac, racking up boggling fuel bills, tickled Horton's instinct for the absurd, but he didn't give the story a second thought. Less than a year later, however, he recalled it as neither humorous nor harmless. For him, it had become ominously symptomatic of what he saw happening at the CIA. Furious and disillusioned, he had quit after CIA Director William Casey ordered a report on Mexico rewritten to depict that country as on the verge of toppling, a conclusion Horton believed there was no intelligence evidence to support. There were only allegations as flimsy as the Republican bagman's. Once, when Horton protested there was no data to back up the doomsday scenario, a senior intelligence official cited a story he had heard from his Mexican maid. As Horton recently wrote in the *International Journal of Intelligence and Counterintelligence*: "In the case of Mexico, a half-baked theory had taken on the authority of gospel."

Within the CIA it was no secret that a hidden agenda lay at the heart of the bitter debate over the Mexican Estimate. According to other intelligence officials, Casey was trying to win the official imprimatur of the intelligence community on plans to put the screws to a country that had become a meddlesome foreign policy opponent. At the time, the government of President Miguel de la Madrid was the most vociferous critic among the United States' Latin allies of the administration's Central American policy. It vehemently disapproved of aid to the contras and was a prime mover behind the Contadora process, the proposal for a negotiated peace with Nicaragua that was once again showing signs of life. With official proof that Mexico was a menace—another Iran on America's doorstep threatening even U.S. security with its instability—Casey reportedly hoped to win approval for economic and covert actions to destabilize its recalcitrant government. "There was a great deal of resentment of Mexico for standing in our way on Central American policy," says Horton. "There was almost a desire to see Mexico punished."

Horton has been one of the few CIA officials to quit in protest over the corruption of the intelligence process by what he terms the adminstration's "zealotry." Having already earned retirement, it was a luxury he could afford. In

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the two years since his exit, other top officials have left the agency in discreet disgruntlement over the direction Casey has moved the CIA. Still more continue to chafe angrily inside, bound by the prospect of pensions, or clinging to the belief that they can have more effect trying to change the system from within. But the disaffection among analysts is widespread.

"Central America is just one example," says Scott Armstrong of the National Security Archive. "The problem is pervasive—systematic and across the board."

Horton's experience was not simply a case of sloppy professionalism or facts running afoul of the preconceived notions of the Reagan administration and its businessmen friends. It is the most public example of what agency critics charge is an increasing and dangerous politicization of intelligence under Ronald Reagan.

Politicization of intelligence makes for far less riveting headlines than exposes on CIA guerrilla training manuals that advocate assassination or the agency's mining of Third World harbors. But the consequences are fundamental and far-reaching, and threaten to pervert the very mission of the CIA.

As the agency finds itself increasingly implicated in the Iranian arms scandal, the spotlight's glare is focusing on Casey's pell-mell plunge into clandestine operations—frequently against the advice of intelligence reports and his own deputies. But, as many observers of the tight-knit espionage club point out, one of the by-products of his billion-dollar investment in covert actions has been pressure on the intelligence community to come up with the evidence to justify the expense. In cases like the agency's secret war against Nicaragua, critics charge that intelligence has been tailored to fit the Reagan administration's obsessions. During an interview with *The New York Times* last year, Senator David Durenberger, then chairman of the Senate Intelligence Committee, took calculated aim at the CIA's Central American assessments. Said Durenberger: "Some of that stuff is cooked."

Some see in the current charges a sinister replay of the Vietnam era, when CIA analysts found Great Society policymakers openly hostile to facts about Vietcong strength that might have called U.S. military involvement into question—and, not incidentally, saved thousands of American lives. By refusing to see the world in terms that don't dovetail with its policies, the Reagan administration risks finding itself embroiled in another tragic foreign misadventure with potentially disastrous results. Says Jeffrey Richelson, an intelligence scholar at Washington's American University and author of *The Sword and the Shield*: "It can be very serious if you wind up invading Nicaragua because you're convinced they're going to invade 12 other countries."

Golden years

In the bowels of the CIA's fortress-style headquarters, planted on 219 barbed-wire-shrouded acres in suburban Langley, Virginia, a special passkey-activated elevator whisks the director of Central Intelligence directly from the parking garage to his seventh-floor penthouse suite. Using it, he avoids the agency's impressive marble entrance lobby, where a verse from the Gospel according to St. John is chiseled into one wall: "And ye shall know the truth and the truth shall make you free." That lofty resolve was the CIA's cornerstone when it was built on the ashes of World War II. It was founded as an intelligence, not an operations agency, in reaction to the worst intelligence failure in American history—the Japanese attack on Pearl Harbor. Without a centralized intelligence organization, the Fortress America over which Franklin Delano Roosevelt presided had not put together the hints that scattered U.S. military agents had been picking up about Japan's intentions. As soon as the war was over, Harry Truman moved quickly to fill that vacuum.

