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CITE CARACAS 32384

TO: IMMEDIATE DIRECTOR.

WNINTEL RYBAT

EF: DIRECTOR 990535\*

*Handwritten notes:*  
Phillips  
pull file on DAVID  
from WH  
C/S Comment: \*Requested reactions to U.S. media reports that CIA has made secret payments to past and present foreign leaders.

*Handwritten initials:*  
for file

1. NEW YORK TIMES ARTICLE OF 1 MARCH HAS BLOWN THE LID OFF THE SITUATION HERE ONCE AGAIN. SPANISH TRANSLATION OF WHAT APPEARS TO BE FULL ARTICLE HAS TWO QUOTES BY DAVID PHILLIPS TIED TO "SOURCES OF INTELLIGENCE" AND "AN OLD OFFICIAL OF THE CIA" IN SUCH A MANNER THAT ON QUICK READING IT APPEARS ALL IS ATTRIBUTABLE TO DAVID PHILLIPS. THIS IS EXACTLY WHAT THE GOVERNMENT OF VENEZUELA DID. NET BURDEN OF THIS SECTION IS THAT WHILE DAVID PHILLIPS WOULD SWEAR CARLOS ANDRES PEREZ AND LUIS ECHEVERRIA ALVAREZ NEVER RECEIVED ANY PERSONAL BRIBES, THE USG GAVE THE GOV AND GOM FUNDS FOR JOINT OPS OF COMMON BENEFIT. THIS DAVID PHILLIPS KNEW BECAUSE HE WAS CIA CHIEF IN BOTH VENEZUELA AND MEXICO.

2. A GOV STATEMENT, ISSUED BY THE PRESIDENT'S PRESS OFFICE LAST NIGHT, CATEGORICALLY DENIES THAT THE GOV HAS EVER RECEIVED AID IN ANY FORM FROM A FOREIGN GOVERNMENT FOR USE IN INTELLIGENCE OPERATIONS. IT SAYS: " IN THE NEW (NYT) VERSION OF THE SPECIFIC

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SLANDER, DESIGNED TO DENIGRATE THE GOVERNMENT OF VENEZUELA, THEY TRY TO MALICIOUSLY CLARIFY THE ABOMINABLE CALUMNY REFUTED BY PRESIDENT CARTER'S LETTER (STATING THAT THE REPORTS HAVE NO BASE) BY USING TESTIMONY OF AN EX-AGENT OF THE CIA WHO SAYS HE SERVED IN VENEZUELA WHEN PRESIDENT CARLOS ANDRES PEREZ WAS MINISTER OF INTERIOR". "FINALLY, WE REJECT THE POSSIBILITY THAT THE DEMOCRATIC GOVERNMENTS (PLURAL) OF VENEZUELA COULD ALLOW THEMSELVES TO BE ASSOCIATED IN ANY WAY IN THESE ILLEGAL AND SHAMEFUL ACTIVITIES WITH THE CENTRAL INTELLIGENCE AGENCY OF THE UNITED STATES GOVERNMENT".

3. EVENING OF 1 MARCH CHARGE (DCM) WAS CALLED IN BY VENEZUELAN FOREIGN MINISTER ESCOVAR SALOM WHO SAID PRESIDENT PEREZ WAS AGAIN GREATLY OFFENDED BY THE LATEST NEW YORK TIMES ARTICLE AND DEMANDED AN EXPLANATION. DCM REPLIED (1) DAVID PHILLIPS HAS RETIRED AND IS NO LONGER AN ACTIVE EMPLOYEE OF THE CIA; (2) UNIDENTIFIED "INTELLIGENCE SOURCES" DO NOT NECESSARILY MEAN EX-CIA PERSONNEL AND MAY NOT EVEN BE USG INTELLIGENCE-ASSOCIATED OFFICIALS; AND (3) NOWHERE IN THE LATEST STORY IS THERE ANY INDICATION THAT ANY ACTIVE USG SPOKESMAN IS INVOLVED IN MAKING STATEMENTS TO THE PRESS. ESCOVAR WAS SURPRISED AND HIMSELF, AT LEAST, SOMEWHAT MOLLIFIED TO LEARN THAT DAVID PHILLIPS

