

CHAPTER SEVENTEEN REAGAN

The filmstar, John Wayne, died in 1979. In October that year the Reader's Digest published an article, "The Unforgettable John Wayne":

"Who can forget the climax of [True Grit]? The grizzled old marshall confronts the four outlaws and calls out: 'I mean to kill you or see you hanged at Judge Parker's convenience. Which will it be?'

'Bold talk for a one-eyed fat man,' their leader sneers.

Then Duke cries, 'Fill your hand, you sonofabitch,' and reins in his teeth, charges as them firing with both guns. Four villains did not live to menace another day."

Ronald Reagan was recalling this evocative scene from in a tribute to his old friend. A year later, Reagan was elected President of the United States.

The tribute encapsulated Reagan's own gut feelings. After the disasters of the 1970's there were many Americans who felt that the U.S. was pitted against a world of jeering outlaws. Reagan felt that during the 1970's his country had lost its way and its sense of purpose. Like his old friend Duke Wayne he would prove that America could find itself, and its purpose, again.

For all his campaign statements about making America great again, Ronald Reagan was actually far less belligerent and activist than he sounded. It was not that he did not mean what he said - he did - but when he came into office he found that the world, and America's role in it, was far more circumscribed and complicated than the black-and-white years of the early cold war which had a formative influence on him.

Reagan was a simplifier. He was not interested in the details of government. Analytical complexity bored him. In office the idea of making America proud and great again was translated into massive military spending and operational restraint. With his genial charm and deceptive modesty, he made Americans feel good about themselves, and there was an immediate rise in the barometer of public morale.

Reagan believed strongly that the foreign policy disasters of the Carter years were due to mismanagement and weakness at the highest levels. The poor performance of the agency had become a focal issue for Reagan supporters, in a way quite different from Jimmy Carter's views four years earlier. The Committee on Present Danger, formed by Paul Nitze and other members of the Team B group which had reviewed CIA analysis of Soviet strategic forces in 1976, and the Madison Group of young Washington insiders, felt that the CIA needed support rather than criticism. They considered that its operational effectiveness had been impaired by Carter and Turner. Some Reaganauts thought that the agency had lost its objectivity and become too partisan on the Soviet question in the late 1970s.

When Reagan took office in January 1981, he had two objectives with regard to the CIA: to restore its morale and operational ability, and to make it once again a can-do, energetic organization.

TRANSITION TEAM REPORT

During the change of administration hand-over teams were at work in all

government agencies and departments. They consisted of new administration advisers who consulted with the outgoing leadership and senior staffers. Because the CIA was the focus of so much concern, the Reagan transition team dealing with the agency was considered to be especially important. The head of the team was a Reagan loyalist, Bill Middendorf, but most of the work devolved on Lieutenant General Edward Rowny who had resigned from the army over the SALT II negotiations. The other members of the team including Ed Hennelly of Mobil Oil, a friend of Reagan's DCI-designate William Casey; three former CIA officers - John A Bross, Walter Pforzheimer and George Carver; and three staffers from the Senate intelligence committee who were all supporters of the Madison Group and the Committee on Present Danger: Angelo Cadevilla, Mark Schneider and Kenneth deGraffenreid. Casey also sat in on some of the team's deliberations.

The final report of the transition team proved so sensitive that the CIA sent its only copy to the White House for safekeeping. It was a lengthy, thorough and at times tendentious critique, firmly placing responsibility for the CIA with the policymakers. Drafts of its arguments included the observation that: "The fundamental problem confronting American security is the current dangerous condition of the Central Intelligence Agency and of national intelligence collection generally... [This is] at the heart of faulty defense planning and a vacillating and misdirected foreign policy."

The decades-old rivalry between the State Department and the CIA, and the Nixon-Kissinger detente policy, were two key elements that had determined the CIA's performance. It was emphasised that decisive action at the CIA was "the keystone in achieving a reversal of the unwise policies of the past decade."