The CIA's mission was sketched out in only a few paragraphs of the 1947 National Security Act. It was so vague that certain factions of the intelligence community periodically have demanded a detailed charter, either to protect the agency or rein it in. But its fortunes have been left to fluctuate with the whims of succeeding administrations and the Directors of Central Intelligence (DCIs) charged with running it.

When William Casey took over in January 1981 as the most overtly political DCI in history—fresh from orchestrating Ronald Reagan's landslide presidential victory—the agency's fortunes were at an all-time low. During most of the previous decade, the image of the CIA as an omniscient, intrepid force of clandestine Hardy Boys had been exploded in a succession of humiliating headlines and public congressional hearings. The list of its failures and misdeeds had exposed the agency's invincibility as a myth. Even one of the CIA's most affectionate critics, Roy Godson, a professor of intelligence studies at Georgetown University, points out: "There never was a great CIA golden age when everything was brilliant and then it all fell apart." As William Colby, the

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DCI who found himself at the helm when the agency braved its most ferocious public storms, now admits, "We made mistakes in the fifties too. You just didn't hear anything about it."

But when the world finally did hear, during Senator Frank Church's 1975 committee hearings, the most shocking revelations demonstrated that the agency had swiftly expanded its original intelligence function to embrace a paramilitary zeal and had taken to toppling unfriendly governments around the globe. Yet in virtually every case where a covert action had ended in defeat or disarray, it seemed the CIA had chosen to ignore or skew its own intelligence.

From the beginning, the glamorous cloak-and-dagger veterans who thrived under General "Wild Bill" Donovan's wartime Office of Strategic Services (OSS) made no secret of their scorn for the caution of their deskbound counterparts. The CIA was barely a year old when it launched Operation Valuable: an attempt to overthrow Enver Hoxha's regime in Albania by parachuting Albanian refugees behind that country's mountainous Iron Curtain to stir up a local revolt. Frank Wisner, the agency's clandestine services whiz, spurned CIA analysts' reports that "a purely Albanian uprising at this time is not indicated, and, if undertaken, would have little chance of success." He leapt at the Albanian plot as a "clinical experiment to see whether larger rollback operations would be feasible elsewhere." That clinical experiment ended in defeat—and death for at least a dozen of the air-dropped Albanians—in part because the operation was compromised by the double-agentry of British defector Kim Philby. But in larger part, it was done in by the very conditions of which the CIA's own intelligence had warned.

Still, Wisner was not deterred. Within months, the CIA was plotting Operation Ajax, the overthrow of the legally constituted government of Iranian Premier Mohammed Mossadegh, who had just nationalized the Anglo-Iranian Oil Company. That brisk 1953 covert operation, which reinstalled the young, uncertain Reza Shah Pahlavi on the Peacock Throne, marked the CIA's first paramilitary victory. So emboldened was Director Allen Dulles by the triumph that before it was complete he had optimistically christened his next plot Operation Success: the ouster of Guatemala's democratically-elected president, Jacobo Arbenz, who had expropriated 400,000 acres of largely fallow banana plantations belonging to the United Fruit Company.

Those twin victories energized the operations branch for decades. But their success masked the fact that such operations exacted a price. To many inside Iran and Guatemala, the United States—and specifically the CIA—became synonymous with the vicious repression and torture practiced by the right-wing regimes it had installed.

The bloom did not begin to wear off the CIA's secret wars until the failure of Operation Pluto, better known as the Bay of Pigs invasion. Above all, that 1961 debacle underlined the risk of running covert operations out of the same executive suite as intelligence gathering. When President John F. Kennedy hesitated over whether to give the green light to the invasion, Allen Dulles showed Kennedy a reassuring cable from a U.S. Marine colonel with the Cuban exile brigade training at Puerto Cabezas, Nicaragua, who claimed that as soon as the rebels landed, their compatriots would rise up to join them and "melt away" from Castro. There is reason to doubt the authenticity of that cable, and the CIA's Office of National Estimates had reported no such possibilities of Cuban support. In his embittered memoirs, Dulles later admitted that the CIA had purposely kept Kennedy in the dark about the possibility that Operation Pluto might fail. As in many later cases, the agency hadn't wanted to risk undermining a covert action in which it had invested so heavily.

The CIA's top brass was not alone in taking a cavalier attitude towards information that failed to suit policy. As intelligence analyst Greg Treverton of Harvard's Kennedy School of Government has shown, when the administration made up its mind that Salvador Allende constituted a socialist menace in Chile, the Nixon White House appeared determined not to let facts cloud that perception. After a study of the intelligence at the time, Treverton concluded that, "It's pretty clear the estimates didn't conjure up a picture of Allende as the kind of threat that was used as a justification for the covert action."

