covered in the press. On April 18, al-Marafiq posts abroad were directed by Tripoli to cease cipher communications.[39]

~~(S//SI)~~ The NSA hierarchy was reported to have gone "ballistic" over the leaks. Coming after the *Achille Lauro*, and simultaneous with the disclosures incident to the Pelton trial (see page 413), it appeared that all the cryptologic secrets would leak in an increasing hemorrhage of sensitive information. The DDO, Dick Lord, put a lid on future reporting of terrorist-related information until a new security system could be devised. NSA officials contacted the DCI, William Casey, and even considered requesting prosecution of the press under Section 798 of Title 18.[40]

~~(S//SI)~~ What resulted was a new compartmentation system, called Spectre. Originally, the Spectre compartment was to be applied to all terrorist-related product reports. Spectre material could not be sent electrically, but must be restricted to hard copy only, delivered to a specified list of Spectre-authorized individuals. But the Spectre compartment produced great unhappiness at State Department and within the NSC itself, mostly over the slowness of the system, and the inclusion of apparently nonsensitive reports in the series. NSA was forced to modify procedures and to take some types of terrorism reporting out of Spectre. The Agency permitted electrical reporting to customers outside the Washington area, where hardcopy delivery in a timely fashion was impossible. Still later, NSA set up a special facsimile circuit specifically for the transmission of Spectre reports, so that even Washington area customers would be served in a timely fashion.[41]

25X1

messages. But tensions between the U.S. and Libya continued through the Reagan administration. In late 1988 PL 86-36/50 USC 3605 missions in the Mediterranean drew increasing fighter reaction from Libya, and the Navy was placed on alert. On January 4, 1989, Libyan controllers launched MiG-23s against an RC-135, and F-14s from the USS *Kennedy* shot two of them down. The PL 86-36/50 USC 3605 operators had not noted specific hostile intent – the Libyans just got too close, again.[42]

(U//FOUO) After the end of the Cold War, East German Stasi files came into American possession. They contained information on the La Belle incident indicating that, as NSA had suspected, the Stasi had known of, and condoned, the attack on the discotheque. The Libyans and East Germans had met on March 26, 1986, and the very next day the American State Department had issued a "blunt communique" to the East German envoy in Washington to rein in Libyan terrorists who, the State Department said, were plotting a terrorist attack in West Berlin. This convinced the East Germans that the U.S. had an agent in the planning group.[43]

(U) The Libyan mastermind of the operation, Yasser Chraidi, returned to Lebanon after the fall of the Berlin Wall in 1989, and two years later was arrested and extradited to Germany where he was charged with a string of murders and burglaries associated with Gaddhafi's campaign against Libyan dissidents. The case against him was thrown out

when a key government witness recanted. German authorities held him for several weeks awaiting evidence that would tie him to the La Belle bombing. But the evidence was not forthcoming, and he was released. According to U.S. officials, there was no human source; all the evidence came from "technical intelligence," and the Germans should stop looking for a penetrator.[44]

(U) Abu Nidal

~~(TS//SI-UMBRA)~~ The campaign against terrorism yielded other successes in the mid- to late 1980s. One of the most significant was against the Abu Nidal Organization (ANO), a Fatah breakaway group specializing in international murders and spectacular operations that would draw attention to the Palestinian cause. In 1985 a defector from the ANO cause gave 25X1 associated with the ANO. The number led 25X1 and NSA to a complex web of bank accounts associated with an ANO front company dealing in international arms trade. The group was headquartered in Warsaw, but it had branch offices all over Western Europe.

~~(TS//SI-UMBRA)~~ After studying the intercepted traffic for some months, NSA issued a series of reports under the Spectre rubric which laid out the entire organization and MO. 25X1 approached State Department to issue ademarche, but at first they were rebuffed. Finally, the clearly reluctant State Department officials complied, not with any great enthusiasm. So 25X1 decided on an unorthodox approach, and published a small book called "The Abu Nidal Handbook," detailing the operations of the group. State agreed to distribute the book, and it had the desired effect. Host governments agreed to close Abu Nidal offices all over Europe – even in Warsaw and East Berlin. Abu Nidal himself turned paranoid, suspected everyone of having turned evidence against him, and his organization practically dissolved in a bloodbath of summary executions in 1987.[45]

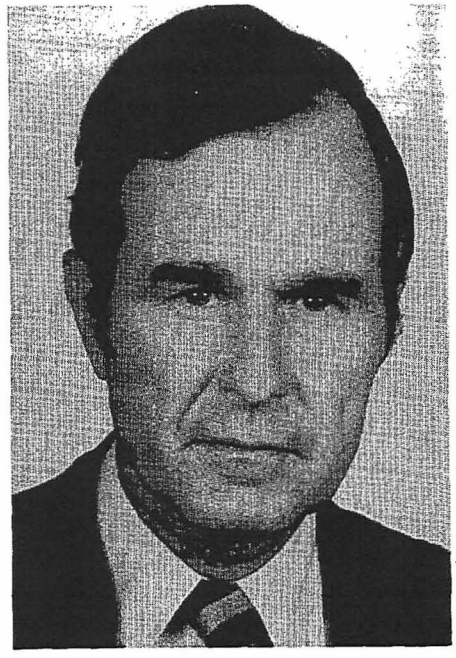
~~(S//SI)~~ SIGINT also played a significant part in the investigation of the 1988 terrorist bombing of Pan Am 103. Palestinian organizations were originally suspected, supposedly working in behalf of Iran to avenge the American downing of the IranAir Airbus flight in the Persian Gulf. But a Scotland yard investigator combing through the debris in the field outside Lockerbie, Scotland, found a chip that was subsequently traced to a Swiss firm that, upon questioning, acknowledged having sold those particular devices to Libya. Investigators then began focusing on Libya and on Malta, which was a known haven and operational base for Libyan terrorists. They got a magnetic tape containing information on all the individuals who had manifested on Pan Am 103 flying from Malta to Frankfurt.

NSA went through the tape and discovered the name of a Libyan intelligence agent. He had flown from Malta to Frankfurt then flew back to Malta the day before the bombing. NSA continued to follow the movements of the Libyan intelligence officers later indicted for the attack.[46]

(U) THE WAR ON DRUGS

(U) Although the federal government had always been concerned about drug trafficking, the first significant effort did not occur until 1972, with Nixon's "War on Drugs." This campaign was mostly words and was soon drowned out by the Watergate affair. President Ford created the Drug Enforcement Administration, and under Jimmy Carter the State Department got involved through the creation of the Bureau for International Narcotics Matters. But it did not receive much push until the administration of Ronald Reagan. Although the Reagan approach came to be symbolized by Nancy Reagan's "Just Say No" advice on the use of drugs, Reagan's thrust was to stop drugs before they arrived in the country. The idea was that, eventually, there would be nothing to say No to.

(U) Faced with rising complaints about the burgeoning drug trade in Florida, in 1982 Reagan created the South Florida Task Force, an unfunded consortium of federal and state agencies involved in combatting drugs and the drug trade. In order to give it prestige, Reagan named his vice president, George Bush, to head the task force.



(U) George Bush

(U) Growing out of this was the National Narcotics Border Interdiction System, or NNBIS, an attempt to combat drug smugglers at U.S borders. Under NNBIS, the federal government organized six regional centers in New York, Chicago, Long Beach, El Paso, New Orleans and Miami. Each center was staffed by representatives from participating agencies – fourteen on the federal side, including DEA, FBI, Customs, Coast Guard, Bureau of Alcohol, Tobacco and Firearms (BATF), Immigration and Naturalization Service, and the Border Patrol. Associated with it were more than 14,000 state and local law enforcement agencies.[47]

(U//FOUO) Intelligence support for the effort was critical, and NSA was called in almost immediately. In 1983 NSA sent a representative to EPIC (the El Paso Intelligence Center) in response to a specific request from the vice president's office. Later, the Agency sent representatives to both Miami and New Orleans.[48]

~~(S//SI)~~ When first tasked in October of 1982, NSA had no centralized counternarcotics organization. Drug information had been collected from Southeast Asia and Asia Minor as part of the foreign intelligence mission, but this was something different. The new effort soon found a home in G1, recently created to mind the terrorism problem.[49]

~~(S//SI)~~ G1 composed a new plan for counternarcotics, called SAINT (SIGINT Against International Narcotics Trafficking). While recognizing the existing drug monitoring efforts, SAINT focused on Latin America and the Caribbean, the current counternarcotics hot spot. NSA would beef up the existing efforts, but later and at a lower priority. The first step was to put together a collection plan, beginning with a survey of all possible drug-related communications. This would involve conventional sites in the Caribbean area (Guantanamo, Sabana Seca, Homestead, Medina and others), new and existing 25X1 sites, 25X1 and use of the Navy's Bullseye net. The survey would serve as the basis for a full-scale assault with more sites and more money, including thirty-five additional billets.[50]

~~(S//SI)~~ From the first, legal issues drove much of the effort. The Posse Comitatus Act prohibited defense organizations from participating in law enforcement except in certain very narrowly defined circumstances relating to the information having been collected as incidental to the foreign intelligence mission. In May of 1983 NSA, under pressure to assume a more proactive stance, requested clarification of the rules of engagement. The Department of Justice reply was not an especially useful restatement of the rule that the information could be disseminated to the Coast Guard and Customs Service as a by-product of NSA's foreign intelligence mission. But the next year the attorney general issued a new set of guidelines which loosened the rules. Under them, NSA could intercept and DF transmissions reasonably suspected to be part of international narcotics trafficking. At least one transmitter must be located outside the country, in a vessel or aircraft suspected of being engaged in moving narcotics. Once the signal was within U.S. territory or territorial waters, NSA had to break off surveillance. If the transmission was unlocated, it could be assumed that it was outside the U.S. There had to be a reasonable basis for the belief that not all communicants were Americans. NSA could provide passive support (information and equipment), but could not become involved in the actual interception and arrest of suspects.[51] The rule that the effort had to relate to international narcotics trafficking kept the SIGINT system still focused on foreign, rather than domestic, intelligence.

~~(S//SI)~~ NSA found narcotics-related communications almost everywhere. Ships and airplanes used a combination of HF and VHF, 25X1 By the late 1980s some targets were beginning to use enciphered voice, but that problem was still in its infancy by the end of the decade. The Colombian drug lords began leasing 25X1 communications, and some of their telephone numbers began

25X1 [redacted]

The greatest threat was that the defense would use discovery motions to smoke out the SIGINT, but this remained more of a threat than a reality.[52]

~~(S//SI)~~ When SIGINT support began, law enforcement agencies were enthusiastic, and all kinds of partners turned up in NSA's antechamber. One of the closest working relationships was with the Coast Guard, which actively used SIGINT for off-shore interdiction. In Washington, the Coast Guard created a joint intelligence center, with an SI-cleared operations floor and lots of SIGINT product reports. The Coast Guard center in Miami worked closely with USN-838 at Homestead, 25X6 [redacted] 25X6 [redacted] This was possibly the most profitable avenue for SIGINT support, and one expert estimated in 1987 that over half the high seas interdictions off the Florida coast were based on SIGINT.[53]

~~(S//SI)~~ Other partnerships were more difficult. The Drug Enforcement Administration had no experience with foreign intelligence organizations, working instead with the law enforcement authorities in various countries. Unlike the FBI, DEA had no experience in using SIGINT leads to help an investigation, and chafed under any restrictions regarding the use of evidence in court. If SIGINT could not be introduced at trial, many in DEA did not understand its value.[54] In the late years of the decade, relations with DEA cooled.

(U//FOUO) Once involved in counternarcotics, NSA discovered a big wide world of SIGINT efforts beyond the confines of NSCID 6. 25X1 [redacted] 25X1 [redacted] 25X1 [redacted] and NSA representatives 25X1 [redacted] found themselves working outside the reassuring confines of secure areas.[55]

~~(C)~~ In the early years of its partnership with law enforcement, NSA began to issue SIGINT product reports under the Secret Moray flag, but eventually got away from this and into a noncodeword TACREP program, at the straight Secret level. By 1987 NSA sites were issuing about 3,000 narcotics-related reports each year. But it was still confronted with the skepticism of law enforcement officers who did not see the value of information that they could use to catch a suspect, but not prosecute him.[56]

(U) The Asian drug problem, though far less visible to the administration, was of much longer standing. At least 90 percent of the world's opium came from Burma, Iran, Afghanistan and Lebanon, and the Golden Triangle (a point where the borders of Burma, Laos and Thailand meet) was the single most productive area. In Burma, the Shan United Army (SUA), a nation unto itself, managed the reduction of raw opium into # 4 heroin (a process that reduced its volume by a factor of ten) and transportation, often by pack

animals, over the border into Thailand for onward shipment. Owing to the complete lack of cooperation of the Burmese and Laotian governments, opium production rose dramatically in the 1970s.[57]

(U) Shan United Army (SUA) drug shipment

~~(S//SI)~~ American SIGINT did not begin targeting the Golden Triangle until the early 1970s, when the Vietnam War was winding down. The push came from the U.S. Army. In 1971 it was estimated that between ten and fifteen percent of U.S. troops in Southeast Asia were addicted. In the United States, the dramatic rise in drug addiction prompted President Nixon's War on Drugs campaign.

~~(S//SI-SPOKE)~~ In the early days of the effort, NSA stumbled on Chinese language communications associated with the Burmese drug trade. 25X1

25X1

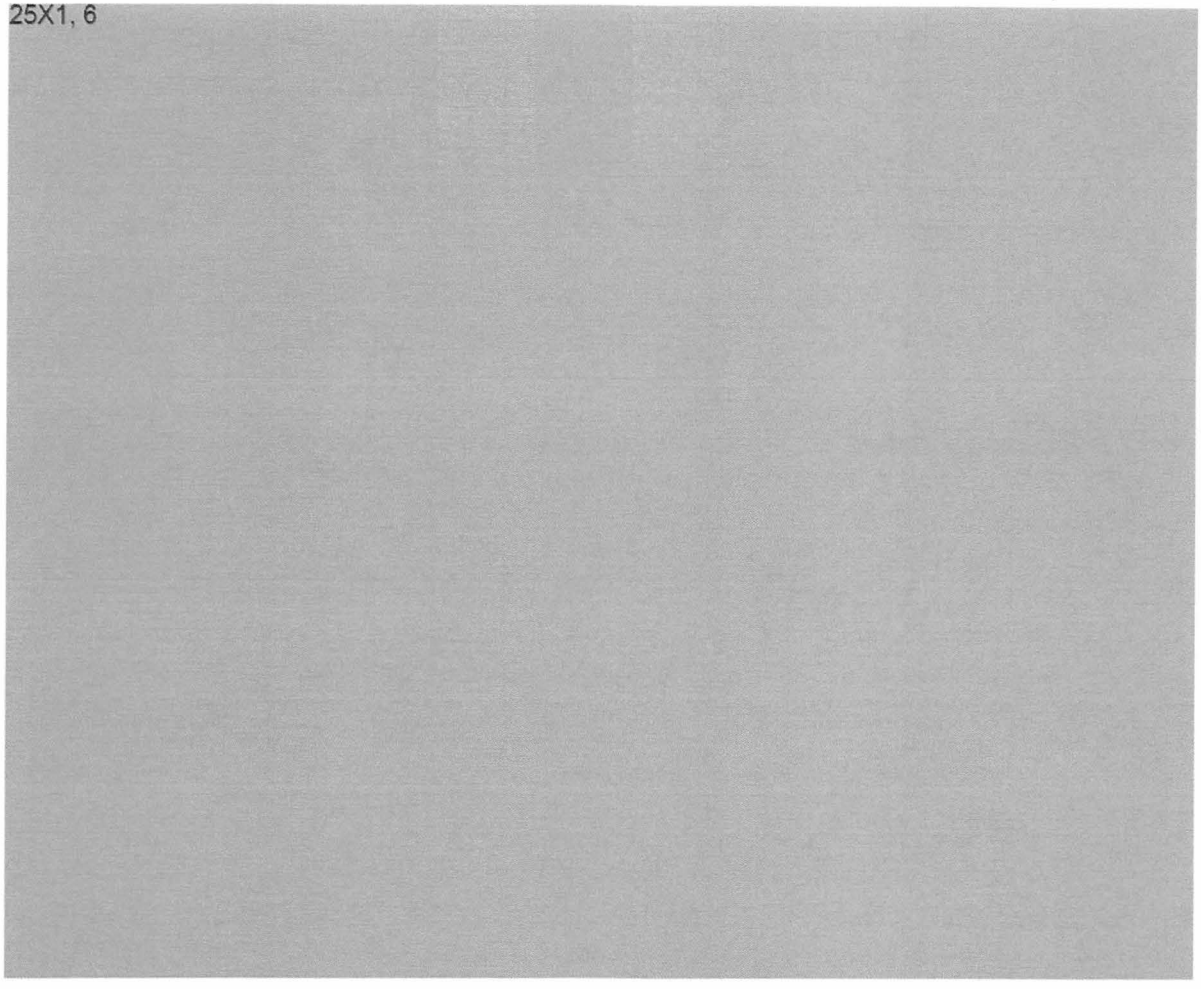
25X1 This gave the Agency a peek into the shadowy world of the competing tribal opium armies in the jungles of northern Burma and southern China, whose origins could be traced back at least as far as World War II. 25X1

25X1

25X1

25X1, 6

25X1, 6



(U) SIGINT AND COUNTERINTELLIGENCE

~~(S//SI)~~ The counterintelligence implications of SIGINT had long been virtually ignored. The only real effort that NSA had was in the division that exploited Soviet intelligence communications – Project VENONA had resided in that office. As productive as VENONA had been, it represented a very narrow slice of the potential for counterintelligence.