The team did not leave the agency out of its criticism. The corporate ethos of the CIA was attacked - "self-described professionals" was a term used by one member of the team - who were more concerned with their job security than national security. Some members of the team wanted the dismissal of nearly every senior staff officer: they were Carter proteges who had shown their willingness "to support leftist-oriented perceptions and programmes." They proposed to purge the Legislative counsel, Fred Hitz, and Stansfield Turner for whom there was nothing but contempt, a "lame duck" who "actually believes that he has done a good job as director and genuinely thinks that there is some prospect that he will be retained." Hitz and other senior members of staff were to be replaced by a number of conservatives from Congress, business and leading think tanks.

Reagan's people were looking for failures. Twelve major intelligence failures were identified by a member of the team: (1) the failure to predict the size of the Soviet military effort and military sector of the Russian GNP; (2) the "consistent gross misstatement" of Soviet global objectives; (3) the failure to predict the massive Soviet buildup of ICBM's and SLBM's; (4) the failure to understand Soviet missile development prior to SALT I; (5) the failure to predict the improvements in SOviet ICBM's in the late 1970's; (6) the general failure to explain the characteristics of Soviet conventional weapon systems and vessels - for example, the Soviet T-64 and T-72 tanks and the new Russian guided missile cruisers; (7) the wholesale failure to understand or attempt to counteract Soviet disinformation and propaganda; (8) the failure to detect the presence of a Soviet brigade in Cuba; (9) the apparent internal failure of counterintelligence generally; (10) Iran; (11) the failure to predict the nature of the "so-called wars of national

liberation" in Africa and Central and South America, and (12) the "consistent miscalculation" regarding the effect of the massive technology transfer from the west to the east.

Some of these alleged failures were debatable and could be regarded as legitimate disagreements and matters of opinion. The alleged failure to understand the wars of liberation in Africa and Central and South America applied more to political leaders than to the CIA which understood their nature well enough. The claim that there was a Soviet brigade in Cuba was simply inaccurate. The "internal failure of counterintelligence" was debatable: many Soviet spies were being exposed. Between 1965 and 1975, seven Americans were arrested for spying but in the following decade forty-three were. The charge that the CIA had failed to counteract Soviet propaganda was equally misplaced since it had no responsibility for propaganda which was properly the concern of the State Department and the U.S. Information Agency.

Much of the transition team's dissatisfaction with the agency's handling of Soviet policy was centred on the Soviet Russia division in the directorate of intelligence. Many of its officers could not speak Russian and it was felt that its analysis was poor. Eventually, after much discussion between the CIA and the new administration the 250-strong division was moved from Langley to a satellite office in Virginia and some of its officers were reassigned.

When it came to technical intelligence collection, particularly satellite photoreconnaissance, the transition team estimated that the U.S. was so far behind that the satellite effort required an annual \$1.5 billion increase for the next five years to make up lost ground. One of the reasons for this state of affairs was cuts initiated during the Carter Presidency, but far more serious was the information disclosed to the Soviets by William Kampiles, Christopher Boyce and Andrew Lee.

MONEY SPIES

Kampiles, Boyce and Lee spied for money, not ideology. The particular vulnerability of U.S. security lies in the deep-rooted isolationist instinct of the country. Too many Americans are functionally unaware of the outside world, seeing everything from a U.S. perspective. Most of the spies who have really damaged U.S. security have done so for money, often in the assumption that the U.S. is so unendangered, so rich and powerful that their spying would not make any real difference. The Walker family spy ring, exposed in 1985, that provided Moscow with billions of dollars worth of information about U.S. naval security, was a case in point.

William Kampiles joined the agency in March 1977, resigning eight months later after his request to join the clandestine service was rejected. He took with him a copy of the manual of the KH-11 satellite and sold it to the Soviets for \$3,000. The manual revealed that the satellite was taking real time photographs (the Soviets had thought that since the KH-11 ejected no film capsules as all previous U.S. photographic satellites had, that it was only a communications' intelligence satellite) and that it had obviously filmed Soviet military sites while their camouflage was down. Kampiles was arrested, tried, found guilty of espionage and sentenced to forty years in prison. Also in 1977, Christopher Boyce, a twenty-two year old college drop out working as a \$140 a week clerk

with TRW Corporation, the builder of the KH-11 satellites, and a friend, Andrew Daulton Lee, were arrested for selling secrets to the Soviets. Boyce was sentenced to forty years, and Lee to life.