Caught napping

In the tumultuous social landscape of the seventies, the public at home and abroad came to distrust the CIA as a sinister force. After revelations about its role in the Vietnam war—including its illicit domestic mail opening and dirty tricks against the war's opponents—spilled onto the front pages, national anger built to such a pitch that Congress responded with the Church and Pike committees to scrutinize the rogue elephant of Langley. But the public wanted more: strict limits on the agency's covert action capability.

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William Colby chose to appease that demand with secrets. In a trade-off some agency veterans have never forgiven him for, he cooperated with the committees, serving up documentation of the CIA's sins, including its plots to hasten the demise of Fidel Castro with Mafia hitmen and exploding cigars. "I took a conscious decision that if I tried to stonewall, the agency would be shattered," he says. "Congress was going to pass a law saying, 'Thou Shalt Never Do Any Covert Action Again.' " In the end, after what Colby calls "50 pages of sanctimony," the committee concluded that—if used only when "absolutely essential to national security" and when the operations "in no case" contradicted official U.S. policy—meddling in the internal affairs of other nations should not be outlawed. Colby, an old covert operations hand, draws himself up to full stature in his chair as he recalls it. "I consider that a full victory," he says.

The CIA that Admiral Stansfield Turner inherited after Jimmy Carter's election in 1976 was an organization that had been sorely discredited. But the furor over covert actions had in some ways provided a distraction from the more fundamental intelligence failure that the months of damaging testimony had laid bare.

In a 1975 *Harper's* article, former CIA analyst Sam Adams detailed how the Pentagon and the Johnson administration had purposely underestimated Vietcong strength during the war. They had both ignored and suppressed Adams's figures that, if revealed, would have forced Lyndon Johnson into a politically suicidal choice—either vastly increase the draft or pull out of Vietnam altogether. When Adams tried to correct the misguided figures, he met hostility, first within the CIA, where he received threats of dismissal, then later from the White House itself.

On top of Adams's revelations came leaks of secret testimony from the 1975 House Select Committee hearings on intelligence. They chronicled six other glaring intelligence flops—key moments when the CIA and its sister agencies were caught napping. With its vast resources the U.S. hadn't foreseen Ho Chi Minh's bloody Tet Offensive, a turning point in the war; the 1968 Russian Invasion of Czechoslovakia; the 1973 Middle East war; the 1974 military coup in Portugal; the overthrow of Archbishop Makarios in Cyprus; or India's 1974 nuclear test, the first proof that a Third World country had an atomic bomb. In the case of the Indian atomic blast, a Defense Intelligence analysis had reported only months earlier that the prospect of that nation pursuing a nuclear weapons program soon was "not likely." As for the surprise of the Yom Kippur invasion of Israel, the report concluded: "The Mid-East war gave the intelligence community a real test of how it can perform when all its best technology and human skills are focused on a known world 'hot spot.' It failed."

When Turner took over in the wake of that indictment, he concentrated on getting the CIA out of the covert operations business, firing several hundred agency employees in a purge known as the Halloween Massacre. The axe fell squarely on the secret warriors who had earned the agency its unsavory reputation. Within the corridors at Langley, the CIA's stripped-down budget and mission were blamed on Turner's noticeable lack of clout with Carter. But they were also a reflection of the times, when America was looking for reassurance that it was a moral nation, and when the CIA was a reminder of skeletons in the national closet. Jimmy Carter appeared uninterested in intelligence—that is, until fist-waving Iranian militants brought his presidency to its knees with their hostage-taking at the U.S. embassy in Teheran. Suddenly the U.S. was faced with the worst intelligence failure of its postwar history.

In part, the failure was the price of a long-ago covert action. After 25 years of propping up the increasingly imperious and overly sensitive Shah, the CIA had so much at stake in Iran that after the first energy crisis in 1974 it decided the agency couldn't risk offending him. As a result, the CIA avoided all contact with the Shah's opponents, the Shi'ite dissidents seething in the bazaar, for the two crucial twilight years of his regime from 1975 to 1977. The agency never saw what any casual tourist in Teheran could have predicted—the looming shadow of an ayatollah on the horizon.

That lapse was not just a case of failing to know what was happening beneath the gilded surface of Iran; it was also a case of not wanting to know. For under Carter, in a different way than would occur under Casey, intelligence had been politicized. According to the 1979 House Intelligence Committee report, there was "conscious suppression of unfavorable news, but indirectly. . . . From an analysts' perspective, until recently you couldn't give away intelligence on Iran. Policymakers were not asking *whether* the Shah's autocracy would survive indefinitely; policy was premised on that assumption."

That humiliating blind spot produced one swift result. With its national pride held ransom in Teheran, the American public wanted action. With that swing of the pendulum, Carter launched a volley of operations—all covert, in-

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cluding the botched Delta mission to rescue the embassy hostages that ended in technical breakdown and death in the desert. In the bitter Central American debate, few critics are aware that the intial covert action against Nicaragua's Sandinista regime was launched in the fading days of the Carter administration.