(U) CIA, too, had fallen on parlous times. The counterintelligence division headed by James Angleton had acquired a lurid reputation (made famous by David Martin's book *A Wilderness of Mirrors*). CIA director William Colby had fired Angleton in 1974, and in the ensuing commotion the counterintelligence mission had been virtually shut down.[64]

~~(S//SI)~~ The resurrection began in 1981 with the Casey regime at CIA. In response to increasing intelligence community calls for more emphasis, NSA in 1983 created G14, the counterintelligence division.[65]

~~(TS//SI)~~ What made the difference was a completely new methodology. Adopting tactics that G1 had found successful in the counterterrorism and antinarcotics efforts, the

new counterintelligence division began looking at plaintext 25X1 communications. Overwhelmed by massive volumes, NSA went to the agencies that would have confidential information on foreign spies: CIA, FBI, Secret Service, and others. Since NSA was asking for the most sensitive information that those organizations possessed – actual agent 25X1 – it was a tough sell initially, and early attempts were rebuffed 25X1 But through the mid-1980s NSA gradually negotiated a series of agreements with these agencies and began getting the information it needed. The Agency then began inputting key information into databases, and results began popping out.[66]

~~(TS//SI)~~ With this new information, NSA designed several new programs to look at data that it had never been interested in before, but which was available 25X1 25X1 25X1 It became possible to begin tracking the movement of hostile intelligence agents through SIGINT.[67]

~~(TS//SI)~~ Product reporting was extremely limited. In 1977 NSA had established a special, hard-copy-only report series dealing with 25X1 intelligence operatives, and this system was applied to the new G14-produced information. (Later there was a so-called 25X1 25X1 The hard-copy-only rule continued to govern distribution of the information until 1987, when NSA discovered communications from an 25X1 operation in Mexico City. This and Vienna had emerged in the 1980s as the key international cities for KGB operations. (Pelton and Walker, for instance were both summoned to Vienna for meetings; see page 412.) CIA had established agent-shadowing operations in Mexico City, and needed the 25X1 information quickly in order to pick up KGB agents 25X1 The hard-copy rule quickly collapsed, and G14 devised an electrical product series to get the word out to waiting customers.[68]

~~(S//SI)~~ NSA's participation in counterterrorist, counternarcotics, and counter-intelligence problems gave Agency people valuable experience in these nontraditional areas. The pessimism of the late 1970s turned into optimism within ten years. Yes, SIGINT could make a real difference, and NSA did not have to cede the field to HUMINT efforts. The spectacular successes in the *Achille Lauro* and La Belle Discotheque affairs, as well as NSA's contributions during terrorist hijackings, were only the most visible of its contributions. In the White House and the NSC staff, where it really counted, SIGINT had become an integral part of the national security apparatus. It was to give the cryptologists a big jump on the SIGINT problems that were to confront the nation in the post-Cold War World.

(U) Notes

1. (U) CIA Statute "The History of SIGINT in the Central Intelligence Agency, 1947-1970," Vol III, 86, available from CIA history office.

2. (U) Director of Central Intelligence, "Report on the Intelligence Community," January 1978, 37-38, in CCH Series VI.C.1.23. David Kahn, "Cryptology Goes Public," *Foreign Affairs* (Fall, 1979), 141-59.

3. (U) PL 86-36/50 USC 3605 "International Terrorism and the National Security Agency: The Evolution of a Centralized Response," 1986, 2, unpublished manuscript in CCH files.

4. (U) Ibid., 6-8, 11.

5. (U) Ibid., 9-11.

6. (U) Interview, PL 86-36/50 USC 3605 by Tom Johnson, 20 February 1997, OH 5-97, NSA. PL 86 36/50 "International Terrorism...," 6-11.

7. (U) PL 86-36/50 "The Dozier Kidnapping: A Story of Successful SIGINT Cooperation," *Cryptologic Quarterly*, Vol 10 (Fall/Winter 1991), 1-29. PL 86 36/50 "International Terrorism...," 13.

8. (U) PL 86 36/ "The Dozier Kidnapping...."

9. (U) Ibid.

10. (U) Ibid.

11. (U) Ibid. PL 86 36/50 "International Terrorism...," Ch. III.

12. (U) PL 86 36/ "The Dozier Kidnapping...." Faurer interview. Interview, Francis P. Hyland, by Tom Johnson, 15 August 1997, OH 11-97, NSA.

13. (U) Hyland interview. PL 86 36/5 "International Terrorism...," Ch IV.

14. (U) NSG file 5750/15, "NSGA Sabana Seca Shooting Incident of 3 December 1979.

15. (U) Reagan Library, NSF, in CCH Series XVI.J, "Hijack of TWA 847." PL 86-36/50 USC 3605 June 1985 and follow-ups thereto, in CCH Series CII.D. George P. Shultz, *Turmoil and Triumph: My Years as Secretary of State* (New York: Charles Scribner's Sons, 1993), 653-664.

16. (U) Interview, PL 86-36/50 USC 3605 by Tom Johnson and Robert Farley, 20 February 1987, OH 7-87, NSA.

17. (U) PL 86-36 interview. Reagan Library, NSF, in CCH Series XVI.J., "Achille Lauro."

18. (U) Reagan Library, NSF, "*Achille Lauro*." CCH Series VIII.45. Shultz's frustration appeared in his autobiographical account of his years as secretary of state, *Turmoil and Triumph*..., 673.

19. (U) Henry Millington, untitled manuscript on the history PL 86-36 in CCH files. CCH Series VIII.45.

20. (U) CCH Series VIII.45.

21. (U) Memo from LTG Odom to William Casey, 12 May 1987, in CCH Series VIII.45.

22. (U) Memo from LTG Odom to George Shultz, undated, in CCH Series VIII.45.

23. (U) CCH Series VIII.42. Andrew, *For the President's Eyes Only...*, 464. According to journalist Bob Woodward, this threat came from both HUMINT and SIGINT sources, and was considered highly credible by Casey. See Woodward, *Veil: The Secret Wars of the CIA 1981-1987* (New York: Simon and Schuster, 1987), 167.

24. (U) Interview PL 86-36/50 by Tom Johnson and PL 86-36/50 2 January 1996, OH 1-96, NSA.

25. (U) Ibid.

26. (U) Reagan Library, NSF, in CCH Series XVI.J., "Libyan Terrorism." Woodward, *Veil*....

27. (U) PL 86-36/50 interview. CCH Series VIII.51.1.; VIII.40, *New York Times* article 26 March 1986.

28. (U) PL 86-36/50 interview.

29. (U) CCH Series VIII.51.1.

30. (U) PL 86-36/50 USC 3605 in CCH Series XII.D.

31. (U) CCH Series VIII.51.1.

32. (U) PL 86-36/50 USC 3605 in CCH Series XII.D. PL 86-36/50 nterview.

33. (U) PL 86-36/50 interview.

34. (U) Reagan Library, NSF, in CCH Series XVI.J., "Libyan Terrorism."

35. (U) NSOC logs available in CCH Series XII.D. CCH Series VIII.51.1.

36. (U) CCH Series VIII.51.1.

37. (U) *New York Times*, April 15, 1986, in CCH Series VIII.51.1.

38. (U) Reagan Library, NSF, in CCH Series XVI.J., "Libyan Terrorism."

39. (U) CCH Series VIII.51.1. Deputy Director's files, 96026, Box 1, "Iran Situation - 1986." Interview, PL 86-36/ PL 86-36/ y Tom Johnson, 11 July 1997. El Dorado chronology in CCH Series XII.D., "La Belle/El Dorado."

40. (U) CCH Series VIII.51.1.

41. (U) PL 86-36/ nterview. Reagan Library, NSF, in CCH Series XVI.J., "Libyan Terrorism."

42. (U) CCH Series VIII.42, VIII.51.1.

43. (U) *Washington Post*, August 2, 1994, in CCH Series VIII.51.1.

44. (U) Ibid.

45. (U) PL 86-36/50 USC 3605 in CCH Series VIII.D. Hyland interview. Duane R. Clarridge (with Digby Diehl), *A Spy for All Seasons: My Life in the CIA* (New York: Charles Scribner's Sons, 1997), 332-33.

46. (U) PL 86-36/50 nterview. Hyland interview.

47. (U) CCH Series VII.75.

48. (U) Interview, PL by Robert Farley and Tom Johnson, 2 April 1987, OH 10-87, NSA.

49. (U) PL 86-3 nterview. CCH Series VII.75.

50. (U) CCH Series VII.75. PL 86-36/50 article in *Cryptolog* (August-September 1986), 1.

51. (U) CCH Series VII.75. PL 86 36/50 article PL 86 36 interview.

52. (U) PL 86 3 interview. Interview, PL 86 36/50, by Tom Johnson, 10 September 1997.

53. (U) Ibid.

54. (U) Ibid.

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56. (U) Ibid.

57. ~~(S//SI)~~ NSA, Foreign Relations Directorate, CDO 25X1, 6 files.

58. (U) Ibid.

59. (U) Ibid.

60. ~~(S//SI)~~ CDO 25X1, 6 files, "Expansion of U.S. 25X 1 6 SIGINT Arrangements, 1984."

61. ~~(S//SI)~~ CDO 25X1, 6 SIGINT Effort Against Golden Triangle." Interview, PL 86-36/50 USC 3605 by Tom Johnson, 17 December 1996.

62. (U) Ibid.

63. (U) PL nterview.

64. (U) Interview, PL 86-36/50 and PL 86 36/50 by Tom Johnson, 25 September 1997.

65. (U) Statement by PL 86-36/50 o SSCI, 13 November 1985, in CCH Series XII.D., "C/I file." "Reasons for the Creation of G14," in CCH Series XII.D.

66. (U) PL 86-36/50 USC 3605 nterview. Reagan Library, NSF, in CCH Series XVI.J., "Counter-Intelligence."

67. (U) Ibid.

68. (U) PL 86-36/50 USC interview. Memo from PL 86-36/50 USC 3605 17 August 1987, and Casey testimony before SSCI, in CCH Series XII.D., "C/I File."

(U) Chapter 24
Military Crises and SIGINT Support during the Reagan Administration

~~(TS//SI-UMBRA)~~ The effects of Vietnam lingered on in NSA's relationship with military commanders. Through the late 1970s the JCS and NSA continued to squabble over the ownership and employment of SIGINT assets, and a new JCS directive, "Concept of SIGINT Support to Military Commanders," issued in 1982, failed to completely set things to rest. Within NSA, however, there were new efforts to satisfy requests for SIGINT support throughout the period. One of the key issues, which was rapidly being resolved by 1980, was that of making available information 25X1 through rapid sanitized reporting.

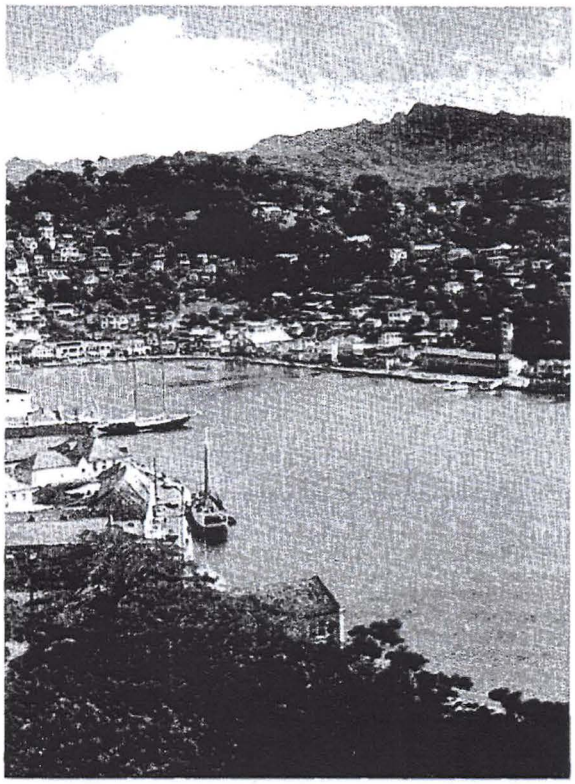
(U//FOUO) General Faurer probably struck the best balance between strategic SIGINT management and military support mechanisms. It was paradoxical, then, that the biggest disaster in the military support arena occurred during his administration. It was the invasion of Grenada.

(U) URGENT FURY

~~(S//SI-SPOKE)~~ Grenada, a microscopic speck in the far eastern Caribbean Sea, had virtually no name recognition for Americans before October of 1983. A British colony since 1763, it had gained improbable autonomy in 1967 and complete independence seven years later. Widespread dissatisfaction with its prime minister led to a coup and a new leader, Maurice Bishop, a charismatic Marxist. Bishop appeared to fall under the influence of Fidel Castro's Cuba. Cubans began showing up in waves to "assist" the Marxist regime, and the government began construction of a 9,000-foot runway near the capital which, intelligence specialists noted, would be ideal for Soviet Bloc military aircraft. Then, just when the U.S. intelligence community was becoming concerned, the Bishop government was supplanted on October 13 by a more radical movement under the finance minister, Bernard Coard. Six days later Bishop and three other cabinet ministers were executed under the direction of the army commander, Hudson Austin. NSA had noted a surge in Cuban 25X1 communications on October 12, the day before the Coard coup.[1]

(U) Amid the civil disturbances that spread throughout the island during the coup, the Reagan administration became concerned about the fate of approximately 1,000 American and other foreign nationals, and began considering a rescue mission. But the postulated influence of Cubans in the situation undoubtedly weighed more heavily on their minds than the fate of innocents. On October 14 the JCS was told to whip up an invasion plan in very short order. General Vessey, the chairman of the Joint Chiefs of Staff, requested an implementation date of 25 October, less than two weeks away.[2]

(U) Owing to an extremely compressed time schedule, the plan was not a model of coordination. Vessey decided at the outset to exclude a number of peripheral organizations, including the Strategic Air Command, Defense Management Agency, NSA, and four parts of the JCS staff, J4, J5, the Deputy Directorate for Political-Military Affairs, and the Public Affairs Office. Vessey chose to rely entirely on DIA for intelligence. This was done partly for secrecy, partly because of the short time schedule.[3]



(U) St. George's, Grenada

~~(S//SI)~~ The JCS decision to exclude NSA and the Public Affairs Office turned into a major fiasco. The exclusion of NSA had been tried before, and it usually worked badly because NSA would discover the operation through SIGINT monitoring and would confront the Pentagon with the evidence. (The planning for the Iranian hostage rescue was a case in point; see page 392.) But in the case of Grenada NSA had made no such discovery when its representative to the Pentagon heard on October 20 about a message relating to a JCS-directed evacuation of Americans from the island. NCR Defense tried to get a copy of the message but was rebuffed. General Faurer then tried and was also turned away. But the very next day, only four days before the execution of the plan, NSA began receiving requests for expanded SIGINT tasking, and on October 22 the Agency got a copy of the Elk Hunter (JCS codeword for a compartmented military operation) message. This left three days for the planning of SIGINT support.[4]