In June 1985 a clerk at Langley was arrested for spying for Ghana: money and love were her motives. Edward Lee Howard was another ex-agency officer who sold information to Moscow after he left the agency. He used drugs and stole money, and failed CIA lie-detector tests when questioned. He escaped to the USSR in October 1985 just as the FBI was about to arrest him.

CASEY

William Casey had been one of Reagan's chief campaign managers. He had wanted to be secretary of State or of Defense, but those posts went to Alexander Haig and Caspar Weinberger. At the CIA, having been baulked of his initial choices for government appointments, he did not want to preside over an emasculated agency. When he became DCI in January, 1981, he was, at sixty-seven, the oldest man to hold the post. He was also the first (and only) DCI to be given cabinet rank: a step Reagan took to make up for Casey's disappointment at not being at State or Defense. However, by giving Casey cabinet status Reagan added to his authority as DCI and to the position of the CIA within the intelligence community.

Casey had served with the OSS in London during the war, managing espionage penetration of Germany. Like William Donovan, he came from an Irish-American Catholic background and was a New York Republican lawyer. He was tough and effective, unhaunted by ideals. Though he was intelligent, he was also narrow and conventional in his judgements of people. He wanted to make the CIA a can-do agency like the OSS of his youth, and he poured resources into the operations side of the house. He was convinced of the need for the CIA, and was a great supporter of the agency. He thought that reducing the effectiveness of the nation's chief intelligence security had been a prime cause of the trouble America had had with Iran. As a result, Casey made clear that there would be no far-reaching sackings at the agency: it had already endured enough.

Reagan let Casey run the agency much as he wanted. Casey succeeded in gaining Reagan's approval of Executive Order 12333 which allowed the CIA to operate domestically, for the first time, in order to collect "significant" foreign intelligence as long as it did not involve spying on the domestic operations of U.S. corporations and on U.S. citizens. The order also empowered the CIA to conduct "special activities" within the U.S. as long as they were approved by the President and did not involve efforts to influence U.S. political processes, the media, or public opinion. With this order, Reagan was demonstrating that he trusted the agency and that he did not fear that it would become a rogue elephant under him.

While it was fillip to agency morale to have a DCI in the cabinet after a decade of friction with the White House, there were mixed feelings about Casey himself. One senior ex-CIA officer who had also been an OSS colleague commented that, "we pay lip service to the idea of support, for the sake of the agency. In fact Casey is regarded as a bad choice."

Casey was attended by controversy right from the beginning. During his confirmation hearings his business interests had come under fire. In June 1981, as

Reagan's campaign manager, he was suspected of being involved in securing the briefing papers prepared for President Carter for one of the televised Presidential election debates. Casey always denied the allegation. When he appointed another Reagan campaign manager, Max Hugel, as director of operations, there was huge opposition within the agency since Hugel had no intelligence experience whatever. After a press campaign which alleged improper stock-trading practices on his part, Hugel resigned as DDO. In the middle of these difficulties, several senators made it clear that they would prefer to see Casey's able deputy director, Admiral Bobby Ray Inman, as DCI. Reagan, however, remained loyal to Casey. Inman, who was widely credited with securing sizable increases in intelligence appropriations from Congress, resigned from the CIA in June, 1982.

Casey was not comfortable with Congress. He made it clear that he regarded the senators as mere politicians. He read out long statements and made a bad witness. The Senate committee preferred dealing with Casey's deputy, John McMahan, who succeeded Inman. Because of the Hughes-Ryan amendment of 1974, Casey had to notify both the Senate and House intelligence committees about covert action. He also had to notify them of any intelligence failures. This was in contrast to the position of the national security council which was not dependent on Congress for financial appropriations and whose internal decision-making process was, with the exception of covert action, kept secret from Congress because of executive privilege. This meant that in Reagan's administrations the NSC became the preferred conduit for secret activities since the CIA was too exposed to Congressional and public scrutiny to be used as a really secret Presidential instrument.