No sissies

It was into this abruptly changed climate that William Casey loped in 1981. With a mandate from the 1980 Republican platform as well as from Reagan himself, Casey set out to inject new muscle and life into the ailing CIA. For years the millionaire tax lawyer had been considered an "intelligence groupie," avidly frequenting the fringes of the espionage world, and, under Gerald Ford, sitting on the President's Foreign Intelligence Advisory Board. But he drew his main inspiration for the job from the undercover derring-do he had savored as one of "Wild Bill" Donovan's trusted OSS lieutenants in wartime London, dropping agents behind enemy lines and basking in Donovan's credo: "In an age of bullies, we can't afford to be sissies."

Casey personally supervised the revamping of both the CIA's intelligence and operations directorates, leaving other tasks to his deputy, Admiral Bobby Ray Inman, a respected intelligence professional who parted ways with him within a year and a half. Presiding over the biggest build-up of the intelligence community since the agency's inception, Casey more than doubled the total intelligence budget, pushing it toward an estimated $24 billion in 1986. With annual increases of up to 20 percent a year, the growth of the CIA's spending power outstripped the Pentagon's.

THE PERSONNEL PROBLEM

by Charles Peters

Edward Lee Howard was hired by the CIA in 1981, and in 1982 was selected by the directorate of operations for assignment to the most sensitive post of all, Moscow. During his training he was told the identities of CIA personnel in Moscow and of at least one important Soviet official who was spying for the United States. But in 1983, after being confronted with disturbing results from a polygraph test, Howard admitted having used drugs and committing some petty thefts, such as stealing money from vending machines and from a woman's purse on an airplane.

He was fired. He became a heavy drinker (he may have been one previously), committed an assault with a deadly weapon, and told two CIA employees he was thinking of defecting. The employees reported this threat to higher-ups at the agency. Yet Howard went unwatched until a year later, when he was identified through information supplied by the Russian defector, Vitaly Yurchenko. Even so, Howard was allowed to escape to Moscow, the Soviet official who had been our spy was executed, and several CIA agents were expelled from Russia.

Edwin P. Wilson was hired by the CIA in 1955. He worked for the agency for the next 16 years and then was hired by the Navy for one of its secret spy operations. He then became involved in the weapons business, in which he was associated with two old friends who rose to high positions in the CIA: Thomas Clines and Theodore Shackley. Shackley became the number-two man in the directorate of operations, and also was rumored to be in line to be director of the entire agency.

Yet Wilson was a terrible man. He became wealthy, and bought a large estate in the fanciest part of the Virginia hunt country even though his government employment paid him a maximum of $32,000 a year. He sold guns and bombs to Kadaffi that were used in terrorist operations. He twice tried to arrange the murder of the U.S. attorney who was investigating him.

Yet, not only was he close to senior CIA officials during much of this time, even after he left the Navy job and was running his own arms business, another CIA employee, William Weisenberger, supplied him ten miniature detonators of the most advanced design. Another CIA agent, Patry E. Loomis, moonlighted as a part-time Wilson employee. Wilson also worked with Frank Terpil, the former CIA agent who sold Kadaffi the guns that killed the young policewoman in front of the Libyan embassy in London.

How did people like Howard, Wilson, and Terpil get hired? How were Howard and Wilson selected for important assignments? Why was Howard so quickly given access to life-and-death information about our Russian connections? What kind of men were Shackley and Clines and Weisenberger and Loomis—all CIA employees, remember—if they were friends and associates with a man like Wilson? What are we to think of the fact that Clines, in a major way, and Shackley, to a lesser extent, turned up as participants in the abortive 1985-86 arms for hostages deal with Iran? What does all this say about the CIA and the kind of people who work for it? ■

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Casey went on a hiring spree, boosting manpower by one-third, returning it to the highs of the Vietnam era. Many of those lured back were the familiar faces from the agency's paramilitary past excised by Turner; in fact, some of them are now resurfacing in the Iranian arms scandal.

To observers, the most obvious mark of Casey's tenure was the dizzying expansion of the Directorate of Operations—the DO or, as it is euphemistically known in Langley, the "international affairs division." Under him, covert actions, which the Reagan administration preferred to dub "special activities," again boomed; six years later, an estimated 50 are now in full swing. By rebuilding the agency's status and morale, Casey won a loyalty that has made even those who are horrified at some of his later directives reluctant to criticize him. "When Casey came in, he returned everybody to the good old days," says a former CIA employee. "He generated a lot of nostalgia and everybody loved it. The trouble is that nostalgia was probably not the best thing for the agency, because, of course, the times had changed."