~~(TS//SI/TK)~~ NSA tasking against Grenada had been virtually nil, and with only three days to get ready, it did not improve much. The Agency diverted airborne collectors, PL 86-36/50 USC 3605 RC-135s, U-2s and Navy aircraft, to the Caribbean, but the extremely short notice caused a cascade effect on worldwide ACRP resources, and confusion over what the various collectors were to do. Two overhead COMINT collectors 25X1 were diverted, but they duplicated each other's collection. Two overhead ELINT collectors 25X1 obtained nothing useful. Two Army DSUs participated, but one deployed on such short notice that it did not have secure communications with anyone. In fact, initially there were no secure communications to provide any sort of SIGINT support to anyone, communications having been one of those forgotten elements of

the Urgent Fury plan. No one had time to get Spanish linguists to the field, so the Navy direct support units tasked to accompany the fleet could listen, but could not make sense of anything. NSA had no technical database on Grenada and was given no time to develop one. It was a fiasco all around.[5]

~~(TS//SI-UMBRA)~~ The SIGINT system produced more than 500 reports that related in some way to the Grenada situation, 25X1 communications. Cuban military communications produced some limited information, but no Grenadian military communications were ever isolated, and NSA produced nothing of value to the military commanders in charge of the operation. It is hard to know if that might have changed had NSA had more time to prepare – perhaps there was just no Grenadian military target to exploit. The Cubans were in charge, as the SIGINT clearly showed. [6]

(U) The operation succeeded, in the sense that the JCS got 8,000 U.S. troops onto the island, rescued nearly 600 Americans and 120 foreign nationals trapped by the political chaos, restored popular government, and eliminated the potential threat to U.S. lines of communications in the Caribbean. All this was accomplished with only nineteen Americans killed and 116 wounded. The main antagonists turned out to be the Cuban soldiers on Grenada, who had established a much more secure foothold than American intelligence had suspected.[7]

(U) But it was recognized by everyone involved as a "learning experience" for a military machine gone rusty since Vietnam. The post-operation critiques named intelligence as one of the areas of failure, but did not come to the obvious conclusion that intelligence was hamstrung by the JCS refusal to involve any agency but DIA in the preparation. It also identified communications as an abysmal failure. In their haste, units deployed without compatible CEOI (communications equipment operating instructions). Secure voice equipments (i.e., Vinson-equipped radios) supplied by NSA could not talk to each other because they did not have compatible key. On several occasions Army units on the ground could not call the Navy vessels anchored just offshore for air and artillery support, and twice the Navy began bombing Army units, but the Army could not reach the Navy to tell them to stop firing. In one well-publicized incident, an officer of the 82nd Airborne Division had to use a pay phone on the island to call Fort Bragg to ask authorities there to call the Navy.[8]

(U//FOUO) After the invasion a dispute erupted between NSA and the Pentagon about the exclusion from planning. This resulted in a commitment by the director of DIA, Lieutenant General Williams, to routinely involve NSA in the planning, but this commitment lasted for only a few days – NSA was not even invited to the JCS critique sessions.[9] In reviewing the situation, General Faurer blamed the top man:

> So General Vessey undoubtedly had his reasons and I applaud them for everybody but us. I recognize the advantage of secrecy in what he did. I also recognize the difficulty of having secrecy in our government, but I have no sympathy for secrecy being used as an excuse for not finding a way to get NSA involved.... [10]

(U) THE FALKLANDS WAR - A SUCCESS STORY

~~(S//SI~~ It proved easier to work with the British than with the Americans. The British war with Argentina over the Falkland Islands, coming a year earlier than the American invasion of Grenada, demonstrated the effectiveness of SIGINT support to military operations. Unfortunately, they were not American military operations.[11]

(U) It would be hard to imagine a less likely source of conflict. The Falklands group included several widely scattered islands in the South Atlantic administered by the British government, namely, the Falklands themselves, South Georgia, and the South Sandwich Islands. On the entire estate of 4,600 square miles there was scarcely a tree. Rain or snow fell approximately 250 days a year, and the mean average temperature was 42 degrees Fahrenheit. The population of 1,800 miserable souls was all British. The Union Jack flew over the capital of Stanley, on East Falkland Island.

(U) The dispute, then, was not over resources or strategic significance. It was all about sovereignty. Argentina's original claim was based on the 1493 Treaty of Tordesillas, by which the pope divided the New World between Spain and Portugal, allocating all discoveries west of a certain latitude to Spain. But Spain's claim to the islands of the South Atlantic was highly theoretical, since they had not yet been discovered. The British claim had a somewhat more practical foundation, and was based on an actual discovery of the Falklands in 1592.

(U) Both Great Britain and Argentina (which, upon becoming independent in 1814, had assumed all of Spain's claims in the New World) established evanescent settlements on the barren islands, but finally, in 1833, the British landed a batch of colonists who stayed on, and thus had the claim of practicality. Argentina's claim remained theoretical.

(U) Argentina had laid desultory plans to enforce its claim beginning in 1976. A year later the government hatched a plan to land a military contingent on South Georgia Island, and to use this as a pretext for war, should the British take action. Meanwhile, they actually did land a small group on the island of Southern Thule in the South Sandwich Islands, the most remote of all the disputed territories. The British protested, but the Argentines refused to budge.

(U) In December of 1981, General Leopoldo Galtieri took over in one of those all-too-frequent military coups d'état. Galtieri inherited a nation in a parlous state. Argentina's international debt was approaching $35 billion, and annual inflation was running at 150 percent. The military junta considered its options, and the best one appeared to be a military adventure that would distract the populace from its troubled financial situation. The Falklands seemed to fit the bill nicely.

(U) The junta decided to invade. They already had an unauthorized military contingent in the South Sandwich Islands, so they employed a similar tactic of establishing an unopposed outpost. They used a Buenos Aires scrap dealer named Constantino Davidov as their stalking horse. On March 18, 1982, an Argentine military

vessel deposited Davidov and a crew of military people on South Georgia Islands under the cover of removing an unused whaling station.

~~(S//SI)~~ Meanwhile, NSA SIGINT had tracked the increasing Argentinian intransigence through the winter and early spring. A series of NSA reports in late March clearly outlined the Davidov scam, and showed that among Davidov's workers were military personnel. 25X1, 6
25X1, 6

(U) The Thatcher government responded by ordering the HMS *Endurance*, anchored at Stanley, to South Georgia. But when SIGINT showed the Argentines responding in kind by sending a naval task force to the area, the British realized that they were outgunned, at least temporarily, in the South Atlantic and, resorting to diplomacy, asked President Reagan to intervene with the Argentines.

(U) British prime minister Margaret Thatcher

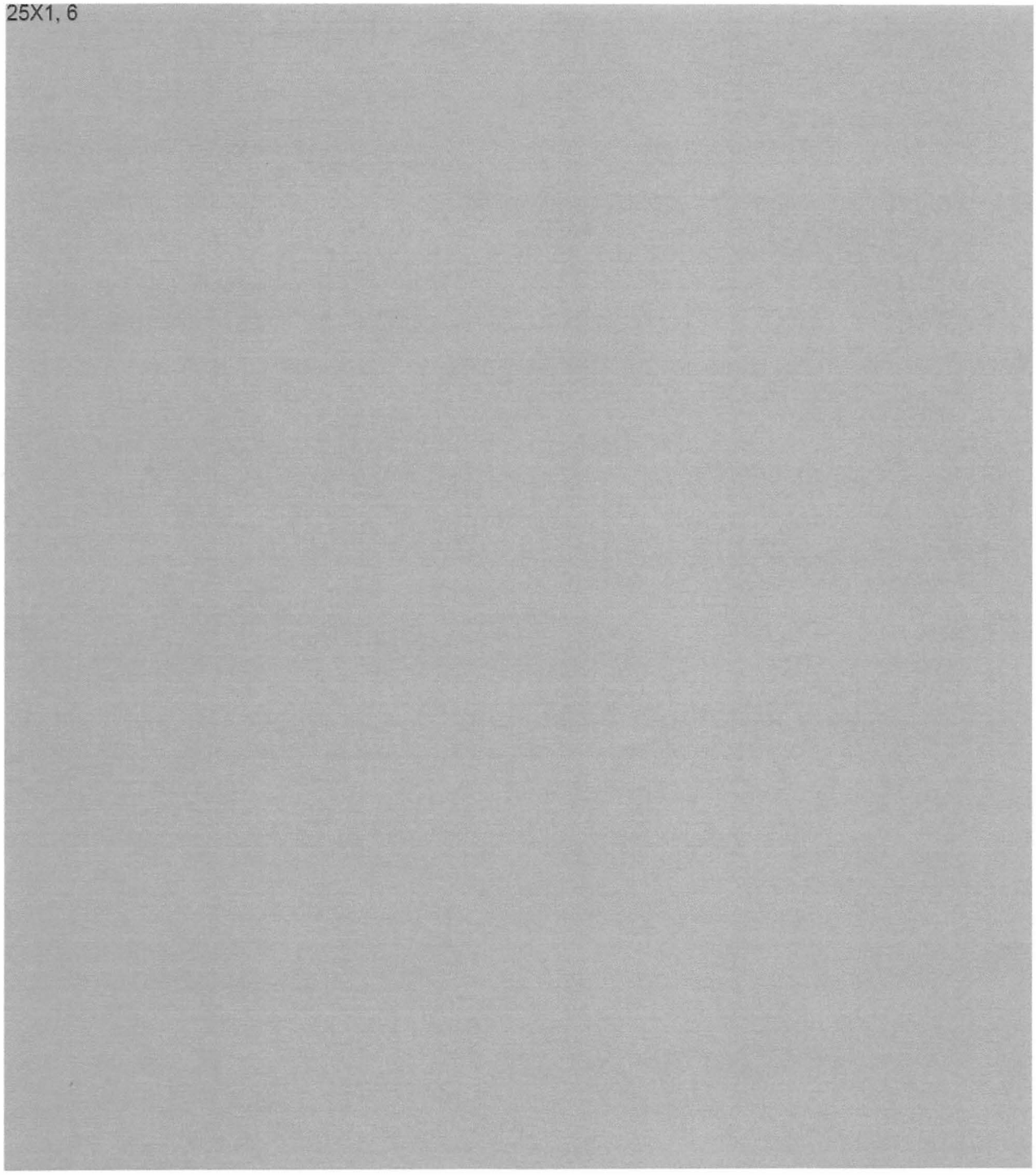
(U) But Galtieri wanted war not negotiations, and he announced publicly on April 2 that a military invasion was in progress. A SIGINT warning had been passed previously to Governor Hunt at Stanley, but with only a small force of Royal Marines, he could do little. Firing broke out as the Argentine force landed, but it was mainly for effect – Thatcher was determined to demonstrate that the Falklands had been taken by force. On the same day that Stanley fell, an Argentine task force overwhelmed the small marine detachment on South Georgia. The Falkland territories were in Argentine hands.

(U) Diplomatically, Argentina was counting on American support. The Carter administration had held Argentina at arm's length because of its abysmal human rights record, but relations had warmed under Reagan, partly because Argentina was willing to assist the Contra forces in Nicaragua (see page 387). The junta assumed that Reagan would come down on their side in the UN, which increased their intransigence.

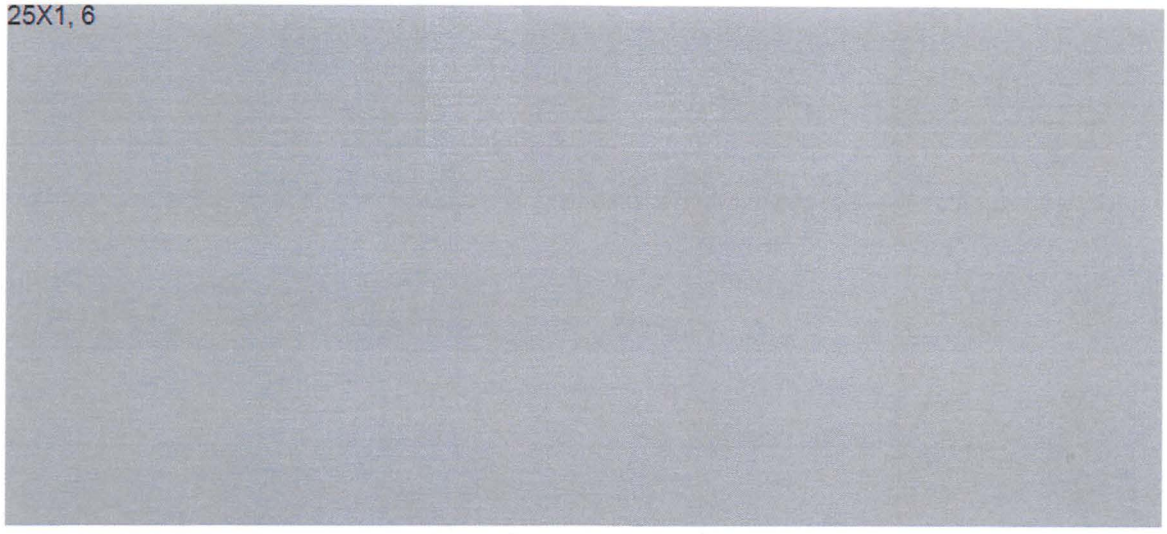
~~(S)~~ An acrimonious debate ensued within the administration over what posture to adopt. Former DIRNSA Bobby Inman, now the deputy DCI, spoke strongly in favor of the British connection, basing much of his argument on the close intelligence relationship between NSA and GCHQ, and this appears to have played an important role in convincing Reagan that he had to support Thatcher and the British. The U.S. voted in the Security

Council to demand that Argentine forces be withdrawn, a reversal which practically left the junta breathless. This was followed, at the end of April, by an official abandonment of neutrality. Reagan offered the British a full range of security and intelligence assistance short of direct military involvement.[12]

25X1, 6

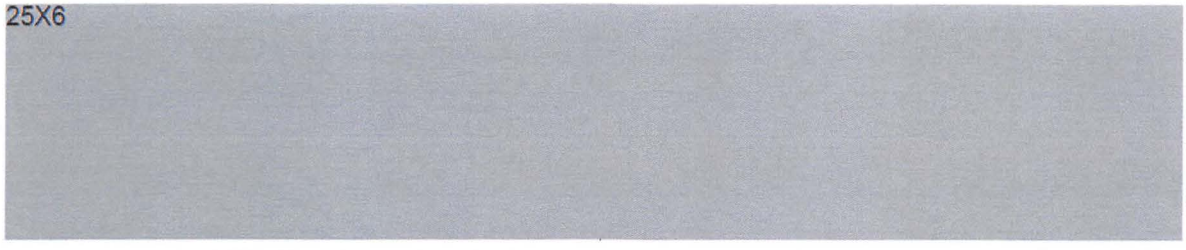


25X1, 6



(U) The Thatcher government assembled two naval task groups for the long trek to the South Atlantic. One, a surface task group, consisted of naval assets from the Gibraltar area. The other, an assault force to retake the islands, was headed by the ASW carrier *Invincible* and the ASC/commando carrier *Hermes*. The two groups rendezvoused at Ascension at mid-month and headed south. Meanwhile, both nations declared maritime exclusion zones around the Falklands. The task force consisted of over 100 ships – Thatcher was not going to let her reputation for bellicosity be besmirched by a third-rate naval power.