CONTRAS

Central America and Afghanistan revealed the limits of the CIA's role in covert operations. Within months of the Sandinista victory in Nicaragua in 1979, it looked as if another Cuba had appeared on the U.S. doorstep. Indeed, thousands of Cuban military advisers and technicians began flooding into Nicaragua, followed by Soviet economic and military aid. When the Sandinistas began advising and supporting rebels in El Salvador, Reagan decided to act against them.

Within Congress, however, there was strong resistance to covert action. The Sandinistas had defeated the greedy and corrupt Somoza regime which had bled the country dry for decades. El Salvador had one of the most brutal and repressive military dictatorships in the history of Central America. The case for U.S. intervention in Nicaragua, despite the Sandinista's links with Cuba and the Soviets, was by no means clear-cut. In December 1982, Congress passed the Boland amendment forbidding the CIA or the Department of Defense to fund military equipment, training, advice or any other support for operations aimed at overthrowing the Sandinista government.

Reagan fought against the Boland amendment. He managed to secure substantial aid packages from Congress, including CIA advisers and bases in Honduras and Costa Rica for the anti-Sandinista "contras". But Congress always prevented the direct use of the CIA in Nicaragua itself. Reagan recognized the widespread public reluctance to risk another Vietnam (the fear behind support for the Boland amendment) and he also wished to avoid a fight with Congress since

he needed Congressional goodwill elsewhere. To avoid public scrutiny, Reagan's approach was to use the NSC staff in the White House secretly to support the indigenous resistance contra movement against the Sandinistas. The furthest the agency could go was to develop proxy operations where it worked with guerrillas outside Nicaragua, or with the forces of other countries, notably Argentina and Israel.

AFGHANISTAN

Afghanistan became the focus for the CIA's largest covert operation since Vietnam although, as in Central America, very few CIA people were actually involved. In 1979 Soviet forces invaded the country in order to prevent the fall a Soviet puppet regime there. Under Carter, the CIA went into action in support of the Afghan guerrillas fighting the regime. Reagan and Casey ratcheted up the support. Unlike the case with Nicaragua, Congress also supported the guerrilla and voted \$250 million a year in their support.

As a result, not hemmed in by Congressional restrictions and parsimony, the CIA's Afghan operation provided a welcome boost to morale. Although long and gruelling, the Afghan war became the Soviet's Vietnam and ultimately played a role in the dissolution of the Soviet empire.

CHANGING ANALYSIS

The importance of the CIA's analytical work was not neglected by Casey. Within the agency itself, there was criticism of the cumbersome procedures and inertia of the estimating system. One former analyst observed that very few people on the analytical side had military or foreign experience, nor did they understand Washington politics:

"We were babes in the wood out there. Ivory-towered ... We were so far removed from the realities of the world that we looked through rosy glasses. Our analytical record, I am afraid, speaks for itself on this. All too often we underestimated Soviet capabilities and intentions, right across the board."

Casey tried to improve the whole process in part by revitalizing the directorate of intelligence, and in part by reorganizing the analytical side of the agency on a geographical basis with each area covering the whole gamut of subjects. It was a logical step forward from the basis of Colby's NIO system. Thus area divisions and country and theme desks were amalgamated to conform with NIO subject responsibilities, whereas before there had been a difference between NIO areas and CIA divisions and desks.

There were fears within the agency that Casey would try to politicize the estimates in line with administration policy. In 1984 the NIO for Latin America, John Horton, a senior and respected analyst, resigned from the agency in protest over what he considered to be Casey's political interference with an estimate on Mexico. What galled Horton, as he later explained, was that it was not the policymakers who were putting pressure on the DCI, but Casey himself who was putting pressure on his own officers to produce reports that accorded with administration wishes. Horton's criticism was taken very seriously in Washington. Casey argued that as DCI the estimates were his estimates, and that therefore they should say what he thought.

In general, however, most analysts felt that Casey did not politicize the estimates to any great extent. He was more flexible about including well-argued alternative views, and this was popular with other intelligence agencies. General Daniel Graham, who in the 1960s had worked on Soviet analysis in the CIA, and had then become director of the Defence Intelligence Agency, thought that Casey had:

"really lowered the boom on arrogant treatment of other points of view. CIA people now feel that if they've got a point, Casey will take it. It's very encouraging."