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WAS NO LONGER EMPLOYED BY THE CIA. ESCOVAR, SUPPOSEDLY AT THIS POINT SPEAKING ONLY FOR HIMSELF AND NOT THE PRESIDENT, SUGGESTED THAT THE CIA DISAVOW PHILLIPS' STATEMENT. DCM TOLD FORMIN THAT CIA HAS NO CAPABILITY FOR THIS SORT OF THING AND FOR SOME TIME HAS BEEN UNDER STRICT INJUNCTION NOT TO TALK TO PRESS. ESCOVAR THEN SUGGESTED THAT USG AT SOME OTHER LEVEL REFUTE LATEST NYT "DEFAMATION", PERHAPS THROUGH THE CARACAS EMBASSY. DCM REPLIED THAT OF COURSE HE HAD NO AUTHORITY TO ACT ON ANYTHING LIKE THIS BUT WOULD REFER IDEA TO THE STATE DEPARTMENT FOR CONSIDERATION. ESCOVAR SAID WHOLE SUBJECT WAS PAINFUL TO PRESIDENT, THAT IT WOULD BE USED AGAINST THE AD PARTY BY THE OPPOSITION IN THE FORTHCOMING ELECTORAL CAMPAIGN, AND THE GOV WANTED TO LET IT DIE; WAS THERE NOT SOME WAY THAT THE USG COULD RESTRAIN EX-INTELLIGENCE OFFICERS AND THE NEW YORK TIMES FROM REOPENING THE WOUND. THE DCM REPLIED THAT THE FOREIGN MINISTER SHOULD CERTAINLY REALIZE IN THE UNITED STATES NO SUCH THING COULD BE DONE; TO WHICH THE FOREIGN MINISTER RUEFULLY RESPONDED, "YES, BUT THE VENEZUELAN'S DON'T KNOW THIS".

4. ACCORDING TO CARACAS DAILY "ULTIMAS NOTICIAS" OF 2 MARCH, AD DEPUTY LUIS GUEVARA IS ORGANIZING A PROTEST DEMONSTRATION

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AGAINST THE CIA AND THE PRESS ATTACKS ON PRESIDENT PEREZ. DEMONSTRATION WILL BE FROM CATIA SUBURB OF CARACAS TO PLAZA O'LEARY IN EL SILENCIO SECTION AND OTHER POLITICAL PARTIES WILL BE INVITED TO JOIN IN. GUERVARA, WHO IS MEMBER OF JAIME LUSINCHI'S PRESIDENTIAL CAMPAIGN COMMITTEE (LUSINCHI IS GENERALLY BELIEVED TO BE CAP'S CHOICE FOR HIS SUCCESSOR), SAID THAT PEOPLE FROM THE INTERIOR OF VENEZUELA HAVE ALSO EXPRESSED THEIR DESIRE TO JOIN IN THIS DEMONSTRATION. (NOTE THAT AREA CHOSEN FOR DEMONSTRATION IS , PROBABLY BY DESIGN, FAR REMOVED FROM EMBASSY AND OTHER U.S. INSTALLATIONS IN CARACAS AND SHOULD NOT INVOLVE THEM UNLESS HO THEADS TAKE OVER AND TRY SOMETHING ON THEIR OWN.)

5. ALL OF FOREGOING TENDS TO REACTIVATE DANGEROUS SITUATION OF 22 FEBRUARY, ALTHOUGH SO FAR THIS PHASE DOES NOT APPEAR TO HAVE AS MUCH STEAM IN IT AS WHEN CRISIS FIRST DEVELOPED. AS IS NOW WELL-ESTABLISHED, CAP IS MOST SENSITIVE BORDERING ON PARANOIC, HIGHLY VOLATILE, AND MORE THAN A LITTLE POLITICALLY OPPORTUNISTIC. IF THERE IS FURTHER PROVOCATION, WE CAN PRETTY WELL GUARANTEE THAT HE WILL REACT STRONGLY, QUITE POSSIBLY STRIKING BACK AT THE CIA THROUGH FORMAL SEVERING OF LIAISON RELATIONSHIPS AND PNGS OF DECLARED OR IDENTIFIED CIA PERSONNEL, STATION OPS POSTURE AND

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COVER OF OTHER PERSONNEL IS NOW SUCH THAT THIS TYPE OF ACTION SHOULD NOT SERIOUSLY DAMAGE OUR OVERALL EFFORT HERE, BUT HEAD-QUARTERS SHOULD RECOGNIZE THAT FOR AWHILE WE WILL BE WORKING IN WHAT IS A VERY HOSTILE OPS CLIMATE.

6. NO FILE. E2, IMPDET.

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