In a speech to New York's Metropolitan Club in May 1985, William Casey aired his global perspective. Privy to the most sophisticated data and analysis in the Western world, he nonetheless blamed "Marxist-Leninist policies and tactics" and the Soviet Union's "subversive war" for "famine in Africa, pestilence through chemical and biological agents in Afghanistan and Indo-China, war on three continents, and death everywhere." In a blanket indictment he charged that "in the occupied countries—Afghanistan, Cambodia, Ethiopia, Angola, Nicaragua—in which Marxist regimes have been either imposed or maintained by external force...has occurred a holocaust comparable to that which Nazi Germany inflicted in Europe some 40 years ago."

That world view, unsullied by fact or nuance and firmly rooted in World War II—merely substituting the Soviets for the Nazis as the villians—had won Ronald Reagan's ear. Casey saw his task as not simply supplying the president the information and analyses necessary to forge foreign policy; as a trusted conservative strategist and the first DCI ever awarded a seat in the Cabinet, he became a player in formulating policy. Some observers saw in that distinction an inherent conflict of interest. Was Casey representing the CIA's case to the president, or was he imposing the president's policy on the agency? Stansfield Turner had believed that "the ethic of intelligence is independence from policy," but Casey and his White House allies spurned that "traditionalist" view as out of date. They made no secret of their determination to make intelligence better serve decision makers. That radical shift occurred as Casey led the CIA into a key role at the cutting edge of secret diplomacy. Covert actions were becoming not just handmaidens to foreign policy, but in some cases like Central America, the foreign policy itself. As one congressional source with close ties to the agency notes, "The operations side has been driven by and large by Mr. Casey's view of the world."

That same world view also guided an overhaul of the analysis side of the CIA. From the age of 23, information had been Casey's game. In his first job, writing for a Washington newsletter that alerted businessmen to upcoming legislation, he learned how to couch the most complex legalese in simple terms. Later, he made his fortune by founding the Institute for Business Planning, publishing under his own signature dozens of handbooks on real estate strategies and the merits of mutual funds for corporate readers. At the time he took over the CIA, the handbooks were still netting him $300,000 a year in royalties.

His canny appreciation of how to package knowledge to meet the needs of an audience was particularly useful when he became director of Central Intelligence. The intelligence community—through the inter-agency National Intelligence Council that reported directly to Casey—turns out top secret National Intelligence Estimates (NIEs) aimed at a select clientele: a handful of top officials, Cabinet members, the Joint Chiefs of Staff and—the most important customer of all—the president.

But when Casey arrived in Langley in 1981, the estimate process was in disrepute. It was widely regarded as a cautious unwieldy bureaucracy filled with Ivory Tower idealists and bogged down by its own lengthy review systems. Its reports were frequently plodding and book-length, riddled with countless footnotes that recorded dissenting views of the various intelligence agencies. As secretary of state, Henry Kissinger had dismissed them as "talmudic documents" and made no secret of the fact that he filed them in the wastebasket.

Even Casey's most bitter critics credit him with whipping the estimate process into better shape. He reorganized analysts into regional groups for easier consultation, and extended their mandate to study a vast range of subjects the CIA had never bothered with, including terrorism and drugs, the Reagan administration's pet peeves. Haunted by the spectre of the CIA's intelligence failure in Iran, he elevated dissenting opinions

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from the footnotes to the main body of the texts. Most important, the NIEs became more frequent, increasing from a mere dozen under Stansfield Turner to a hundred a year. For a president who had no patience for complexity or ponderous briefing books, Casey served up intelligence in palatable mini-memo form with a summary of the estimate's conclusions at the top. Reagan, the consummate fan of a well-told yarn, also found his daily CIA briefings lively and anecdotal; Casey loved to cite Donovan's dispatches to Roosevelt, which were peppered with hyperbole and hype.

The director made no secret of the fact that he had a hand in revamping the estimates. When he took exception to one, it wasn't unusual for him to cancel his entire day's agenda and bark out a volley of stinging, even insulting, commands to his aides demanding fixes and rewrites. "We used to be in his office fighting things out," says Herbert Meyer, a onetime *Fortune* editor Casey brought in to manage the estimates. "Fighting over a particular paragraph."

One of Casey's most bitter battles occurred soon after his arrival. Then-Secretary of State Alexander Haig had just publicly denounced the Soviet Union as the fountainhead of global terrorism, an opinion Casey shared. Inspired by Haig's rhetoric, the DCI's office commissioned the agency's first terrorism estimate. The result failed to back up Haig's or Casey's thesis. Casey, who had the final veto on the National Intelligence Council, promptly ordered a series of redefinitions and rewrites. He took the estimate out of the hands of his national intelligence officer for terrorism and gave it to an influential newcomer, Lincoln Gordon, the very conservative former ambassador to Brazil. In case anyone missed his point, Casey issued a memo advising the analysts to read journalist Claire Sterling's just-published book, *The Terror Network*, which he thought had gotten the Soviet connection right.