SPY TRAP

During the 1980's the intelligence community was rocked by a bewildering series of defections, arrests and re-defections which exposed both successes and failures in counter-intelligence. In 1981 Ronald Pelton, an employee of the National Security Agency, was arrested for giving away one of the most important U.S. intercept operations, codenamed "Ivy Bells", which placed listening pods over Soviet underwater cables. He was sentenced to three consecutive life terms plus ten years. In 1984 in Norway, Arne Treholt, the son of a leading socialist ex-cabinet minister and politician, was arrested and later convicted for spying for the Soviet Union. He had been under suspicion since 1979. He was sentenced to twenty years.

1985 was an annus mirabilis which left intelligence professionals reeling. In May of that year the Walker family navy spy ring was arrested. The following month, June, a CIA clerk who was still working in the agency was arrested for spying for Ghana. In November Jonathan Jay Pollard of the Naval investigative service was arrested for spying for the Israelis, an act which American public opinion found particularly shocking. Also in November, a retired CIA analyst, Larry Wu-Tai Chin, was arrested for spying for China since the 1950's. This was the first long-term penetration of the CIA.

In the summer of 1985 another CIA spy was exposed by a Soviet defector, Vitali Yurchenko of the KGB. Yurchenko caused a sensation in November 1985 when he decided to go back to the Soviet Union, and this led to considerable criticism of the CIA that they had mishandled Yurchenko's debriefing. Before his redefection, however, Yurchenko pointed the finger at a former CIA officer, Edward Lee Howard, who had joined the agency in 1981. Howard had been assigned to the Soviet division with the intention of being sent ultimately to Moscow. In 1983, just before he was due to leave for Moscow, Howard failed a polygraph test -he was found to have lied about petty thieving and drug taking - and was fired. When he was exposed by Yurchenko the FBI tracked him down, but using techniques he had been taught in the agency, he managed to escape to Moscow.

In addition to Soviet spies inside the U.S. security and intelligence community, the U.S. embassy in Moscow was causing considerable concern. The building was so riddled with bugs and listening devices that it would either have to be torn down or undergo a costly overhaul which would cost millions of dollars. In the spring of 1987 at least one of the marine guards at the embassy fell for the time-honoured "honey-trap": seduced by female KGB agents.

The British fared rather better in 1985 when Oleg Gordievsky, a senior

KGB official who was acting resident in London. He defected in June to the British as KGB counterintelligence closed in on him. Gordievsky had been working for the British since the early 1970's and had held top positions within the KGB both in Moscow and abroad. He had detailed knowledge of KGB operations in Western Europe, North America and of KGB headquarters in Moscow. He was one of the most important spies ever recruited by western intelligence. Towards the end of this memorable year Casey pointed out that once the screaming headlines about Pollard and Howard and Yurchenko were set aside, the west was well ahead. During the previous three years, he observed, the Soviets had lost 200 of their intelligence officers who were either arrested or expelled from over twenty countries. They also lost a number of senior officers through defection. "What rating do you give that combination of factors? I wouldn't mark it very high," he said. A CIA station chief agreed: "Two hundred of their officers exposed is an intelligence disaster of major proportions. It means they can never operate in the west again ... All their experience and training has become a waste - they might be able to operate in Third World countries, but that's it. It will take years for the Soviets to replace them."

TERRORISM

During the 1980's there was a dramatic increase in the range of subjects which U.S. intelligence was expected to address. Of these none was more momentous than the growth of international terrorism, a subject of major concern to the Reagan administration. It was not just that the ethnic diversity of the United States meant that it had links with every country in the world, it was also a fact that Americans and American interests were scattered across the globe and were vulnerable to attack.