25X6



~~(S//SI-SPOKE)~~ The Argentines had initially decided on a defensive strategy, figuring that the daunting logistics problems would cause the British to give up the job. But the retaking of South Georgia forced Galtieri's hand, and he turned to an offensive mode. The Argentine navy divided its forces into three groups, two of which figured in the subsequent actions. The flagship, the aircraft carrier *Veinticinco de Mayo*, and accompanying destroyers steamed north, while a task force under the heavy cruiser *Belgrano* went south. They were to initiate simultaneous attacks on the British fleet on May 1, in a pincher-type strategy. But Admiral Allara aboard the flagship concluded that his force had been spotted by British Harriers and, owing also to unfavorable weather, decided to abort his attack. The entire plan was exposed in SIGINT, as was the Allara decision 25X6

25X6

~~(S//SI-SPOKE)~~ The *Belgrano* was a ponderous though heavily armed cruiser which had been launched in 1935 and had been in Pearl Harbor on December 7, 1941. The Argentines had purchased it from the U.S. and had modernized it with state-of-the-art

missiles, including the French Exocet. Its World War II-style armament made it almost invulnerable to attack except by torpedoes. Though technically outside the maritime exclusion zone, it was clearly headed for combat, and the British pounced, sinking it with a spread of three torpedoes. Of the 1,042 crewmembers, only 674 survived, and the Argentine government cried foul because it was outside the war zone. 25X1, 6
25X1, 6

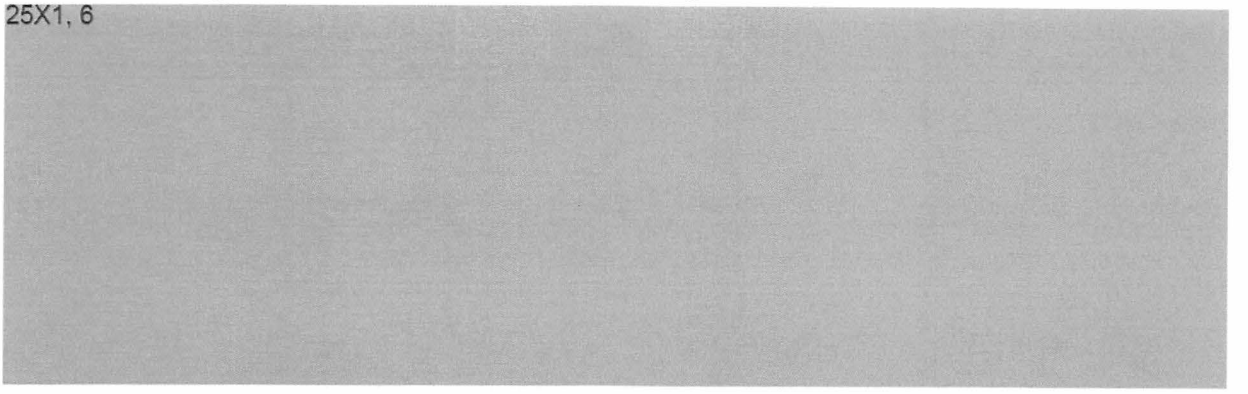
~~(S//SI-SPOKE)~~ Following the sinking of the *Belgrano*, the Argentine navy headed back to port and never again mounted a threat to the British recapture operations. But the Argentine air force was not so timid. Launching from mainland bases, they wreaked havoc on the British force, sinking two vessels and damaging another with their small store of Exocet missiles, and sinking three combatants and severely damaging another eleven with conventional bombs when they ran out of Exocets. In contrast to the navy, their pilots flew with skill and heroism, some ditching in the ocean following bomb runs because they could not make it back to base. 25X1, 6
25X1, 6

(U) British marines landing in the Falkland Islands

(U) Meanwhile, the British fleet landed a force of marines at San Carlos, on East Falkland Island. With air and naval support, they marched toward Stanley, rolling up isolated Argentine garrisons as they went. The Argentines did not have a good enough

intelligence system to predict the landing spot and, once confronted with British marines, were too fragmented to offer much resistance. Stanley fell on June 14.

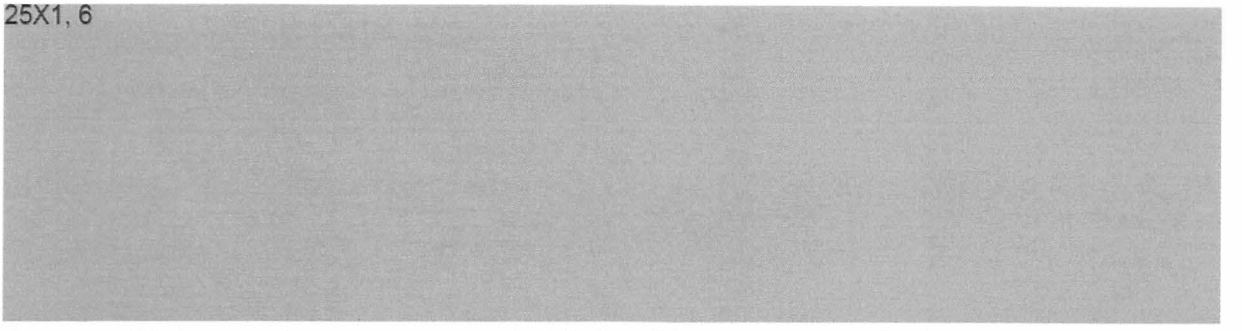
25X1, 6



(U) NSA-GCHQ cooperation was a model of allied intelligence interworking. British historian Christopher Andrew, commenting on U.S.-British cooperation, stated that:

> The SIGINT attack on Argentinian communications, which yielded the best intelligence of the Falklands War, was conducted virtually as a combined operation by GCHQ...and NSA.[13]

25X1, 6



(U) Once again, SIGINT became the victim of its own success. Leaks appeared soon after the war concluded, revealing the extent of U.S.-British SIGINT cooperation, the effectiveness of ELINT satellites, and the successful exploitation of Argentine communications. After the war the British government commissioned an investigative review to determine if the Thatcher government was negligent in not recognizing at an earlier date the Argentine intention to invade the islands. Published in 1983 as the unclassified *Franks Report*, it detailed a number of intelligence items which exculpated the government. Enterprising reporters swiftly tied the revelations to SIGINT sources. Subsequently, several full-length books laid bare the successes of SIGINT.

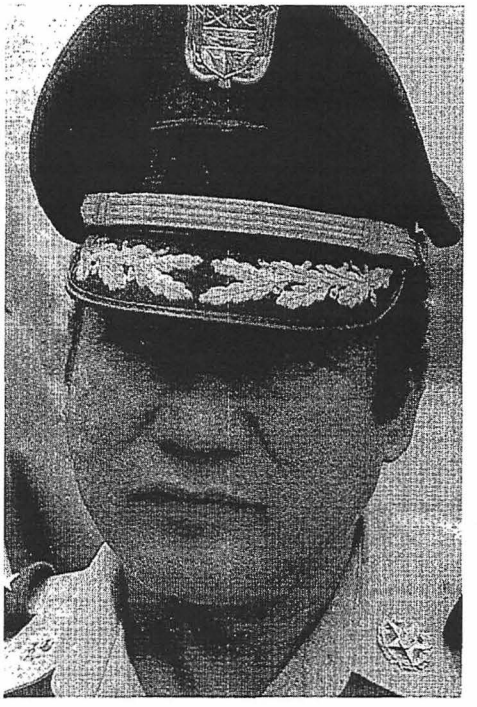
(U) JUST CAUSE

~~(S//SI)~~ The American military invasion of Panama in 1989 was as smooth as Urgent Fury had been rocky. The crisis in American-Panamanian relations had been in slow-motion evolution for several years, and this allowed the JCS to do long-range planning. Many of the units involved in Grenada also participated in Just Cause and learned from

the earlier experience. NSA was involved from the first, and there was to be no repeat of the Urgent Fury fiasco.

(U) Following his successful Panama Canal Treaty negotiations, Panamanian strongman Omar Torrijos enjoyed almost messianic popularity in his home country. But Torrijos was killed in a plane crash in 1981, and the country was temporarily rudderless. This did not last long, however. A new strongman, Manuel Noriega, soon grabbed the tiller.[14]

(U) Noriega had joined the Torrijos entourage soon after the ousting of the Arias government in 1968. His specialty was intelligence, and he worked closely with American military intelligence people over the years, attending special training at Fort Bragg in 1967. When Torrijos died, Noriega emerged as one of three powerful army officers heading the Guardia Nacional. But Noriega was the smartest of the three, and soon eased the other two into early retirement. He gained control of the Guardia and, through a succession of figurehead presidents, the governmental machinery.[15]



(U) Manuel Noriega

(U) His relationships with the U.S. were convoluted. Of all the Guardia figures, U.S. intelligence regarded him as the least appetizing, and the State Department viewed his rise as a scarcely mitigated disaster. But he proved a useful partner in many respects, and was on the CIA payroll for years. U.S. military authorities at SOUTHCOM were forced to work closely with him, but they did not enjoy the experience. His sexual escapades were legendary, and it was rumored that he was involved with drug trafficking.

(U) Noriega's reputation, already vile among knowledgeable Americans, took a turn for the worse when he "stole" the Panamanian elections in 1984. With his own man in the presidency, the way appeared clear for him, but the next year a Noriega opponent, Dr. Hugo Spadafora, was brutally murdered, and it was widely rumored that Noriega had ordered the execution because Spadafora had exposed Noriega's drug dealings. In the midst of the Spadafora crisis, Noriega replaced the mostly compliant president, Nicolas Ardito Barletta, with an even more compliant operative, Arturo Delvalle. Alarmed, the State Department sent its Latin American troubleshooter, Elliott Abrams, with National Security Advisor John Poindexter, to warn Noriega to back off. The warning had little

effect, partly because Noriega was deeply involved in supporting the Reagan administration's undeclared war against the Sandinistas, and thus considered himself invulnerable.[16]

(U) With the onset of the Iran-Contra scandal in 1986, Noriega's usefulness came to an end, and the Reagan administration began exerting considerable pressure on him to reform. In June of that year, journalist Seymour Hersh published a *New York Times* article exposing Noriega's drug trafficking, and Senator Jesse Helms opened a Senate investigation into the matter. In February of 1988, two Florida grand juries simultaneously indicted him for drug trafficking, and he became a fugitive from the American judicial system. While all this was going on, Panamanians were rioting in the streets, and the Guardia, which had been renamed the Panamanian Defense Force (PDF) by Noriega, initiated brutal repression. The economy was in collapse, and under intense pressure, Noriega agreed to "democratic" elections for May of 1989. Although the elections occurred as scheduled, the opposition appeared headed for victory. Noriega then annulled the elections and appointed his own man.[17]

~~(S//SI)~~ JCS planning for intervention in Panama had begun in 1988, following the Florida indictments, in an operation code-named Blue Spoon. The operation envisioned a quick military strike composed of SOUTHCOM troops on the ground, considerably augmented by airborne troops from Fort Bragg. NSA was involved in planning SIGINT support for Blue Spoon from the beginning. Much of the intelligence support for Blue Spoon came from SIGINT, and, upon activation of the plan, it was envisioned that much of the operational information would come from the intercept of Panamanian military communications.[18]

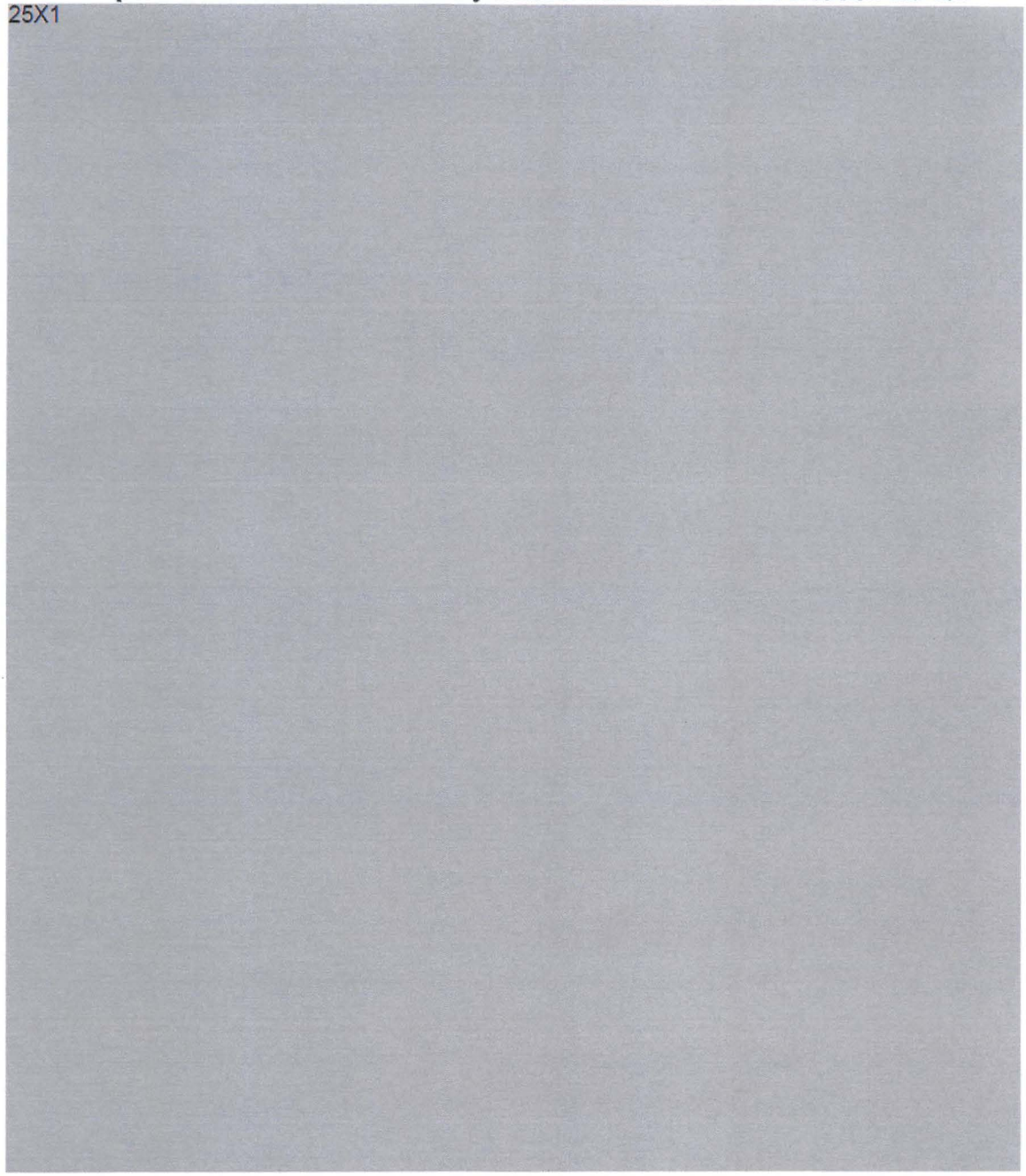
~~(S//SI)~~ The Panamanian problem was worked in G2 as an adjunct of a much larger effort against Nicaragua and El Salvador. As Blue Spoon planning proceeded, G2 began switching resources to the Panama effort in G223. It was not that hard to do. NSA had already assembled the resources for the Nicaraguan (Sandinista) and Salvadoran problems, and Panama was, at least initially, only a minor diversion. The CAST (Central American Support Team), the communications and direct support hub for the Central America, refocused to Panama. In addition, G22 added a small Special Collection Management Operations and Intelligence Cell, referred to simply as "the cell."