Gordon's revised terrorism estimate still failed to prove the DCI's case. Casey didn't hide his fury. Admits Meyer: "We were dissatisfied with the final product." Still, Casey finally signed off on the estimate—some speculate because it was leaked to *The New York Times*—and analysts congratulated themselves that the integrity of the intelligence system had withstood political pressure. But four years later, Casey remained unconvinced by his own experts' assessment. "A Soviet connection may seem very shadowy to some," he declared, "but it seems very close to me."

Casey's penchant for seeing the sinister hand of the Kremlin behind most global events troubled his analysts. Jealous of their professional independence, many veterans have come to worry about the insidious effect of that mindset. "You hear a lot of people inside complaining that there's an anti-Soviet twist being put on everything," says Jay Peterzell of the American Civil Liberties Union. "What they fear is that it's becoming an institutionalized bias. People see that if they put that twist on things, it's a way of getting ahead."

Indeed, there have been visible rewards for those Casey found like-minded. After hiring Meyer—whose hard-line views had been on display as *Fortune*'s Soviet editor—he promoted him over much older and more seasoned intelligence professionals to manage the prestigious National Intelligence Council. Casey also brought in Fritz Ermath, a controversial hawk who had won a reputation on the Carter National Security Council for his implacable suspicions of Moscow as the council's national intelligence officer for the Soviet Union.

Some observers charge that Casey also imposed the administration's policy biases by subtler means. Analysts complain that they have been asked to count all Soviet trucks as military vehicles. Others have been ordered to pursue arcane statistics that would later appear in one of the president's red-scare speeches. "They're being manipulated by internal tasking," says Scott Armstrong. "If I'm told every week I have to do an update on weapons shipments to El Salvador, I don't have time to write about the strength of the contras. It puts me out of action for other things; it neutralizes me."

When Casey took over the CIA, conservatives scorned the agency as a dangerously liberal force in the volatile East-West strategic debate. Among Republican right-wingers, its long record of cautionary readings on Soviet military strength and intentions—consistently lower than the Pentagon's—had earned it a reputation as a tool of the arms control crowd.

Under Casey, the CIA's Soviet estimates have become more hawkish, although still not hawkish enough for some conservatives like Senator Jesse Helms. But they have been instrumental in justifying the biggest peacetime military build-up in American history. In the summer of 1985, with the Pentagon's budget under assault in Congress, the White House found it convenient to order the declassification of the final summary of the top-secret estimate on Soviet strategic forces, which it promptly published.

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But experts agree that intelligence is being cut most disturbingly to fit the administration's passions about Nicaragua. Soon after Casey's arrival at the CIA, he dispatched his first chief of the National Intelligence Council's Latin American division to teach at Georgetown University, pronouncing him, according to one of his former staff members, not "activist enough." In his stead, the director appointed Constantine Menges, known for his rabid anti-Soviet articles. Menges proved so activist that one Senate Intelligence Committee staff member recalls him as "more of a propagandist than anything else." Agency professionals, who try to carefully insulate themselves from partisan policy interests, were horrified at being dragged up to Capitol Hill to back up Menges's extravagant claims of Soviet subversion. "They'd come back close to tears," remembers one of their colleagues. "There was a near mutiny in the Latin American division."

As early as two months after his inauguration, Reagan had signed a presidential "finding"—the declaration that since 1980 has required that Congress be notified of each covert action—authorizing a clandestine operation against the Sandinistas. By November of that same year, another "finding" expanded on the first to create the contras, a force of 1,500 Nicaraguan refugees, recruited and trained by the CIA with help from the Argentine military—for an initial price tag of $19 million. Those "findings" justified the contras' existence as a force to halt the massive flow of arms from Nicaragua to the leftist guerrillas in El Salvador.

But three years later, former CIA analyst David MacMichael attacked that claim, charging that at the moment the contras were created intelligence showed there was no massive arms flow to the Salvadoran rebels from Nicaragua. A one-time counter-insurgency specialist in Thailand who was brought into the National Intelligence Council in 1981, MacMichael protested to his superiors that he had called up all the files on arms traffic between the two countries and found it had virtually halted. He was assured that the agency had technical evidence—too highly classified for him to see. Besides, as one official told him, "Everybody *knows* there are arms coming into El Salvador from Nicaragua." "Bob," MacMichael says he replied, "what *everybody knows* isn't intelligence work."

Although the administration has failed to produce evidence to back up its claim, and despite the fact that it has since changed its official rationale for the contras' existence, some intelligence experts still question MacMichael's assertions. His vociferous opposition to U.S. policy in Central America has made him a controversial figure. His claims have also been undercut because he didn't speak out until 1984, a year after he had left the agency when his contract wasn't renewed because, he says he was told, his standards were "possibly too high."