Irish, German, Italian, and Palestinian terrorism were facts of life by the time Reagan took office, but the 1980's also witnessed the emergence of overtly terrorist states such as Ghaddafi's Libya. One of the first estimates Casey drew up as DCI was on terrorism. Both he and the secretary of State, Alexander Haig, had been deeply impressed by Claire Sterling's book The Terror Network: The Secret War of International Terrorism (London, 1981) which claimed that the growth of international terrorism was sponsored by the Soviets. Haig used some of Sterling's points in one of his first speeches in which he referred to international terrorism as the "new enemy" facing the U.S. The speech gave the impression, as one CIA analyst described it, as if the terrorist phenomenon "was a sort of Wurlitzer being played by the people in the basement of the Kremlin." An irony was that Sterling's book was later thought to have been influenced by CIA disinformation efforts suggesting that the USSR was behind the Red Brigade terrorist groups in Italy.

There were clear differences of opinion within the intelligence community about Soviet involvement in terrorism. The head of the State Department's bureau of intelligence and research, Ron Speirs, told Haig directly that he was wrong about the extent of Soviet involvement. Haig asked Casey for an estimate on the subject.

One of the main problems which faced those who drafted and reviewed the estimate was how to define terrorism. The first draft defined terrorism too

narrowly as acts of violence committed by people who liked violence for its own sake. The Defense Intelligence Agency went to the opposite extreme, defining terrorism as any kind of violence or use of force by anybody for any purpose other than declared war. The CIA pointed out that this definition would have included George Washington, Robert E Lee and Simon Bolivar. Ambassador Lincoln Gordon, to whom Casey eventually went for a decisive estimate, decided to work from what the man in the street thought terrorism was - kidnapping, assassination, blowing up airplanes, hijacking, the bombing of public places, etc. Gordon concluded that while some particular terrorist groups did have links with Moscow, these were ambiguous, and it could not be said that Moscow was behind international terrorism.

Casey volunteered the agency for a lead role in counter-terrorism, but the reality was always limited. These limitations were never sufficiently recognised by Casey, and this caused a level of anxiety within the agency which was borne out by subsequent events. Counter-terror was a police or special military function which the CIA could support but not engage in itself without changing its character. The parasitic relationship between terrorists and their host states meant that more than one U.S. agency was required to deal with them. There would also have to be close cooperation with the police and intelligence agencies of other countries, even those of unfriendly countries. The Lebanon was to provide graphic and terrible illustrations of all these difficulties.

The Lebanon was a daunting prospect in 1983, riven by an eight year civil war involving Maronite Christians, Muslims and Palestinians which gradually sucked in other countries in the Middle East - Syria, Israel and later, Iran. The U.S. had become directly involved in 1982 when Reagan sent U.S. forces to supervise the evacuation from Beirut of over 10,000 Palestinian men, but they were unable to prevent Israeli-backed Lebanese forces from massacring thousands of Palestinian women and children left behind in the Beirut camps. In April, 1983 the U.S. embassy in Beirut was destroyed by a suicide bomber from the Islamic Jihad terrorist group, and resulted in the deaths of sixty-three people. The bomber had hit the central section of the embassy where a high level meeting of the CIA's Beirut station was taking place. Not only was the Beirut station annihilated but also several high-ranking officers from neighbouring Middle East stations. Six months later, on 23 October 1983, two car bomb attacks killed 241 U.S. marines and fifty-eight French paratroopers at their headquarters in Beirut.

With the help of Mossad, the Israeli intelligence service, the terrorists responsible for these attacks were traced back to Syria and Iran. For Casey, it was vital to re-establish the CIA's Beirut station and to discover as much about these groups as possible so that effective action could be taken against them. Beirut was the most dangerous posting in the world and Casey needed a highly experienced man. His choice was William Buckley who had been involved in Phoenix in Vietnam and who had also served important tours of duty in Egypt and Pakistan. Buckley had scarcely started his job before he was kidnapped by Islamic Jihad in March, 1984. A photograph of Buckley, taken just before he died from torture, was subsequently released by his captors. Terry Anderson, the bureau chief of Associated Press who was kidnapped just a year after Buckley, was forced to carry Buckley's body from his basement cell after the final torture.