25X1 [redacted]

~~(S//SI)~~ Following the Florida indictments in February of 1988, NSA obtained a waiver 25X1 that 25X1 [redacted] permitted the entire Central American SIGINT system to turn toward Panama. And a

considerable system it was. On 25X1 were two intercept sites, Army and Navy, which copied Panamanian internal military communications. The Air Force flew RC-130

25X1



~~(S//SI)~~ SIGINT support worked within the expanding organization of SOUTHCOM. Within the J2, SOUTHCOM established a Joint Intelligence Center, staffed by representatives from the intelligence community as well as SOUTHCOM regulars. If Blue Spoon were implemented, this organization would become part of a Joint Task Force (JTF)

J2. 25X1
25X1

[redacted]

~~(S//SI-SPOKE)~~ The effort to track Noriega was obviously a critical component of Blue Spoon, and throughout the summer of 1989 NSA continued to refine its SIGINT exploitation of Panamanian internal communications to keep tabs on his location. Beginning at less than a 50 percent success rate, success increased to around 70 percent by November of 1989. SIGINT was the key discipline; it was augmented by HUMINT tracking teams on the ground.[22]

~~(S//SI)~~ On December 16, Panamanian forces shot and killed a Marine officer. On the same date, they detained and interrogated a Navy lieutenant and his wife. These two incidents culminated months of calculated harassment by the PDF, and the next day President Bush directed a military invasion, to begin in the early morning hours of December 20. NSA immediately went on a twenty-four-hour alert, along with all SIGINT units targeted against Panama. The effort to track Noriega went into high gear.[23]

~~(S//SI)~~ The invading forces brought their own tactical SIGINT with them. The Army sent six low-level voice intercept (LLVI) teams with the airborne forces, while the Marines brought their own SIGINT team. The tactical SIGINT units were coordinated by a Technical Control and Analysis Element (TCAE), part of the JTF J2.[24]

(U) U.S. airborne soldier

~~(S//SI-SPOKE)~~ Airborne forces hit the country so quickly, in so many places, that the Panamanian military quickly disintegrated. PDF nets, which had been active prior to the invasion, simply went off the air as their disorganized forces fled. Within hours, there was little to copy, and American forces were on their own from an intelligence standpoint. This was true in general, but in particular instances SIGINT still yielded useful information. Tactical SIGINT assets, especially the PL 86-36/50 USC 3605

25X1

~~(S//SI-SPOKE)~~ Noriega disappeared from view at the outset of operation Just Cause, and he was never located by American intelligence until he took refuge in the Papal Nunciature on December 24. His last known location, during the evening of December 19, was in Colon, based on both SIGINT and HUMINT. SIGINT then had him departing Colon for Panama City, while HUMINT indicated that he was still in Colon. By the time troops were on the ground, he had disappeared.[26]

~~(S//SI-SPOKE)~~ The mystery was eventually cleared up by one of his bodyguards who surrendered and was debriefed by U.S. intelligence. As SIGINT indicated, he had in fact departed Colon late on December 19. Partway to Panama City, however, he split from his convoy and headed for a recreation area outside the Torrijos-Tocumen Airport, where he had planned to spend the night with a prostitute. This dalliance was interrupted at about 10 that evening by a phone call from the minister of health, who reported that the Americans were planning to invade. According to the bodyguard, Noriega ignored the warning until he heard explosions at the airport. (It was the XVIII Airborne Corps paradropping into the area.) In panic, he got into his car and drove around in circles for the rest of the night, not daring to stop anywhere for longer than a few minutes. The next day he went to the house of his secretary's husband's sister and stayed there until December 24, when he sought Papal asylum.[27]

~~(S//SI-SPOKE)~~ Meanwhile, 25X1 HUMINT sent U.S. Special Forces charging first in one direction, then in another, presumably hot on his trail. At one point they invaded Farallon, finding hot coffee and still-smoking cigarettes, but no Noriega. Everyone believed that they were only minutes behind their quarry, but if the bodyguard is to be believed, these forays were all blind alleys. He was never at Farallon, or, for that matter, at any of the other hideouts the Army was monitoring. In all, Special Forces conducted more than forty attempted snatch operations.[28]

25X1

It was marred, however, by a dispute between NSA and PL 86-3 over who would analyze and

report the information. In the end, both did, thus sending duplicate (and sometimes conflicting) information into intelligence channels.[29]

~~(S//SI)~~ Despite not being able to locate Noriega for four days, the intelligence operation supporting Just Cause must be characterized as a success. The need for SIGINT support was recognized very early and was integrated into military planning. NSA diverted its bounteous Central American assets to Panama and was on top of the problem in fairly short order. The military (particularly the Army) introduced a profusion of tactical SIGINT assets into the plan and undoubtedly copied anything worth copying once the invasion began.

~~(S//SI)~~ The downside, of course, was that there wasn't much to copy. This resulted partly from a successful military operation that scattered opposing forces before they could mobilize. It was also due to a highly efficient jamming effort by the Air Force, which knocked many PDF nets off the air – but also diminished the communications available for exploitation.

~~(S//SI)~~ There were other problems, too. 25X1
25X1

inputs. Much of the LLVI intercept duplicated other sources, but this was inevitable and, considering the objectives of the teams, was often required. Army tactical SIGINT teams were equipped with equipment that was hardly as mobile as the supported forces. Eighteenth Airborne Corps counted these tactical SIGINT teams as indispensable to their operations, and recommended a new line of manpack equipment so that the SIGINTers could move as fast as the airborne troops did.[30]

(U//FOUO) All in all, however, Just Cause did much to restore relationships between SIGINTers and the supported forces. This relationship became critical during Desert Storm two years later.

(U) Notes

1. (U) NSA/P051, "Grenada Invasion – A SIGINT Perspective," 1 February 1984, CCH Series VIII.36. Ronald H. Cole, *Operation Urgent Fury* (Washington: JCS Joint History Office, 1997).

2. (U) Cole, *Operation Urgent Fury*.

3. (U) Ibid.

4. (U) Ibid.

5. (U) Ibid.

6. (U) Memo, P53, Subject: USSS Support to Grenada Operations, 16 February 1984, in CCH Series XII.D.

7. (U) Ibid.

8. (U) Telephone interview with Joseph Maguire, 17 April 1998. Cole, *Operation Urgent Fury*.

9. (U) Cole, *Operation Urgent Fury*.

10. (U) Faurer interview.

11. (U) Unless otherwise annotated, information for this section was taken from PL 86-36/50 USC 3605 *The Falklands, 1982: An American Perspective*. Special Series, Crisis Collection, Vol. 4 (Fort Meade: Center for Cryptologic History, 1991).

12. (U) Inman interview.

13. (U) Andrew, *For the President's Eyes Only*, 467.

14. (U) Thomas Donnelly, Margaret Roth and Caleb Baker, *Operation Just Cause: The Storming of Panama* (New York: Lexington Books, 1991), 4-5.

15. (U) Ibid.

16. (U) Ibid., 8-10.

17. (U) PL 86-36/50 USC 3605 "Support to Military Operations: NSA's Contribution to Operation Just Cause," November 1991 MSSI thesis, Joint Military Intelligence College, Washington, D.C.

18. (U) Ibid. 19 March 1990 memo from PL 86-36/50 "After-Action Report," CCH Series VIII.11.A.

19. (U) PL 86-36/50 thesis.

20. (U) Ibid. PL 86 memo.

21. (U) XVIII Airborne Corps Briefing on Just Cause, in CCH Series VIII.11.A.

22. (U) Donnolly, et al., *Operation Just Cause*. XVIII Airborne Corps Briefing on Just Cause.

23. (U) PL 86-36/50 thesis. PL 86- memo.

24. (U) PL 86-3 memo. XVIII Airborne Corp Briefing.

25. (U) CCH Series VIII.11.A.

26. (U) PL 86 memo.

27. (U) CIA debrief of CIA in CCH Series VIII.11.A.

28. (U) Donnelly, et al., *Operation Just Cause*, 104-06.

29. (U) PL 86 memo.

30. (U) Ibid.

(U) Chapter 25
Iran-Contra

(U) The Iran-Contra scandal dominated the newspapers during the second Reagan administration. The affair hit the newsstands in October of 1986 when the Sandinistas shot down an aircraft making arms deliveries to the Contras, and captured an American, Eugene Hasenfus, who had been kicking pallets of material out the back end of the aircraft for the Contras waiting on the ground. Almost simultaneously, a Lebanese newspaper broke the story of attempts by the Reagan administration to free American hostages in Lebanon with sales of arms. From that time on, it was never out of the press.

(U) CONTRA

~~(S//SI)~~ For NSA, it was originally a Latin American problem. After the Cuban Missile Crisis subsided in the early 1960s, targets south of the border had taken a decidedly low profile. With occasional exceptions, Latin American problems were not high on the national priority. The most conspicuous exception was Panama (see page 379).

(U) Ronald Reagan's Republican Party had generally opposed an accommodation with Panama, and when Reagan was elected president there was some talk about trying to reverse the treaty. But it was never a serious threat, and Congress chose to let the issue ride, in hopes that arrangements with Torrijos would work out. Reagan's Latin American focus was decidedly elsewhere – toward Nicaragua.

(U) *The Nicaraguan Revolution and the Concern about Communist Subversion*

(U) Nicaragua, in company with most Central American principalities, was a country wracked by periodic revolution, military coups, tyranny and subversion. The situation had gotten so bad that in 1912 President Taft had sent in the Marines. They stayed until 1933. In 1927, Henry Stimson was sent to the country to negotiate a political settlement. He succeeded in obtaining the agreement of all but one general, Augusto Cesar Sandino. Sandino fled to the hills with a few followers and tried to disrupt the American-sponsored elections of 1928. He and his followers continued fighting a guerrilla war for seven years, but in 1934 National Guard troops under an emerging strongman, Anastasio Somoza, collared the obstreperous revolutionary and summarily executed him. Later that year Somoza ousted the government and inaugurated forty-five years of dictatorship.[1]

(U) Sandino remained the hero of the dispossessed, and the movement, which came to be named after him, took on an anti-American hue. Somoza and his greedy family stayed in power, imposing one of Latin America's least enlightened regimes on the defenseless country.

(U) By the early 1970s Somoza's son, Anastasio Somoza Debayle, was in power. Less politically adept than his father, he fought off the growing Sandinista guerrilla movement through brute force. His resort to force attracted the attention of Amnesty International, as well as the liberal wing of the American Democratic Party, which demanded that foreign aid to the Nicaraguan government be cut off. The issue resonated with President Carter, but Carter had his hands full with other matters and tried to let the Nicaraguan situation ride. Omar Torrijos, no stranger himself to strongman rule, once said, "...the crisis in Nicaragua can be described as a simple problem: a mentally deranged man with an army of criminals is attacking a defenseless population....This is not a problem for the OAS; what we need is a psychiatrist." [2]

(U) On August 22, 1978, the Nicaraguan scene was permanently disrupted. On that date an obscure Sandinista general, Eden Pastora, captured the National Palace while congress was in session and extorted from Somoza a list of concessions, including releasing various Sandinista figures from jail. Nicaragua went into a state of long-term turmoil, with mob rioting, looting, government retaliation, executions, and the like. For almost a year the country descended into chaos, a descent that was finally interrupted on July 17, 1979, when Somoza and his family finally left the country. The Sandinistas took over.[3]

(U) The triumph of a viscerally anti-American revolutionary group in Nicaragua presented the Carter administration with a square dilemma. Carter, always predisposed toward such popular movements, on the one hand welcomed the overthrow of the odious Somoza regime, while on the other tried to convince the Sandinistas not to throw in their lot with Cuba and the Soviet Union. The U.S. promptly shipped $39 million in food aid to Nicaragua.

(U) It didn't work. The Sandinistas turned slowly but surely toward Moscow. In March of 1980 they signed a comprehensive economic, scientific and cultural agreement with the USSR. In July, on the anniversary of the revolution, Fidel Castro was the most prominent speaker. Cuban advisors moved into Managua. In the meantime, the Sandinista leader, Daniel Ortega, announced that democratic elections were to be postponed until 1985, and forced the moderate element, led by newspaper publisher Violetta Chamorro and Alfonso Robelo, into opposition.[4]

(U) The problem for Carter was not Nicaragua, but the tinderbox satrapies to the north – El Salvador, Honduras and Guatemala. Following the treaty with Moscow, the CIA began seeing evidence of Nicaraguan support for similar guerrilla movements, especially in El Salvador. Carter tried to play the issue both ways. In order to continue foreign aid to Nicaragua (the carrot approach to Ortega and company), he publicly certified that the Sandinistas were not supplying arms to neighboring guerrilla movements. But the CIA had hard evidence to the contrary, and Carter privately signed a finding to support democratic elements (read Contras) in Nicaragua. Just before the elections that would result in Ronald Reagan becoming president, the Sandinistas began flooding El Salvador with arms in hopes of overthrowing the government outright. An outraged Carter sent his ambassador, Anthony Pezzullo, to deliver a stinging rebuke to

Ortega. Rejected, Carter continued arms deliveries to the repressive right-wing government of El Salvador.[5]

~~(S//SI)~~ While Carter smoldered with pent-up fury at Sandinista perfidy, Reagan was completely out front with it. The Republican platform for the election of 1980 called for the overthrow of the Nicaraguan government. As soon as Reagan became president, he suspended the final $15 million of a $75-million aid package for the country, and in March he continued the CIA covert program of aid to the Nicaraguan opposition that Carter had begun. A finding of December 1981 stated that the American objective was to interdict the flow of arms to neighboring countries, rather than to overthrown the Nicaraguan government. All intelligence sources, SIGINT among them, documented the arms buildup and the increased involvement of Cuba in the situation.[6]

(U) The Contra movement in Nicaragua had begun in 1980 as an inchoate agrarian protest against government policies. As the Sandinistas swung to the left, the Contras got stronger. There were small Contra groups in the south, unorganized at first, but led later by the very same Eden Pastora who had begun his public life as a prominent Sandinista general. In the north the groups were larger and better organized; they came to be dominated by a unified organization under a former National Guard officer, Enrique Bermudez. Pastora and Bermudez did not get along (for obvious ideological reasons, if nothing else). Forced to choose, CIA chose Bermudez and began aiding his guerrillas in their camps in Honduras.[7]

(U) It is essential to understand the U.S. political conditions under which the guerrilla war was being fought. A 1974 amendment to the annual Foreign Assistance Act, called the Hughes-Ryan Amendment, required the president to "find" that each covert activity was "important to the national security of the United States," and that the president report such operations to Congress "in a timely fashion." [8]

(U) It had become customary to report such "findings" to the HPSCI and SSCI – that constituted "notification." Thus Congress was aware of, and had acquiesced in, the Contra operation. But in November of 1982 the "covert" effort was publicly exposed in the nation's leading newspapers. This produced a great deal of congressional agitation for an end to the effort, and resulted in a compromise, called the Boland Amendment, after Edward Boland of Massachusetts, the Democratic chairman of HPSCI. According to the amendment, no appropriations could be spent "for the purpose of overthrowing the government of Nicaragua or provoking an exchange between Nicaragua and Honduras." Although somewhat restrictive, the amendment dealt with intent, not activities. Support to the Contras remained legal as long as its overt objective was not overthrow, just interdiction of arms. But the next year, following the harbor mining episode (see page 391), a second Boland Amendment (called "Boland Two") prohibited the expenditure of funds for the purpose of Contra support, whatever the motivation. This meant that, at least for fiscal year 1985, the flow of aid would run dry.[9]

~~(S//SI)~~ The SIGINT capability in the area was good. Army and Navy conventional sites in the Canal Zone 25X1 acquired mostly HF signals. Owing partly to its

proximity to the United States, mobile SIGINT was readily available, beginning with PL 86-36/50 USC 3605 flights out of Offutt AFB, Nebraska (normally targeted against Cuba). The RC-135s were augmented by a plethora of tactical programs which operated sporadically in the Caribbean: 25X1

25X1

[redacted]

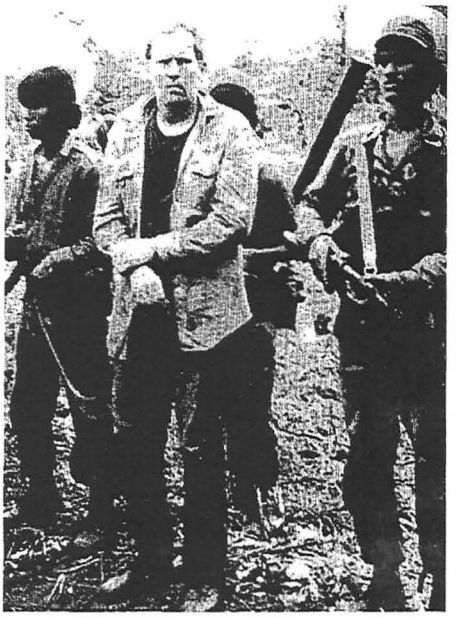
~~(TS//SI-UMBRA)~~ At NSA, the effort against Central America expanded fourfold in six years. The exploitation of Nicaraguan communications was excellent. The most lucrative source was the microwave network, which, like Cuban microwave before it, yielded large volumes of military information. 25X1 NSA obtained 25X1

25X1 tactical military radio traffic. 25X1

25X1

[redacted]

~~(S//SI-SPOKE)~~ And while they were at it, NSA analysts exploited Contra transmissions to keep a check on their activities. The Agency was also reading Nicaraguan SIGINT messages. It was clear, long before Eugene Hasenfus was shot down, that the Nicaraguans had a good handle on CIA-sponsored resupply flights and that the Sandinistas had shoulder-launched missiles that could bring them down. (This was how the Hasenfus aircraft was grounded.)[15]



(U) Eugene Hasenfus

~~(S//SI-SPOKE)~~ NSA analysts did not come out of this with a high regard for Nicaraguan military or administrative capabilities. The general consensus at Fort Meade was that the revolution would die of incompetence. One NSA hard-copy report called "Nicaraguan Military Capabilities" put forth a very low estimate of those capabilities. The view was unpopular downtown – the party line was to maximize the threat.[16]

(U) The Reagan administration's effort to stop Sandinista subversion in Central American ran into all sorts of political problems. It had only a hair-thin majority in Congress when, in April of 1984, *The Wall Street Journal* released a story claiming that CIA was helping mine Nicaraguan harbors, thus endangering commercial shipping. (Several ships, including a Soviet tanker had been damaged.) The story created chaos in Congress, where administration allies were delicately trying to steer the 1985 Contra aid package to approval. Barry Goldwater broke openly with William Casey, alleging that he had not been informed of the operation (not that he did not approve, however). Other congressmen opposed a direct CIA presence in the operation. Aid was voted down, and the administration was confronted with its first outright break in the funding cycle for its Contra guerrilla groups. Aid was not restored in any fashion until the 1987 budget year. But no sooner was aid reestablished than a Contra resupply flight was shot down in late 1986 with a CIA contractor, Eugene Hasenfus, aboard. Chaos again roiled the Contra program.[17]

(U) The Reagan effort against the Sandinistas was smart because it was broad-based. Not putting its eggs in one basket, the administration funneled military aid to El Salvador and Honduras, increased intelligence surveillance, and mounted a public information program to build domestic support. Despite missteps like the harbor mining, they could rely on Sandinista administrative incompetence and heavy-handed domestic repression.[18] Slowly, the tide began to turn.

