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U.S. AIDES CONFIRM SINGAPORE CHARGE OF 1960 C.I.A. PLOT

Denial Is Labeled an Error After Prime Minister Lee Displays Rusk Apology

By MAX FRANKEL
Special to The New York Times

WASHINGTON, Sept. 1—The State Department yielded to an accuser's evidence today and withdrew a denial of attempted espionage and bribery by the Central Intelligence Agency in Singapore five years ago.

In effect, the department confirmed a charge by Singapore Prime Minister, Lee Kuan Yew, that a C.I.A. agent had offered him a \$3.3 million bribe to cover up an unsuccessful C.I.A. operation in 1960.

In the early months of the Kennedy Administration, the department conceded, Secretary of State Dean Rusk wrote a letter of apology to Mr. Lee. The letter took "a very serious view" of the activities of the previous Administration and indicated plans to discipline the offending intelligence agents.

Penalty Is Undisclosed

A spokesman refused today to say what action, if any, had been taken.

It was Prime Minister Lee's disclosure of the Rusk letter that prompted the State Department to withdraw its denial.

Mr. Lee initially made his charge yesterday in listing several grievances against the United States. He said that a C.I.A. man had been caught trying to buy information from Singapore intelligence officials and that the United States had then offered him \$3.3 million for personal and political use if he would conceal the affair.

The Prime Minister said he had asked instead for \$33 million in formal economic-development aid for Singapore. United States aid to all of Malaysia, the federation from which Singapore withdrew this summer, was \$3.5 million in 1963 and \$4 million in 1964.

Initial Denial Was Prompt

Mr. Lee's recollection of the incident drew immediate denials from James D. Bell, the United States Ambassador to Malaysia, and several hours later from the State Department.

Robert J. McCloskey, the department's spokesman, said yesterday: "First, we are surprised at these statements attributed to Prime Minister Lee. With respect to allegations of a C.I.A. involvement, we deny that allegation."

After Mr. Lee produced the letter from Secretary Rusk, dated April 15, 1961, and threatened to broadcast tape recordings to prove his charge, an embarrassed Mr. McCloskey corrected himself.

"Those who were consulted yesterday were not fully aware of the background of the incident, which occurred four and a half years ago," he said. He acknowledged Mr. Rusk's letter, without describing the "unfortunate incident" for which the Secretary has asked forgiveness. It was the same incident that Prime Minister Lee was talking about, Mr. McCloskey added.

Rusk 'Distressed'

Mr. Rusk's letter said:

"Dear Mr. Prime Minister:

"I am deeply distressed to learn that certain officials of the United States Government have been found by your Government to have been engaged in improper activities in Singapore. I want you to know I regret very much that this unfortunate incident had occurred to mar friendly relations that exist between our two Governments.

"The new Administration takes a very serious view of this matter and in fact is reviewing activities of these officials for disciplinary action.

"Sincerely yours, Dean Rusk."

Apparently, Secretary Rusk was not consulted yesterday before the denial was issued. Relatively few officials in the Far East Division of the department were said to have been unaware of the case, and apparently then failed to consult the files. The C.I.A. apparently relayed the denial of wrongdoing that it customarily issues to the rest of the Government when confronted by such charges.

Asked whether Ambassador Bell had been similarly uninformed of the background, the department spokesman said he had. No further approaches were made today to the Singapore Government. The case was long ago marked "closed" in the files here, Mr. McCloskey added.

U-2 Incident Is Recalled

The affair reminiscent of the 1960 case in which the State Department denied that a U-2 reconnaissance plane had ventured deep into Soviet territory. Moscow denounced the intrusion without immediately disclosing that the plane and the pilot had been captured. Later the United States was forced to admit a falsehood.

Prime Minister Lee's sudden public attacks upon the United States are described here as puzzling. In addition to the C.I.A. incident, he has complained about delays in arrang-

ing for an American physician to attend to a close friend—some suggest that the friend was his wife—and about a general "insensitivity" of Americans in Asia.

Mr. Lee declared yesterday that he would never let Americans replace the British in maintaining a military base in Singapore, but the severity of his attack seemed to go beyond concern about the base.

Some officials suggested that he might have been appealing for African and Asian support of Singapore's independence outside the Malaysian federation, but officials termed this an inadequate explanation.

Lee Angered by Denial

Special to The New York Times

SINGAPORE, Sept. 1—Washington's denial of Singapore's charge against the C.I.A. aroused Prime Minister Lee to anger today.

Escorting reporters into his office, he angrily jerked out files stamped "top secret." Pressing the Rusk letter into an American correspondent's face, he said, "The Americans stupidly deny the undeniable."

Like 'Goldfinger'

"If the Americans go on denying," he said, "I will have to disclose further details, which may sound like James Bond and Goldfinger, only not as good, but putrid and grotesque enough. It will do them no good and our future relations no good."

Prime Minister Lee's press secretary, Li Vei Chin, said the Americans' \$3 million bribe offer was made in January, 1961, before President Kennedy took office. He said Mr. Kennedy had inherited the problem and "to his credit" ruled that no money would be given "under the counter." Compensation would be given publicly instead, as foreign aid, according to Mr. Li's account of the Kennedy decision.

Prime Minister Lee said he had full reports and documents relating to the incident, including transcripts of tape recordings, interrogations and meetings.

"If they continue denying it, I will play some of these tapes on Singapore radio," Mr. Lee added. "If they continue to repeat the denial, I will have to disclose who the intermediary was, and very high circles would be greatly embarrassed."

He added: "The Americans should know the character of the men they are dealing with in Singapore and not get themselves further dragged into calumny. They are not dealing with Ngo Dinh Diem or Syngman Rhee. You do not buy and sell this Government."

Besides the letter attributed to Mr. Rusk, the Prime Minister displayed an accompanying note, said to be from W. P. Maddox, who was the United State Consul General in 1961. Explaining his disclosure of the documents, Mr. Lee said they were "open letters, open apologies, so I released them."

Rahman Unaware of Case

Special to The New York Times

KUALA LUMPUR, Malaysia, Sept. 1 — Prince Abdul Rahman, Malaysia's Prime Minister, said today that he had no knowledge of Prime Minister Lee's allegations about an espionage case involving the United States. The Prince said this was "strange" because he thought Mr. Lee would have told him about such an incident.

In 1960 Singapore's internal security was under the direction of the Internal Security Council, a Commonwealth regional body. Dr. Ismail Bin Abdul Rahman, then Malaya's Minister of External Affairs, was a member of the council along with Mr. Lee, two other Singapore officials and three British colonial officials.

Prince Abdul Rahman was at that time Prime Minister of Malaya, which three years later joined with Singapore, Sarawak and Sabah in the federation of Malaysia. Singapore left the federation last month.

In 1960 Singapore was a self-governing British colony with Mr. Lee as Prime Minister. The island state is now fully independent.

After a Cabinet meeting today the Prince remarked that "even if the Singapore allegations are true," he thought it was not proper to handle the matter as Mr. Lee had.