But a full two years before MacMichael burst into the headlines, loud alarms over the CIA's Central American assessments had prompted Rep. Edward Boland's intelligence subcommittee to commission a study. Its report, while couched in cautious and balanced bureaucratese, was highly critical. Among other flaws, it found "colorful but imprecise language was substituted for necessary analysis" and decried "a few products whose primary purpose appears less to inform policy choices than to help mobilize support for policy." The Boland committee asserted that its purpose had been merely to "sound an early note of concern" over such politicization of intelligence. But from all reports, that early warning failed to deter Casey, who regarded congressional oversight as an uppity annoyance.

Mexican standoff

When John Horton was called back to the agency in the spring of 1983 to take over the post of Constantine Menges, who had been promoted to the NSC, he was a known supporter of the administration's policies in Central America. But early on he began to feel pressure. Summoned to an emergency meeting of the intelligence community to survey data on the Sunday after 7,000 U.S. troops invaded Grenada, he and his colleagues concluded that the administration's pre-invasion estimates on the number of Cuban soldiers stationed there had been widely exaggerated. But when they submitted their final scaled-down figure, one that has since been officially accepted, Herbert Meyer told Horton, "I think it stinks." Casey himself called the statistic "unimaginative." As Horton put it, "I can only suppose that the assessment was 'unimaginative' because of what it did not say"—that Cuban construction workers on the island didn't count as combat troops. An additional sin may have been that the figure happened to agree with one Fidel Castro had quoted. As an official pointed out to Horton, it couldn't be right: "Castro lies, you know."

Still, that incident hadn't prepared Horton for his experience on the Mexican estimate. At first the pressure was low-key. He found that Meyer had circumvented him by consulting directly with

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a junior analyst sifting Mexican intelligence. Meyer's office also repeatedly asked Horton's for rewrites. "They don't come right out and tell you what they want," says another former analyst. "Otherwise there'd be a rebellion. They say, 'Don't you think you should reexamine this part, put a little more emphasis on that?'" Casey reportedly felt the agency's view was "too narrow." Each request of Horton cited a story from the business and political cronies Casey regularly consulted. "That was the troubling part—these allegations and anecdotes that there wasn't sufficient evidence to support," says Horton. Each anecdote also meant another request to field officers to check it out, a costly process. When they didn't find the necessary evidence, Casey's office pronounced them out of touch. At one point Meyer commissioned an independent task force to study the question. The task force also failed to satisfy the director's expectations. Finally, Meyer took the offending estimate out of Horton's control and rewrote its conclusions himself. Horton protested, "Over my dead body," and gave his notice.

Meyer argues that he merely restored an original draft of the estimate—the one from an underling on Horton's staff whom he had personally supervised. He claims he wasn't politicizing intelligence; he was "de-politicizing" it, a charge Horton and the other onlookers scoff at. As chairman of a team, Horton forged an estimate from many sources, ultimately taking responsibility for its conclusions. As he later pointed out, Meyer's rewritten conclusions contradicted much of the estimate's main text. Of his final product, Meyer concedes: "We pushed it till we got it where we wanted it."

Meyer charges that Horton was a sore loser; he notes Casey had a right to change the estimates published under his signature. William Colby has also come to Casey's defense, admitting that as DCI he too had rewritten estimates that displeased him. But scholars point out that Colby was a veteran intelligence professional with a commitment to the agency's independence, not a former presidential campaign manager helping draft the government's foreign policy agenda.

At issue in the Horton case is not the right of the DCI to interfere with his staff, but the danger of that interference when he has become a partisan figure. That threat prompted Horton to make his concerns public. Like many agency veterans, he fears that turning the CIA into what Senator Durenberger has termed the White House's "political action committee" will eventually rebound on the agency itself, leading it into another round of congressional inquisitions and demands for legal restraint. "If any cans get hung around anyone's neck for Central America," he says, "it won't be Reagan's or Casey's, it's going to be the CIA's."

As Meyer points out, an NIE comes down to a question of judgment. Still, the judgments published in an NIE are no ordinary ivory tower theories; they form the guidelines for foreign policy and an administration's attitudes.

In the two years since Casey's pessimistic conclusions about Mexico, that country, needless to say, has not collapsed. But in addition to its longstanding problems with corruption, its troubled oil economy and staggering foreign debt, it has found itself facing a new problem: vituperative rhetoric from senior officials in the Reagan administration. Last year, during a congressional subcommittee hearing on Mexico under Senator Jesse Helms, Assistant Secretary of State Elliot Abrams, the administration's Central American point man, led an attack on Mexico that suggested things in the country could get out of hand. As the CIA's supposedly top secret assessment of Mexico's perils found its way into the press and the economic pressures on the country increased, a beleaguered President Miguel de la Madrid appeared to heed the warning, quietly but pointedly bowing out of his role as a leading Central American power broker. In fact, his retreat lasted until last December, when the Iranian arms scandal had so weakened the Reagan administration that he took advantage of the opportunity to revive the Contadora process.

