

Knew Him Only 17 Months, He Says

Casey Seeks Move Away From Hugel

7-16-81

By Lou Cannon
Washington Post Staff Writer

CIA Director William J. Casey yesterday hastened to put some distance between himself and Max Hugel, his former chief of clandestine operations, maintaining that he had known Hugel "for only 17 months, not 20 years," as Hugel had contended.

When Casey appointed Hugel to one of the most sensitive posts in the agency, he defended his controversial action on the grounds that they had had a long and trusting relationship. In a telephone call to The

Washington Post yesterday, however, Casey backed off considerably from this contention, and disputed Hugel.

When Hugel, who resigned from the CIA Tuesday, met with Post reporters and editors with his lawyers Monday, he was asked how long he had known Casey.

"About 20 years," Hugel responded. "We lived in adjacent towns in New York, on Long Island, and we were both active in local Republican politics." The activity included an unsuccessful run by Casey for a congressional seat in 1966.

Casey, told that Hugel had said he had known him for 20 years, replied, "Maybe he knew about me."

Casey's comments were his first on the matter since The Post reported Tuesday that two former Wall Street stockbrokers who had engaged in business with Hugel accused him of improper or illegal stock-trading practices. Hugel denied the charges, but resigned from his sensitive CIA post, and was replaced immediately by a career intelligence officer.

See HUGEL, A11, Col. 1

HUGEL, From A1

Yesterday, Casey also took issue with the findings of a federal judge in New York, who held that Casey knowingly had misled investors in a \$3.5 million fund-raising effort for a now-defunct New Orleans company while serving as a board member and secretary of the firm.

Judge Charles E. Stewart Jr. found that Casey was one of a number of officers and directors of Multiponic Inc. who permitted distribution of an offering circular they knew contained false and misleading information.

"I didn't mislead anyone," Casey said yesterday. "I didn't prepare the circulars. I had a technical responsibility as a director."

Casey said the issue had been raised at his confirmation hearings and was now being "rehashed." Later, White House deputy press secretary Larry Speakes said Casey had raised the issue with White House counsel Fred Fielding at the time he was appointed by President Reagan to the CIA post.

Casey was asked yesterday whether he thought the Hugel affair is over.

"It was over before it started," he replied.

At the daily White House briefing, Speakes expressed the president's continuing support of Casey.

"The president has full confidence in the director of the Central Intelligence Agency," Speakes said.

He said Reagan had decided to keep Casey in his post. Speakes gave the impression that this was done as a matter of course, without the president's giving any serious consideration to removing him.

Other White House officials gave a similar impression, and said Reagan had not even raised the question of the New York judge's ruling when he met with Casey in the Oval Office Tuesday.

Speakes denied that there had been any cover-up in the Casey matter, because the existence of

the case was noted in the disclosure forms all nominees are required to fill out. After Casey did this, the issue was taken up with Fielding.

Casey has important backing within the administration, and not only from the president.

Sen. Paul Laxalt (R-Nev.) said after meeting with the president on another subject that he supports the decision to keep Casey.

"As I read it, this is a matter that involves several parties, including Mr. Casey," Laxalt said. "To what extent he was implicated, I just frankly don't know. I know him well enough that I'm convinced he's doing a good job at the CIA and should be kept there until there's clear evidence to the contrary."

Laxalt was Reagan's national campaign director during the campaign, and Casey was the national campaign chairman. Laxalt said Casey was "a very, very loyal supporter of Reagan" who performed a valuable service in the campaign.

The Senate Intelligence Committee has asked the CIA to report on its hurried, seven-day background investigation of Hugel that failed to raise any warning flags about his complex business dealings. Committee members expressed high regard for Hugel's replacement, John Henry Stein, and noted that one of the CIA's most pressing needs is personnel stability.

"The agency has gone through a great deal of turmoil over the last six years," said Sen. John H. Chafee (R-R.I.).

Senate sources said that the episode "is not a plus for Casey, but it's not a mortal wound, not by a longshot." Another said there were no "knives out" for Casey on Capitol Hill.

"He's put some things in motion that should lead to improvement," said Sen. Walter D. Huddleston (D-Ky.), second-ranking Democrat on the committee. "Such as having a better penetration in various areas of the world for gathering information . . . That should give us a better chance to know what's going on."

Huddleston agreed that the Hugel episode "couldn't help but have a ripple effect on Mr. Casey's situation."