25X1

[redacted]

~~(S//SI)~~ In later years many NSA officials still felt queasy about the Latin American target. The problem was not just CIA's dealings with its clients; it also related to the legality of applying money to a problem whose spending authorization was constantly in question. Sometimes money had been appropriated; sometimes it hadn't. Sometimes CIA was trying an end run around congressional restrictions by trying to use defense money. Many NSA actions required a legal ruling. Should an employee inadvertently step over a line, would he or she be liable? And who would pay legal fees if the matter ever went to court? It was not a moot question, as the Iran-Contra scandal would soon demonstrate.

(U) IRAN

(U) In the summer of 1985, Oliver North, an obscure Marine lieutenant colonel on the NSC staff, was running a covert operation to try to get Western hostages out of Lebanon. His primary contacts were with Iranians, who were presumably backing the Lebanese terrorists holding the hostages. It involved covert dealings with Israeli intelligence, trips to Iran, and direct dealings with an Iranian businessman named Ghorbanifar. The operation suffered from leaky security.

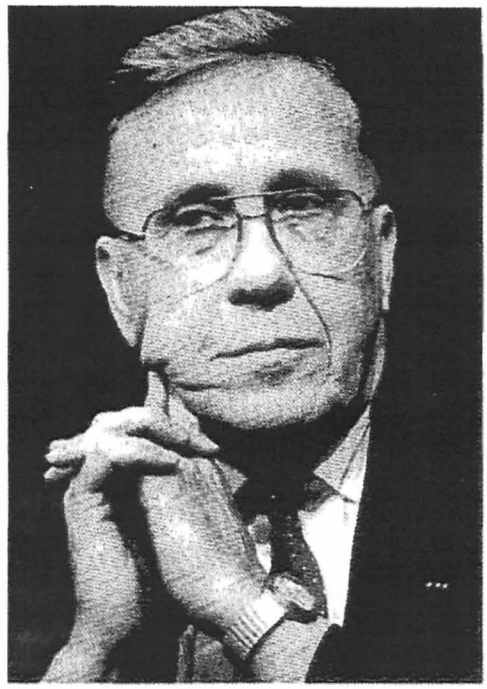
(U) Oliver North

~~(TS//SI-UMBRA)~~ The matter remained strictly a White House affair until, on September 12, 1985, 25X6 published a product report which named two Iranians, Asghari and Kangarlu, in covert arms deals. Charlie Allen, the NIO for counter-terrorism and the

designated CIA contact point for Oliver North's hostage release project, recognized the names as the middlemen that North was working with. He called NSA immediately and requested that the communications of Asghari and Kangarlu be placed on high-priority tasking and that the reports be distributed hardcopy only to an extremely limited distribution. NSA tasked

25X1, 6

resulting series, dubbed the "AK-reports" (the initials of the last names of the two Iranians), gave the NSC a detailed and timely check on the Iranian side of the action. The message distribution was initially limited to only three people on the National Security Council (including North himself and his boss, John Poindexter), to DCI William Casey, and to the assistant to the chairman of the JCS, Admiral Arthur Moreau. Such matters were considered extremely sensitive and could leak if anyone not directly involved got wind of them. This would blow not just the operation; it would also expose NSA's capabilities to monitor international arms transactions.[20]



(U) Charles Allen

~~(TS//SI-UMBRA)~~ Moreau began sharing the intercepts with Colin Powell, who was then the military assistant to the secretary of defense. Powell alerted Weinberger, who called the director, William Odom, to insure that he was added to the distribution. (But Secretary of State George Shultz, who, with Weinberger, was opposing the arms-for-hostages swap, was never included, although Odom tried to keep State up with things by occasional phone calls to Schultz assistant Michael Armacost.) [21]

~~(S)~~ In November of 1985, Ken deGraffenreid, the NSC staffer in charge of intelligence issues, discovered that North was devising hand codes for use in the operation. DeGraffenreid, who fully appreciated the insecurity inherent in such a bootleg code, called NSA's John Wobensmith, then the chief of staff to Harry Daniels, the assistant deputy director for information security (DDI). Wobensmith went to the White House that afternoon and discussed the matter with deGraffenreid, and they decided that Wobensmith should give North a threat briefing. North understood the problem and asked about COMSEC equipment.[22]

(S) The problem was tangled. North would need COMSEC equipment to secure his own communications, but he did not tell Wobensmith who else might be involved in the communications. The relationship with North broadened as Wobensmith continued to work with him to protect the operation. In December, North told him that he was involved in an effort to free the hostages in Lebanon, and was dealing with Iranians. Thus, Wobensmith understood from an early date that North was engaged in trying to extricate the hostages from Lebanon.[23]

(U) John Wobensmith

(S) Wobensmith had limited choices. If only U.S. government officials were involved,

PL 86-36/50 USC 3605

(U//FOUO) Wobensmith first gave North four PL 86-36/50 advising him that if he were not satisfied, to come back. North soon called to say that the PL 86-36/5 equipment was not doing the job. Wobensmith then provided a certain number (the precise number is unclear) of the U.S.-only PL 86-36/50 and demonstrated their use to North in the White House on at least one occasion.

(U//FOUO) On several occasions North's Iranian contacts requested encryption support, and in February of 1986 North called Wobensmith to ask for some encryption equipment that "might fall into Iranian hands." Wobensmith delivered PL 86-36/50 USC 3605 equipment to North for this purpose, but the equipment was never actually handed over to the Iranians.[25]

(U//FOUO) Unknown to NSA and Wobensmith, North had, in early 1986, decided to mix the Iran and Contra operations. He needed money to support the Contras, and could get it by overcharging the Iranians for the missiles that they so badly wanted. But the two operations got intertwined in other areas too. North used some of the PL 86-36/5 to secure communications in Latin America in order to cover the drop zones where arms were being supplied to the Contras. Some of this equipment might have been used by non-Americans. The PL 86-36/50 on the other hand, were used to secure hostage-related communications, and some of them might have been made available to Israelis.[26]

(S) There was no "standard operating procedure" for support to the White House. Wobensmith did things on the fly and did not keep good track of receipts, much less monitor exactly how, and by whom, the equipment was being used. Because of the sensitivity of the mission, he had little or no staff support. He kept the DDI, Walter Deeley, and his deputy, Harry Daniels, informed, and also touched base with the DDO, Dick Lord (who was primarily concerned about Oliver North's method of operation) and Robert Rich, the deputy director. He received general guidance to press ahead and give the White House whatever it wanted, but to make sure that North understood the special sensitivity associated with the PL 86-36/5 He followed those instructions.[27]

(U//FOUO) One of the consequences of the press exposure of Iran-Contra was exposure of NSA's dealings with North on encryption gear. General Odom was outraged. He had tried his best to keep NSA out of the scandal, and believed that he had done so, but the North-Wobensmith connection dragged NSA into the investigations. This produced an investigation within NSA itself to determine if procedures had been followed. The NSA inspector general discovered numerous procedural violations and concluded that some of the PL 86-36/50 USC 3605 were still not accounted for. The hindsight report also concluded that both PL 86-36/50 USC 3605 had been "loaned" to foreign nationals. But it was more difficult to sort out the "What would I have done in his shoes" issue. The investigation came up with clear contradiction between Wobensmith's version of what happened and Odom's. According to Wobensmith, he briefed Odom on the whole matter in March of 1986 and got the approval to continue; according to Odom, this meeting never happened.[28]

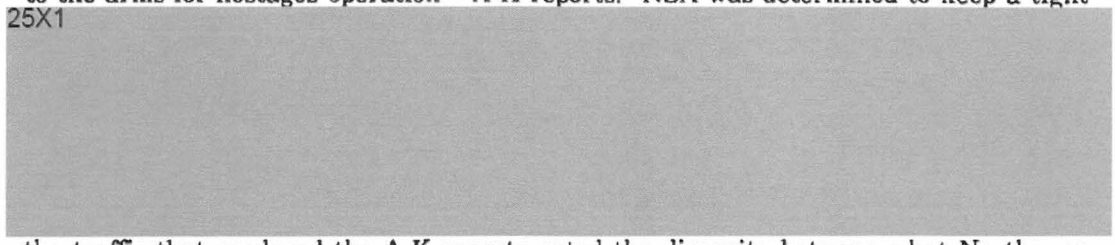
(U//FOUO) There was no resolving the differing accounts, but because there were procedural violations, Odom decided to discipline Wobensmith, suspending him without pay for fifteen days. Wobensmith hired a lawyer and fought the charges. He appealed, and a review panel ruled that the disciplinary action should be dropped and Wobensmith's legal fees (at that point amounting to about $40,000) be paid by the government. Odom was reportedly furious at the board action and decided to lower the recompense of legal fees to less than $10,000. Wobensmith appealed to Secretary of Defense Frank Carlucci. The appeal dragged on until 1988, when a new director, Admiral William Studeman, ruled in Wobensmith's favor.[29]

(U//FOUO) Outside of NSA, the "Wobensmith affair" was a very minor blip on the public radar. It never had the potential to rock the Agency the way Watergate had. But inside NSA, it was one of the most divisive personnel issues in Agency history. It pitted a director determined to keep NSA out of public scandal against virtually the entire civilian hierarchy, determined to protect one of its own from retaliation that they perceived as scapegoatism. The puzzling gaps in chronology and differing recollections of what had happened were never resolved. But the bottom line was a verdict in favor of Wobensmith by the investigative board, by one former director (Bobby Inman, a member of the board), and by General Odom's successor, Admiral William Studeman.

~~(S//SI)~~ But that was not the end of the affair. North had overcharged the Iranians for the weapons, and had siphoned the profits (which amounted to several million dollars) into

special bank accounts to fund the Contra operations during periods when congressional funds were either not appropriated or outright prohibited. A special prosecutor, Lawrence Walsh, was called in to investigate the possible illegal diversion of funds to the Contras. NSA was pulled into the subsequent investigations because of its product reports relating to the arms-for-hostages operation – A-K reports. NSA was determined to keep a tight

25X1

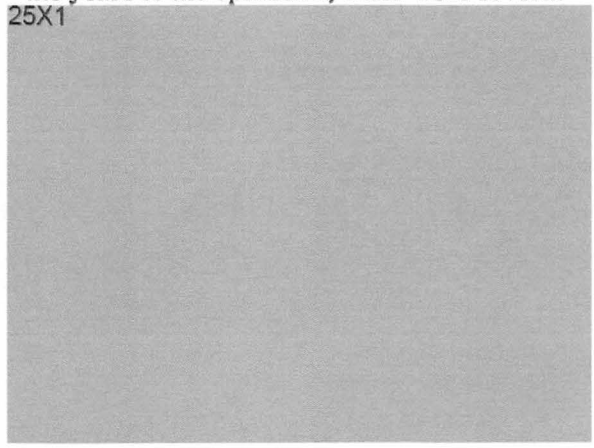


the traffic that produced the A-K reports noted the disparity between what North was paying for the arms and what he was charging the Iranians, but no one at NSA ever connected this with the Contra operation. According to Robert Mueller, then chief of G, "It makes me furious to this day that we had all the information necessary to figure out that money was going into the Nicaraguan fund....As far as I know, no one in G ever made that connection....I don't think anyone ever asked the question, What happens to the extra money...."[31]

(U) Judge Lawrence Walsh

~~(TS//SI-UMBRA)~~ When Judge Lawrence Walsh, the special prosecutor, initiated his long-running Iran-Contra investigations, NSA lawyers knew that he would want to see the NSA reports on the hostage issue. Over the years of the operation, there were several

25X1



~~(S//SI-SPOKE)~~ The "A-K reports," about 250 in number, represented a subset of the hostage-related reports dealing specifically with the Reagan administration's attempts to get the American hostages released. In order to forestall attempts to use them in court, NSA lawyers tried to establish a fluid working relationship with the Walsh legal team.

This approach had worked with in the Pelton investigation in 1985 and during the Church Committee hearings a decade earlier.

(U) It did not work with Walsh's team. The prosecutors, failing to appreciate the sensitivity of the information, structured an indictment of North that made the A-K reports central to the issue, thus virtually guaranteeing that North's attorney, Brendan Sullivan, would request their use in court. The inevitable Sullivan request was a classic case of "grey mail" – a demand to introduce documents in court, the sensitivity of which guaranteed that prosecutors would not use them. Sullivan alleged that the reports would show that North's superiors in the NSC were being kept informed of the operation at every step. Walsh wanted to use them for the opposite purpose – to depict in considerable detail how the arms-for-hostages operation functioned.[33]

(U//FOUO) Sullivan's request for the A-K reports touched off a fierce dispute between NSA and the Walsh team. Walsh simply could not understand NSA's concerns about sensitivity of sources and methods and contended that, since aspects of NSA's mission had already been discussed in the press, revealing the A-K reports would do no further damage. In December of 1988 NSA and the Walsh team tried to patch together a compromise position, but could not arrive at an agreement that the federal judge, Gerhard Gesell, would accept. In a climactic meeting on December 21, Walsh confronted NSA's general counsel, Elizabeth Rindskopf, who refused to back down. The matter was referred to the attorney general, Richard Thornburg, who backed Rindskopf. Walsh, in frustration, moved to dismiss the conspiracy counts which were the centerpiece of the indictment against Oliver North.[34]

(U) Although the principals in the Iran-Contra investigation were ultimately pardoned, the decisive moment had actually been reached on December 21, 1988. It was a constitutional crisis nearly as significant as that which nearly brought an end to Executive Department cooperation with the Pike Committee in 1975 (see Vol III, 97-98). Once again, the sensitivity of NSA materials was the centerpiece of the dispute, and once again, the administration came down on the side of NSA.

(U) Like Otis Pike, Walsh never forgave the intelligence community, and specifically NSA. He viewed the Agency's conduct as part of a Reagan administration conspiracy to thwart the Iran-Contra investigation and free North, Poindexter, McFarlane and others involved in the operation. In his account of the investigation he discussed the forces arrayed against him:

> If I had overlooked the invisible forces on Capitol Hill, I had also underestimated the power of the formidable departments and agencies responsible for national security. The national security community comprised the largest and most protected government entities, each with its own legal staff....We had not begun to address our greatest vulnerability, which derived from the national security community's power to overclassify information to prevent the full exposure of its misconduct.[35]

He never seemed to consider the inherent sensitivity of the source – to Walsh, it was all a smokescreen intended to hide malfeasance.

(U) Notes

1. (U) Robert Kagan, *A Twilight Struggle: American Power and Nicaragua, 1977-1990* (New York: Free Press, 1996), 21.

2. (U) Ibid, 81.

3. (U) Ibid., 56-77.

4. (U) Theodore Draper, *A Very Thin Line: The Iran-Contra Affair* (New York: Hill and Wang, 1991).

5. (U) Kagan, *A Twilight Struggle*, 16.