Wagging the dog

"How can any man say what he should do himself," Jomini, a French strategist once asked, "if he is ignorant what his adversary is about?" For any government, good intelligence is fundamental. But intelligence boils down to what questions are asked of it. "If you change the nature of the business so the answers become a way to get the Pentagon its budget or funding for the contras," says Scott Armstrong, "then you've distorted the whole process of intelligence. The desire to condemn your enemy for public relations purposes becomes so much greater than understanding what's really going on."

When a country starts to see all terrorists as Soviet agents, it risks missing the festering hate of nationalists or religious fanatics. When all revolutions are dismissed as Kremlin plots, there is little hope of comprehending indigenous discontent well enough to capitalize on it. And

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when an administration has acquired such a stake in a covert operation like the contras that it faces what Allen Dulles once termed a "disposal problem"—what to do with 15,000 armed Nicaraguan exiles let loose on the Central American isthmus—it may no longer be able to afford finding out what Daniel Ortega is really thinking: is he building his massive army to export a revolution or because he is bracing for an American invasion?

Covert actions create their own momentum. "I was an operations officer in my past," says Horton. "If you're involved in a covert action, you get bound up in it and you want to see it succeed. You can lose your objectivity." Agrees MacMichael: "Once you get into operations, the operations tail begins to wag the intelligence dog. People want the operation to continue and they begin to look at anybody that might stand in the way as somebody to be kept misinformed."

Casey's preoccupation with the Reagan administration's policy themes may also have left the country blind in other key regions. Despite the massive build-up of intelligence resources, the CIA had not succeeded in penetrating Hezbollah, the Shi'ite Party of God in Lebanon; and, despite indications of a threat to the U.S. embassy in Beirut, it failed to predict the tragic October 1983 truck-bombing that killed 230 marines.

Robert McFarlane recently admitted to the Senate Foreign Relations Committee that U.S. intelligence on what was happening inside post-revolutionary Iran was so "woefully poor" the CIA had to rely solely on Israeli reports that claimed there were moderates in that country lobbying for renewed ties to the United States.

Two wildly conflicting CIA assessments on Iran within a year indicate another danger of using intelligence as a tool to justify a foreign policy. In May 1985, apparently anticipating the administration's secret arms sales, Casey commissioned a formal intelligence estimate from NIO Graham Fuller. It provided a rationale for overtures to Teheran by warning of increasing Soviet efforts to gain a foothold in the country. A year later, when the arms sales had failed to win the release of most U.S. hostages, a revised Special National Intelligence Estimate proclaimed the Soviet threat minimal. For a policymaker, such results produce confusion at best. Playing fast and loose with selected intelligence also tends to backfire on its architects. The Senate Intelligence Committee, instead of becoming convinced by the CIA's assessments on Central America, has learned to be wary of all intelligence on the area. The media in turn has learned to be increasingly suspicious of intelligence leaks that might end up transforming it into a pawn in the CIA's global disinformation campaigns.

As Robert Gates, Casey's deputy since early last year, takes over as director, he falls heir to a charged legacy. On its 40th anniversary, the CIA once more stands at a crossroads—discredited for the very covert actions that Casey chose to make the agency's chief focus, most of them, ironically, not very covert at all. Many at Langley are elated that Reagan chose to return the embattled agency to the hands of a career insider. But Gates owes his recent meteoric rise to the fact that he had become Casey's man and, in announcing the appointment, the White House made no secret of its assumption that he would keep the CIA on Casey's course. The question now is whether he has the strength and courage—when intelligence fails to bolster the president's well-known prejudices—to bring his boss bad news.

Still, there is hope in Gates's appointment that he will move the CIA out of the controversial covert actions business and back to its original purpose—gathering and analyzing intelligence. As a veteran of the analysis side of the CIA, who from 1982 to 1986 served as deputy director for intelligence, Gates has a natural commitment to that mission—and, according to most CIA officials, a built-up scepticism about clandestine operations. But he may have difficulty reversing the course of the CIA's runaway covert plots, most of which have become publicly acknowledged administration policy. If the government's capacity for covert actions does survive, the best way of assuring that officials aren't tempted to manipulate intelligence to justify them or cover up their failure would be to transfer the responsibility for paramilitary operations to another agency, preferably the Pentagon, which is already accountable to Congress.

In the CIA's stormy history, it has too frequently found itself the victim of knee-jerk emotions—automatically lauded by the right, automatically berated by the left. If a legitimate and broad-based political constituency is to be built with the aim of assuring a strong independent intelligence agency, free of the failures and mishaps that have plagued the CIA over the past 40 years, the first responsibility lies with the agency itself in restoring its own shattered credibility. No nation, after all, can afford to chart its policy course on fiction knowingly served up as fact; by telling decision-makers only what they want to hear, the CIA risks paying a price in which truth may only be the first—and the least serious—casualty. ■

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