Buckley's kidnapping and murder intensified Casey's desire to hit back at the terrorists. After an attempt to train Lebanese hit squads failed, Casey arranged

with a Saudi middle man to carry out a reprisal against Sheikh Mohamed Hussein Fadlallah, a fundamentalist Shia cleric who was believed to have been involved in a number of terrorist attacks. In March, 1985 a massive car bomb exploded near Fadlallah's office and killed eighty people, most of them civilians. Fadlallah survived. He hung a banner over the ruined buildings and the human remains: "The Work of the United States."

The involvement with the murderous world of Lebanese terrorism proved disastrous for the agency. The CIA lost more senior officers, chiefs and deputy chiefs of station there than it had during thirty years in Indochina. Lebanon revealed the dangers of a purely reflexive response to a complex political situation in which terrorism was an important, but not the only, element.

The same was true of the capture of the Palestinian terrorists who hijacked the cruise ship Achille Lauro and murdered an elderly Jewish passenger in October 1985. The plane flying the terrorists out of Egypt was intercepted over the Mediterranean and forced to land in Italy. This was a dramatic and highly public action, demonstrating the depth of intelligence the agency actually had on terrorists, but it also caused the fall of the Italian government and serious domestic problems for Egypt, one of the America's closest allies in the Middle East.

Similar problems arose in April 1986 when Reagan ordered air raids on Libya as retaliation against Ghaddafi's support for terrorist groups. The raids were opposed by Egypt and U.S. allies in Europe (with the exception of Britain) who feared that they might not only generate sympathy for Ghaddafi in the Middle East, but also lead to more ugly terrorist attacks in Europe.

The CIA was not involved in carrying out either of these operations. Significantly, they had been managed by members of the national security council staff, in particular Lieutenant Colonel Oliver North of the marine corps, who was an assistant to the national security adviser, Robert McFarlane. North had played a vital role in the major covert operations of the early 1980's: supplying the contras, mining Nicaraguan sea lanes, combatting death squads in El Salvador, preparing plans for the release by force of the TWA passengers and crew taken hostage by Arab raids in 1986.

In the media, the CIA was the focus of attention as far as these covert operations were concerned. People thought that despite all denials to the contrary, and despite the Boland amendment, the agency was responsible. In fact, this was smokescreen for the NSC which, unsuspected by Congress or the media, now had an extensive operational capability. This was blown apart by the Iran-contra scandal.

IRAN-CONTRA

The byzantine intrigues of Iran-contra exposed an administration that was floundering and grotesquely out of its depth in Middle East politics. Senior members of the administration - the secretary of State, George Shultz, and Defense secretary Caspar Weinberger - had condemned the plan to trade arms to Iran in return for Iranian help in securing the release of people kidnapped in Lebanon from the start, but Reagan and North went ahead. As negotiations with the Iranians became ever more complicated, Robert McFarlane and his successor, Admiral John Poindexter, became increasingly nervous and unhappy.

The *raison d'être* of Iran-contra was the great feeling of frustration felt by Reagan. By 1985 had no major foreign policy successes to his credit except the invasion of Grenada and the capture of the Achille Lauro hijackers. He had won a second term in 1984 and he was determined to have something to show for it by the end. The proposal to exchange arms for hostages offered a number of dazzling prospects: the release of the hostages, opening up a channel to Iran and developing a pro-American faction there, and last, but by no means least, a way to circumvent Congress by using the money the Iranians paid for the arms to support the contras.

Because of the high-level opposition to the deal, the CIA, the State Department and Department of Defense were never told the full story. McFarlane kept it within the NSC staff with his assistant, North, in charge. This secrecy within the administration was already working against coordination and control. With the involvement of the Israelis as cut-outs in the arms deals, a further layer of intrigue was added. The middlemen to the Iranians, arms dealer Manuchar Ghorbanifar, was devious and unreliable. North and MacFarlane never really knew with whom they were dealing in Tehran and whether they could deliver all the hostages. But once the deal-making started, it developed a momentum of its own which blinded the NSCers to the mess they were getting into. Some hostages were released, but also new hostages were taken. It was clear that the Iranians and their terrorist friends were using the scheme to blackmail the U.S. government, playing upon the real concern in the White House for the hostages.