6. (U) Draper, *A Very Thin Line*, 16. Examples of NSA reporting on the arms buildup and Nicaraguan activities in support of their kindred movements in neighboring countries were found in the Reagan Library, NSF, and samples retained at NSA, in CCH Series XVI.J, "Miscellaneous."

7. (U) Kagan, *A Twilight Struggle*, 148-50. Draper, *A Very Thin Line*, 17.

8. (U) Draper, *A Very Thin Line*, 13-14.

9. (U) Kagan, *A Twilight Struggle*, 321-22, 337. Draper, *A Very Thin Line*, 22-23.

10. (U) Interview with PL 86-36/50 by Tom Johnson, 13 January 1997.

11. (U) Millington, manuscript on the history of PL Interview with PL 86-36/50 by Tom Johnson, 30 January 1997. NSA Archives, acc nr 40991, H03-0405-7.

12. (U) PL nterview. PL 86 36/50 interview. Interview with PL 86-36/50 by Tom Johnson, 29 January 1997.

13. (U) NSA Archives, acc nr 44850, H03-0611-2.

14. (U) PL 86 36/50 nterview. PL 86 36/50 nterview. NSA Archives, acc nr 46117, H04-0210-7.

15. (U) NSA Archives, acc nr 46117, H04-0210-7. PL 86 36 nterview. NSA retired records, 96567, GC Iran-Contra files, "Documents."

16. (U) PL 86 36/50 interview.

17. (U) Kagan, *A Twilight Struggle*, 377-81.

18. (U) Ibid.

19. (U) NSA Archives, acc nr 46117, H04-0207-7. PL 86-36/50 interview. Las Casas, *NSA Involvement....*, 103.

20. (U) Odom interview. Interview, Robert Mueller, OH 6-98, NSA. NSA retired records, 966567, Box 108267, "Working file Alsup."

21. (U) Colin L. Powell (with Joseph Persico), *My American Journey* (New York: Random House, 1995), 307. Odom interview.

22. (U) Interview, John Wobensmith, by Tom Johnson, 8 November 1996, OH 34-96, NSA. Interview, Kenneth deGraffenreid, by Tom Johnson, 20 February 1998, OH 5-98, NSA.

23. (U) deGraffenreid interview. Wobensmith interview.

24. (U) Interview, PL 86-36/50 by Tom Johnson, 1997. DDIR files, Box 10, "Iran-Contra." Wobensmith interrogation in NSA retired records, 96567.

25. (U) Wobensmith interview. DDIR files, Box 10, "Iran-Contra." *Congressional Quarterly, The Iran-Contra Puzzle* (Washington, D.C.: *Congressional Quarterly*, 1987). Draper, *A Very Thin Line*, 177.

26. (U) *Iran-Contra Puzzle.* Draper, *A Very Thin Line*, 97, 102. Wobensmith interrogation in NSA retired records 96567.

27. (U) DDIR files, Box 10, "Iran-Contra." Wobensmith interrogation in NSA retired records, 96567.

28. (U) Interview, Eugene Becker, by Tom Johnson, 14 May and 13 June 1996, OH 11-96, NSA.

29. (U) Wobensmith interview. DDIR files, Box 10, "Iran-Contra." *New York Times*, 3 June 1988.

30. (U) Interview, PL 86-36/50 November 1997, by Tom Johnson and PL 86-36/50 OH 14-97, NSA.

31. (U) Mueller interview.

32. (U) Reagan Library, NSF, in CCH Series XVI.J , "Iran-Contra."

33. (U) Lawrence E. Walsh, *Firewall: The Iran-Contra Conspiracy and Cover-Up* (New York: W.W. Norton and Co., 1997), 177-78.

34. (U) Walsh, *Firewall*, 177-78. Interview, Elizabeth Rindskopf, by Tom Johnson, 20 February 1998, OH 4-98, NSA.

35. (U) Walsh, *Firewall*, 51, 54.

(U) Chapter 26
The Year of the Spy

(U) The Cold War topped off with a series of bizarre counterespionage incidents in the mid-1980s which served to increase mutual U.S.-Soviet paranoia. More newspaper ink was expended on these incidents than almost anything since Watergate. They came to be lumped into a convenient moniker, like Watergate: the "Year of the Spy." Like Black Friday, the term was not quite accurate in a technical sense – far more than just 1985 was involved, and far more than just agents were in question. But like Black Friday, the term stuck as a convenient shorthand. In most of these incidents, NSA was heavily involved.

(U) GUNMAN

(S) Of all the problems, the troubles with the new embassy building (termed the NOB, New Office Building) in Moscow appeared to be the least likely venue for NSA involvement. But appearances sometimes deceive, and embassy security was one of those cases. In fact, NSA had developed a certain technological expertise by virtue of its oversight of the Tempest emanations control program. This, combined with NSA's charter to establish standards for the protection of all COMSEC equipments, which included the communications centers in State Department's overseas embassies, got NSA into the act.

(S) NSA representatives began serving on a committee in the mid-1950s that dealt with this problem and began to assert both its expertise and authority in the area. By 1960 NSA was firmly entrenched in embassy security matters, much to the disquiet of State, which squirmed at any oversight of the overseas physical plant by a DoD agency.[1]

(S) When, in the 1960s, the U.S. and the USSR arranged to build new chanceries, NSA was one of the first agencies to express reservations about the security of the U.S. building in Moscow. It had become well known in the early 1950s that the Soviets were inclined to bug anything in the U.S. embassy that they could get their hands on. The infamous bugging of the Great Seal (exposed in 1952) showed that they possessed sophistication beyond what would normally have been expected. In 1966, in commenting on the plans for the NOB in Moscow, Dale Croskery of NSA wrote to U.S. Ambassador to Moscow Malcolm Toon that "In past Soviet building activity concerning embassies it could be predicted that every attempt would be made to 'fix' the materials and the construction. Experience has shown that some of the fixes can only be found by extensive destruction. In the case of the Moscow site every attempt should be made to use U.S. building materials and construction personnel."[2]

(U) State did not follow the NSA advice. When construction of the NOB began in Moscow in 1979, the state-owned Soviet company was permitted to prefabricate concrete columns and other components off site, without American inspection. Meanwhile, the

Soviets insisted that all components for their embassy in Washington be fabricated under the watchful eye of their own inspectors. Once on-site construction began, the Soviets used thirty security people to monitor an American work force of about 100 people, while in Moscow twenty to thirty Navy Seabees tried to watch six hundred to eight hundred Soviet laborers.[3]

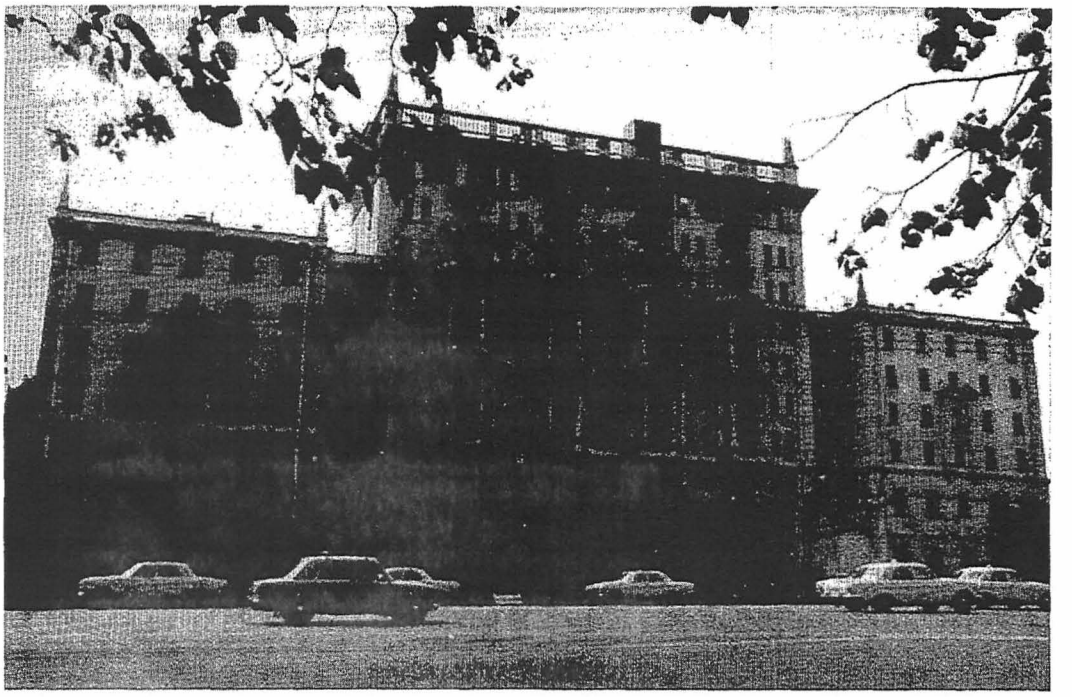
(~~TS~~) In the early 1980s people on Reagan's National Security Council became concerned about the hostile foreign intelligence threat in general and about the security of the Moscow embassy in particular. So in 1982 NSA sent a team of people to look at technical penetrations in the Moscow embassy. They found the chancery honeycombed with insecurities, including cipher locks that didn't cipher and alarms that didn't sound. NSA alerted the FBI, which did its own survey and confirmed the problems that NSA had found, plus others. John Wobensmith, the DDI representative to the White House, teamed up with an FBI representative to brief President Reagan on the matter. The State Department, already suspicious of NSA "meddling" in embassy affairs, was reportedly unamused.[4]

(~~TS~~) In January of 1983, 25X6 technicians working on teleprinters in their embassy in Moscow discovered some condensers with four wires protruding, instead of the usual two. They checked further, and to their dismay found that the teleprinters had been implanted with sophisticated bugs. The embassy promptly wired the foreign ministry in 25X6

~~(S//SI)~~ In the summer of 1983 25X6 25X6 informed General Faurer of the find. Faurer sent two of NSA's experts, PL 86-36/50 of the COMSEC organization and PL 86-36/50 USC 3605 of R9, to 25X6 to look at the bugged teleprinters. This resulted in an an eyes-only memo to the president's national security advisor describing the new security threat. Faurer recommended that the U.S. quickly remove equipment from the embassy in Moscow "in a manner that is not immediately detectable by the Soviets and replace it with sterile equipment...." There was to be no discussion about this in Moscow, and no electrical messages of any kind relating to it. He recommended that NSA be given the job. Copies of his memo went only to the secretary of state, DCI, and deputy DCI.[5]

(U) The project, called Gunman, involved the removal of eleven tons of electronic equipment from the Moscow embassy – teletypes, printers, computers, crypto devices, copiers – almost anything that plugged into a wall socket. Every piece of equipment had to be replaced with the same or an upgraded model on a one-for-one swap-out. NSA's cover story was that the equipment was being shipped back to the States for an OSHA inspection.

(U) NSA procured the replacement equipment from sources in the U.S. and Europe and packaged it for shipment in specially constructed boxes to Frankfurt, Germany, where it would be staged for shipment to Moscow. The boxes were equipped with special sensing devices that could detect any attempt at tampering. (At the Moscow end no such tampering was detected.) NSA logisticians loaded all eleven tons onto two chartered



(U) U.S. embassy, Moscow

Lufthansa Airbuses. They were flown directly from Frankfurt to Moscow, where they were trucked on flatbeds to the embassy. They were then winched manually to the attic, which was the only area large enough to stage that much equipment. Then, as equipment was pulled from working spaces and trucked to the attic, new equipment was carted down the stairs to the working spaces.

(U) The last items crammed into the boxes at NSA were fifty IBM Selectric typewriters. The typewriters were an afterthought. They were electric, and some of them did process classified or sensitive information, but this had been overlooked in the initial evaluation. A hurried inventory revealed about 250 of them in use in the embassy, but the IBM plant at Lexington, Kentucky, could spare only fifty, and NSA took them all. Said the NSA official in charge of the swap-out, "I had no targeting against typewriters....Had those typewriters not come [in time] from Lexington..., I would have shipped without them without a wink...." [6]

(U) Back at NSA, a team of about twenty-five technicians worked around the clock to try to find bugs in the equipment taken from the embassy. Everyone was aware that the operation involved huge sums of money and had required presidential approval. NSA's reputation was literally on the line. Walter Deeley, the DDI, had personally pushed Gunman through to the White House and in turn pushed his own people to lay out a maximum effort. But for two desperate months, nothing turned up.

(U) Then they turned to the typewriters, a lower priority than the equipment that had come from the communications center. One evening in July Michael Arneson, a technician analyzing one of the typewriters, found a "ghostly gray" image on his x-ray film coming from the power cord. Immediately suspicious, he x-rayed the set from the top down. The x-ray images coming from the center of the set were cluttered and definitely nonstandard.

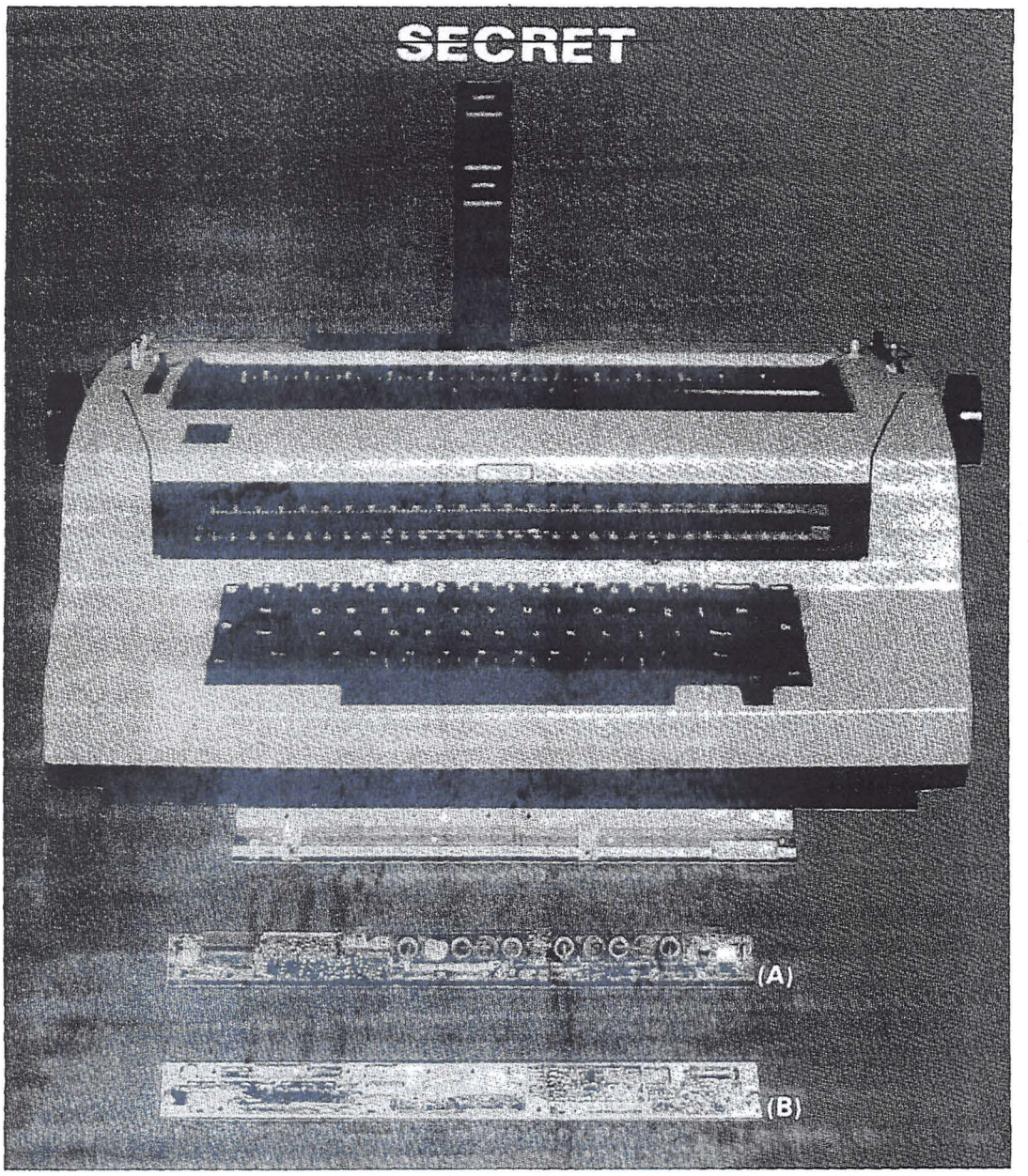
(U) What Arneson had found was a sophisticated bug implanted in a structural metal bar that ran the length of the machine undercarriage. It consisted of sensing devices that picked up tiny fluctuations in current caused by the typewriter ball rotating as it selected the next letter to be typed. It drew its power by bleeding the power line (that was the "ghostly gray image" that Arneson first noticed) and stored the information for periodic burst transmissions to KGB receivers waiting in locations outside the embassy. The bug was undetectable using current technical survey equipment, and the modifications to the metal bar were imperceptible to routine examination. It could be found only by x-ray devices.

(U) Technicians discovered ten bugged Selectrics in that first shipment. NSA immediately retrieved the Selectrics that still resided in Moscow (and in the consulate in Leningrad). Ultimately they found sixteen implants – but only in typewriters. They had been installed somewhere in transit (perhaps Poland or Moscow itself) as they awaited customs inspection. There was a rule that equipment to be used for processing classified information was to be shipped only in courier channels, but a small percentage had "escaped" and were shipped in regular shipping channels with office furniture. The KGB could easily identify candidate typewriters by finding those with Tempest modifications.[7]

(S) Bugged typewriters had been used in the deputy chief of missions office in Moscow, by the consul general in Leningrad, and by the human rights officer. Others were in less sensitive areas, like the office of the agricultural attaché, but paradoxically it was that typewriter that yielded some of the best information. According to a KGB defector who had worked in the exploitation division of the KGB Sixteenth Directorate, the operation (which the Soviets dubbed Cornflower) produced a report containing the American negotiating position on a grain deal, and provided that information to Soviet negotiators before the next session.[8]

(TS) NSA had additional information on the Soviet project. In 1978 NSA people had discovered a large antenna attached to a chimney in the south wing of the embassy. It was cut for 60 and 90 MHz, but had no known function. The bugged typewriters emanated on 60 and 90 MHz. The batteries in the typewriters were dated 1976 and 1979.[9] The entire thing amounted to a major penetration of the embassy.

(U//FOUO) Back in Washington, Wobensmith, backed up by an FBI representative, briefed President Reagan about the Moscow embassy situation. Wobensmith concluded that the intelligence areas on the top two floors were probably the only areas that had not been penetrated. Although the president was supportive, NSA received little cooperation from State Department below the Shultz-Eagleburger level. The ambassador was



(S) One of the Gunman typewriters. Under it is the bar, both assembled and disassembled to show the embedded electronics.

reluctant to accept the Gunman discovery, and actions at the State Department end proceeded very slowly until the matter came to the attention of the press. In 1985, Walter Deeley was asked about State Department cooperation. In a statement uncharacteristically low-key, Deeley replied: "I guess I can tell you the bureaucracy was opposed to any operation in there." [10] This visit began the eventual unraveling of the State Department defense of its own security practices, and it led eventually to the decision not to accept the new embassy building in downtown Moscow, an imbroglio with the Soviets that stretched well beyond the time frame of the Cold War.

(~~TS~~) The 1982 survey and the Gunman revelations got NSA directly involved in Moscow embassy security. NSA began providing support for the joint CIA-State NOB project in the form of sending technically trained people for ninety-day TDYs to monitor the Soviet workers. NSA's technical security and penetration people from R9 also began sending technicians for high-level support. Earlier, NSA had begun providing its own people PCS to Moscow 25X1 25X1 As time went on, NSA became one of the most vociferous opponents of allowing Soviet nationals access to any parts of the embassy, pressing instead for the hiring of Americans. These demands were strengthened by the 1987 revelations that two Marine guards, Clayton Lonetree and Arnold Bracy, had been allowing Soviets access to sensitive embassy spaces.[11]

(~~S~~) Probably no diplomatic problem was ever subjected to as many high-level investigative panels as the Moscow embassy. In 1985 The Reagan administration halted construction of the NOB and barred Soviet workers from the site. A panel headed by former NSA director Bobby Inman looked at embassy security worldwide, with special reference to the problems in Moscow. Inman was especially critical of the way State handled technical security issues. Two years later former Secretary of Defense Melvin Laird specifically examined the situation in Moscow. That same year a team of technical experts called the "Jason Panel" subjected the existing embassy, as well as the new building, to tomographic examination techniques, and concluded that both were completely penetrated. On the heels of the Jason Panel was a report by a committee headed by former DCI James Schlesinger recommending that the U.S. demolish the top three floors of the NOB 25X1 25X1 Finally, the PFIAB subjected the much-examined Moscow embassy to its own microscope and made recommendations concerning the improvement of the administrative arrangements for embassy security.[12]

(~~S~~) NSA recommended a "tiger team" approach to fixing the problems. The NSA plan would have established an interagency Protective Security Engineering and Evaluation Center that would monitor the situation and devise new solutions. It would need seventy-six people and just over $28 million per year. The proposal got active NSC support but opposition from State Department. After a long bureaucratic wrangle, it died. In the process, however, NSA's technical expertise in the detection of bugs had become generally recognized within and outside of government, and it was considered essential that

expertise be employed in diplomatic protection. NSA's insistence on employing only Americans received full support. When the federal government set up new administrative arrangements for embassy security, NSA was asked to send representatives to virtually every organization. It was a mission that was a natural outgrowth of the Agency's expertise.[13]

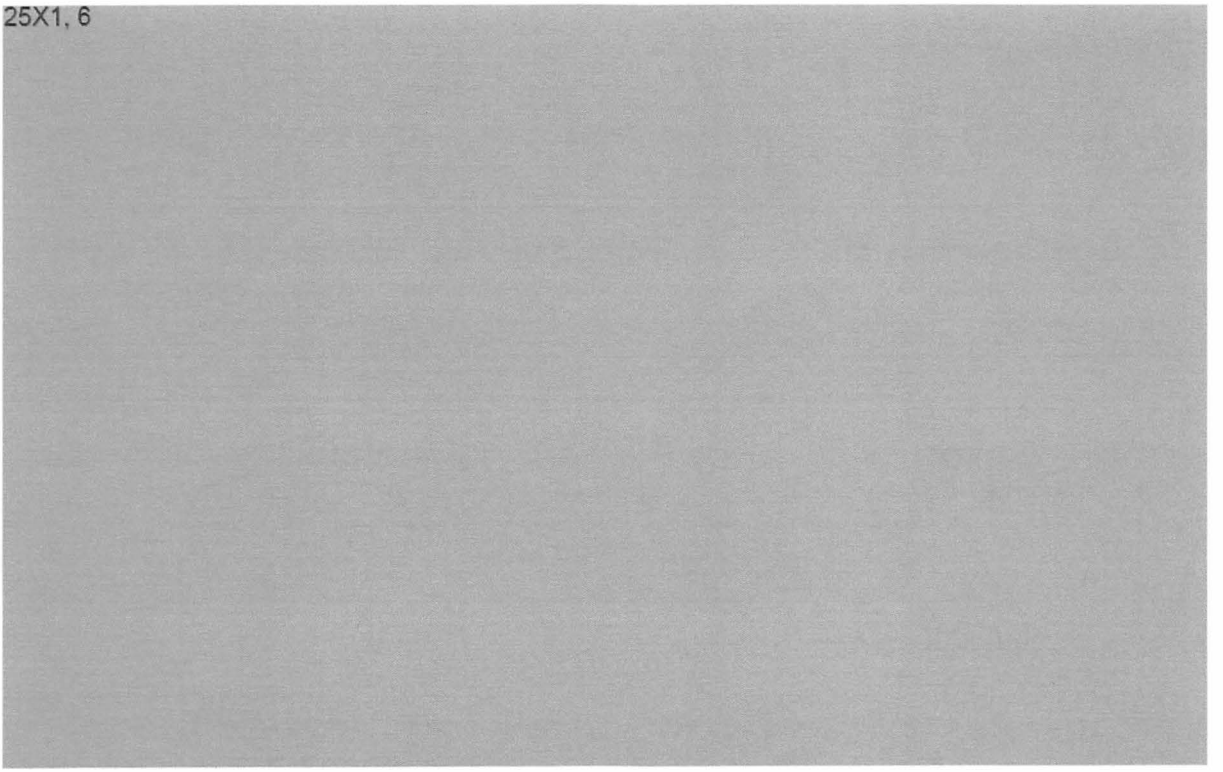
(U) The technical penetration of the embassy had long-term effects on the way Americans did business in Moscow. Buildings were considered penetrated until proven otherwise. According to historian Michael Beschloss, in the late 1980s Ambassador Jack Matlock refused to type out messages on electric typewriters, assuming that the impulses would go straight to the KGB. He wrote his drafts in longhand.[14]

(U) PRIME

(U) From January of 1984 to the spring of 1987, twenty-eight people, almost all of them Americans, were accused of espionage against the United States. One slipped out of the grasp of the FBI, but the rest were arrested. Twenty-one pleaded guilty, and almost all received lengthy prison sentences. Of the seven remaining, all went to trial, and six were convicted. There were probably others who were never caught.[15]

(U) The first spy was not an American. He was Geoffrey Prime, a British linguist who worked for GCHQ from 1964 to 1977. Prime's case was of major importance to cryptology.

25X1, 6



~~(TS//SI)~~ Returning to London, 25X1, 6 25X1, 6 25X1, 6 Prime was now cleared for some of the most sensitive material available in the cryptologic system. But amazingly enough, he was at the time out of touch with the KGB, and apparently did not report to them again until 1980. Even then the KGB seemed slow to recognize what they had, and it was not until the following year, 1981, that they got a knowledgeable interrogator to debrief Prime on the operations.[17]

(U) But by that time Geoffrey Prime was no longer "in the know." He had resigned from GCHQ in 1977 without informing his Russian handlers. Prime seems to have become uninterested in both GCHQ and espionage and simply drifted away from the work. His official reason for leaving was a a dislike of lecturing, but that was a comparatively small part of his job. He did not like to supervise, and he did not get along with computers. The KGB did little to keep him engaged. GCHQ speculated in later years that Prime may have become tired of the mental stress of spying, and his private life was in a state of turmoil during the later 1970s. But no one really knew why he quit.

(U) Prime was finally uncovered as a result of an investigation into allegations of a bizarre sex life, including pederasty. But the sex allegations eventually spread into espionage, and Prime pleaded guilty to both. In January of 1982 he was sentenced to three years on sex charges and thirty-six years for espionage.[18]

~~(TS//SI)~~ NSA and GCHQ spent a great deal of time trying to piece together the damage done by Geoffrey Prime. Initially it appeared to be very severe. What Prime knew could have exposed 25X1, 6 exploitation, and other things. But when NSA began comparing the losses in those areas against the dates when Prime was known to have been in contact with the KGB, it was apparent that much of the information came from other sources. In fact, Prime had a very narrow career path, and had very superficial knowledge about many of the things that the Soviets would have been most interested in. The most potentially damaging revelations related to 25X1, 6 exploitation, but Prime probably had only the haziest understanding of 25X1, 6 the attack on Soviet communications. Moreover, he would have been in a position to pass that information on only in 1981. By that time, the KGB had a better source.[19]

(U) PELTON

(U) On January 14, 1980, FBI surveillance recorded the following telephone call made to the Soviet embassy in Washington:

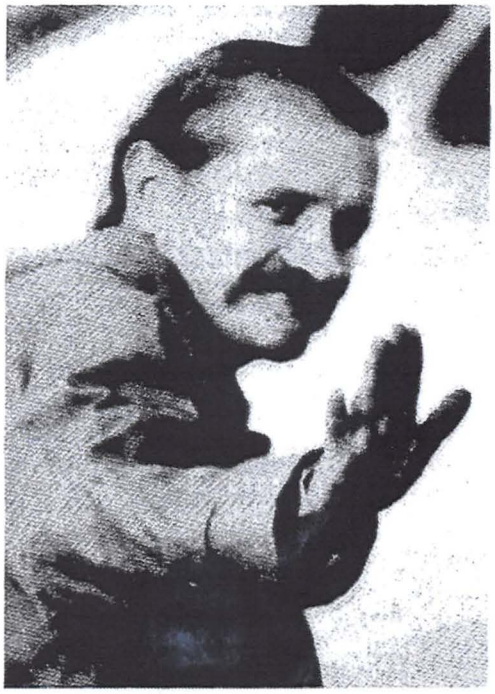
First person:	May I know who is calling?
Caller:	I would not like to use my name if it's all right for the moment.
First person:	Hold on, please. Sir?
Caller:	Yes, um.
First person:	Hold the line, please.
Caller:	All right
Second person:	Hello, sir,
Caller:	Ah, yes. I would---
Second person:	Ah, Vladimir Sorokin speaking. My name is Vladimir.
Caller:	Vladimir. Yes. Ah, I have, ah, I don't like to talk on the telephone.
Sorokin:	I see.
Caller:	Ah, I have something I would like to discuss with you I think that would be very interesting to you.
Sorokin:	Uh-huh, uh-huh.
Caller:	Is there any way to do so, in, ah, confidence or in privacy?
Sorokin.	I see....
Caller:	I come from - I, I, I am in, with the United States government.
Sorokin:	Ah, huh, United States government....Maybe you can visit.

(U) A meeting was set up for the next evening, when it would be dark. But at 2:32 the next afternoon the caller phoned the embassy and said he would be there in two minutes, and abruptly entered the embassy. FBI surveillance was caught off guard, and managed only to get a picture of the mystery caller's back as he darted into the embassy grounds.[20]

(U) When the caller walked in, he was interviewed by the duty officer, who also happened to be a KGB colonel, Vitaly Yurchenko. Yurchenko did not know who he was dealing with, and the interview proceeded gingerly, until the caller pulled out an NSA Personel Summary and began discussing highly sensitive operations to tap a Soviet cable running under the Sea of Okhotsk from the Kamchatka Peninsula to the vicinity of Vladivostok The mood changed abruptly. Yurchenko did not know enough about the technical aspects of NSA's work to proceed further, but he knew that he had a very valuable potential defector. He made elaborate arrangements to get the caller out of the

embassy disguised as a Soviet workman, gave him $500 and instructions on how to establish the next contact.[21] Yurchenko never saw him again.

(U//FOUO) Five years later, the same Vitaly Yurchenko appeared in Washington once again, but this time as a KGB defector. During the initial interrogations Yurchenko recalled the conversation with the mystery caller, whom he (Yurchenko) identified as a former NSA employee. On August 4, PL 86-36/50 USC 3605 from NSA's counterintelligence section got a call from an FBI contact alerting him to Yurchenko's allegations. But Yurchenko had not been the handler and knew the mystery caller only by his KGB codename, "Long."



(U) Vitaly Yurchenko

~~(TS//SI)~~ NSA had to find out who Long was. It did not seem difficult on the surface, given the fact that the undersea tap operation, called Ivy Bells, had been known to only a few employees. But the initial list had 954 names. Slowly they winnowed the list, slicing off names still employed at NSA. PL 86-36/50 interviewed Yurchenko himself to iron out rough spots in the story and to get a better description of Long. Finally they had a list of twelve people whom they could not definitely eliminate. They also began looking for 25X1 the phone calls, dates then unknown. They played candidate tapes for Yurchenko, who finally heard a voice that he recognized. Yurchenko identified the voice on January 14 and 15, 1980, as belonging to Long.

(U//FOUO) Now NSA counterintelligence had a tape of the voice they were pretty sure belonged to Long, and they had been able to narrow down the candidates for the match to only twelve people. They then worked up a list of some 500 supervisors who might remember one or more of the twelve, and began calling them in to listen to the tapes. The fourth person who listened to the tapes said that he believed the voice to be that of one Ronald W. Pelton. NSA obtained an old photo of Pelton, and on October 20 Yurchenko identified it as that of Long.[22]

~~(S//SI)~~ Ron Pelton, then forty-five years old, had come into the cryptologic business in June of 1960, as a USAFSS Russian language intercept operator. After four years in the Air Force, he converted to an NSA civilian billet. Through his years with NSA, Pelton had become identified with collection technology and collection management. He had participated in some of NSA's most sensitive collection projects, but gradually drifted into jobs associated with cryptanalysis. By 1979 he was a very highly regarded staff officer