How far were Casey and the CIA involved? It is a question that has continued to be asked since the story broke in November 1986. Casey later stated that he was never told the full story and did not know many of the details: "I don't know everything that occurred on the Iranian side among and between the people who were working with the Iranians. I don't know everything the NSC did. The NSC was operating this thing: we were in a support mode". This was basically correct. The CIA supplied the planes which transported the arms to Israel. CIA communications networks were also used, and the agency helped to set up the Swiss bank account into which the Iranians paid money for the arms.

In November 1985 Casey had asked the President to sign a retrospective authorization for any "prior actions taken by government officials" in the affair. He was anxious that the use of the CIA planes might have been illegal. Reagan was reluctant to sign Casey's draft, but eventually signed an authorization for the CIA to support the NSC operation to continue the arms sales. He ordered Casey not to tell Congress about this.

The main question was when Casey knew about the diversion of the arms money to the contras. The plan was apparently hatched at the beginning of 1986 but, according to Casey, the first he knew about it was when a former legal client of his, Roy Furmark, who had a financial interest in the arms deals, came to see him on 7 October 1986. Furmark told him that he suspected a contra connection to the arms sales and advised Casey to check the Swiss bank account of Lake Resources, a CIA front company, into which arms-sales money had been paid. Furmark also said that since the Iranians had withheld payment for the last shipments of arms, leaving Furmark and other underwriters in debt, they intended to take action against the U.S. government to recover their money.

Casey phoned Poindexter the next day to tell him of the conversation, and

to warn him that Furmark and his associates were trying to get their money back. He suggested that it might be necessary for Poindexter to prepare some kind of statement for public consumption. Poindexter refused, saying that they were still hoping that some hostages would be released. Casey also contacted North and asked him if any CIA people had been involved in the contra funding. North assured him that this was not the case.

To be forced to ask North for such basic information showed all too clearly that Casey was acknowledging the reality of the diminished position of the agency and the DCI. Either he thought that Reagan's White House people might have asked CIA staffers to keep the DCI in the dark, or he thought that it would be too dangerous to ask people in the agency about what was going on because they might not know and, in finding out, would leak their findings to Congress and the press.

The operation finally disintegrated in November 1986 when the Iranians leaked the story of U.S. arms for hostages to a Beirut magazine. They had what they wanted - the arms - and by leaking the story there was the added bonus of a propaganda victory against the "Big Satan", the United States. U.S. allies in Europe were appalled not just by the damage which Iran-contra did to U.S. interests, but also by the vistas of hypocrisy, naivete and incompetence with which the transactions were handled. The crafty mullahs in Tehran had outwitted Reagan and his associates with consummate ease.

No one involved emerged with any credit in the subsequent investigations. Reagan came through as lazy and downright mendacious by turns; Poindexter and North were fired, and when they appeared before the Senate intelligence committee, unprecedentedly for U.S. serving officers they took the Fifth Amendment.

It was ironical, therefore, that so much suspicion surrounded the role of Casey and the CIA. The two were by no means identical, but some Congressmen were convinced that the operation the CIA's and that the agency had broken the law. They ridiculed Casey's assertion that the agency's role had merely been one of support. They were ascribing a degree of power and influence to the agency that it had lost over ten years before, after the Church committee.

The CIA was a victim of its own legend. Shortly after testifying to the House foreign affairs committee in December 1986, Casey collapsed at his desk in Langley. He died five months later of a brain tumour.

Casey's deputy, Robert Gates, was nominated to succeed him. Gates had been promoted by Casey. He came from the analytical side of the agency. He was cautious, professional, institutional, and safe - qualities needed after the amateurs and ideologues of Iran-contra. But this was not enough for the Senate when his confirmation hearings came up. Republicans controlled the Senate, but they were insulted at the lack of confidence in Congress evident in the Reagan administration. As a mark of displeasure they joined the Democrats and indicated to the White House that Gates would not be confirmed. He withdrew his nomination. Two days later, Reagan nominated William Webster, director of the FBI, as DCI.

Webster's brief was to bring the agency onto an even keel after the alarms of Iran-contra. He did not want to be a policymaker like Casey, nor did he believe that the DCI should have cabinet rank. He was solely an adviser. The wheel had come full circle.