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U.S. Envoy to Vatican Is Reportedly Chastised

Wilson's Alleged Intervention in 2 International Cases Comes Under Cr

By RONALD J. OSTROW and DON A. SCHANCHE, *Times Staff Writers*

WASHINGTON—Ambassador to the Vatican William A. Wilson has been chastised by the Justice Department and has alarmed his superiors at the State Department because of his personal intervention in two highly sensitive and widely publicized international criminal investigations, Administration officials say.

Wilson is a close friend of President Reagan. And the nature of the two cases—those of fugitive financier Marc Rich and Vatican banker Archbishop Paul C. Marcinkus—has raised fears among Administration officials that his actions could be viewed as an improper use of his position and thus become an embarrassment.

Administration sources say Wilson's actions are being examined by the State Department's Bureau of European Affairs, but department spokesmen declined to discuss the inquiry.

Letter to Smith

In the Marcinkus case, Administration officials said that in 1982, Wilson wrote a letter on the archbishop's behalf to Atty. Gen. William French Smith, Wilson's long-time friend and fellow member of Reagan's "kitchen cabinet" of close advisers. Wilson, a Bel Air developer and rancher, has been co-trustee of the legal trust that has managed Reagan's private assets since 1973.

At the time he wrote the letter, Wilson was the President's unpaid personal envoy to the Holy See.



Los Angeles Times

Despite Starr's letter, Wilson invited Marcinkus to breakfast in his Rome villa when Smith and his wife, Jean, were guests there in November, 1982. Smith was on the final leg of an extensive foreign trip devoted primarily to drug enforcement and refugee issues.

As recently as May, Wilson persisted in his efforts to discover the status of any U.S. interest in Marcinkus by telephoning FBI Director William H. Webster about the case on a special secure telephone line in the U.S. Embassy in Rome, sources say.

In the interview in his Rome office, Wilson said he had trouble recalling the letter to Smith. "I can't remember the reason behind the letter," he said. "I can't even remember writing the letter."

Similarly, he said he did not recall Starr's characterization of the letter to Smith as inappropriate. "I don't remember receiving a letter from Ken Starr," he said. "Maybe I did. So, I don't have any comment on that."

Wilson said he invited Marcinkus to breakfast when the Smiths were visiting because "it just seemed an appropriate time to get them together. Both (Smith and Marcinkus) play tennis and golf. They discussed those issues. I don't recall them discussing any substantive issues, however."

'A Long Shave'

Another official familiar with the breakfast said aides to the attorney general learned in advance that Wilson had invited Marcinkus and suggested that Smith "take a long time shaving" that morning rather than make contact with Marcinkus. Instead, the official said, Smith did a "drop by" and only exchanged greetings with Marcinkus rather than carry on any lengthy conversation.

Smith's aides were determined that "the attorney general was not to get involved in the entire matter," the official recalled.

Wilson said, in response to a question, that he had not asked Smith to do anything for Marcinkus during the breakfast or later.

As for the phone call to Webster from the embassy, he said: "That's personal. I prefer not to answer."

Asked if Marcinkus had asked him to make the call, Wilson said: "I don't want to talk about that telephone call. I had a special

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Monday, July 9,
1984

CA. Jones

Reagan named Wilson as ambassador to the Vatican last January and the Senate confirmed him in March as the United States established full diplomatic relations with the Vatican.

Wilson, in an interview in Rome, said he could not remember writing the letter. Further, he drew a distinction between the time he was Reagan's representative and his time as ambassador, noting that he was not a paid employee of the government in 1982.

'Letters of Patronage'

The American-born Marcinkus has come under scrutiny by Italian authorities over his and the Vatican bank's involvement in events that led in 1982 to the collapse of the \$1.2-billion Banco Ambrosiano in what became Italy's largest bank scandal. Marcinkus, as president of the Vatican bank, issued "letters of patronage" to Ambrosiano President Roberto Calvi that Calvi reportedly used in some of his complex dealings that went sour.

Wilson apparently was seeking to determine the status of any U.S. inquiries in the case, and to vouch for Marcinkus' good character, a source said. Wilson wrote the letter after widespread news reports here and abroad raised questions about whether Marcinkus, a friend of Wilson, would be removed from his Vatican bank post and prosecuted by Italian authorities in connection with the Ambrosiano scandal.

Federal law enforcement officials indicate that the U.S. government has a current interest in Marcinkus in connection with a money-laundering investigation being conducted under the supervision of the U.S. attorney's office in Brooklyn. Officials there, however, flatly refused to comment. Marcinkus remains under investigation by a Milan court for fraud in connection with the collapse of Banco Ambrosiano.

Faith in Marcinkus

In Wilson's letter, which bypassed usual Justice Department screening processes because of Wilson's friendship with Smith, he expressed his firm faith in Marcinkus, according to one official familiar with the correspondence. "The letter struck me as very odd, and it put everybody in a very awkward position," the official said.

Wilson's letter drew a rebuke from Kenneth W. Starr, then counselor to the attorney general and now a judge on the U.S. Court of Appeals here. Administration sources say Starr wrote to Wilson that his contact with the attorney general in connection with the Marcinkus matter had been inappropriate.

Starr declined to comment on Wilson's letter to Smith or his response. Smith, responding through a spokesman, also refused comment on any aspect of the matter, as did FBI Director Webster on the phone call from Wilson.

Wilson's involvement in the case of financier Marc Rich also drew a warning, this time in a cable from Lawrence S. Eagleburger, then undersecretary of state, on Dec. 12, 1983. Rich, once a New York-based commodities trader, renounced his U.S. citizenship and went to Switzerland, then was indicted in the biggest tax evasion case in history, along with charges of racketeering and fraud.

Eagleburger's cable said: "Our legal advisors and the Justice Department are all extremely nervous about any involvement at all on your part in this case."

Meets Swiss Official

Even so, Wilson met with a Swiss official, Mathias Kraft, shortly afterward to discuss the matter. Kraft is deputy director for international law at the Foreign Ministry in Geneva.

Wilson, in the interview, sidestepped questions about why he went ahead with the meeting, the nature of his interest in the Marc Rich case and details of his discussion with Kraft. "After it was all over, I reported in full to Larry Eagleburger," he said.

Eagleburger, now president of Kissinger Associates, former Secretary of State Henry A. Kissinger's consulting firm, declined to comment. A source familiar with Eagleburger's dealings with Wilson on the Rich case said Wilson reportedly became involved after an acquaintance, a Swiss lawyer, said he knew someone Wilson ought to meet.

Wilson took him up on the offer of an introduction, and the person turned out to be a lawyer representing Rich, who asked Wilson to

intercede for his client, the source said.

Sources close to the investigation and prosecution of the Rich matter, which is being conducted by U.S. Atty. Rudolph Giuliani in

New York, said no attempts to intervene in the case by Wilson have reached Giuliani's office.

Times staff writers Robert C. Toth and Oswald Johnston contributed to this report.

the foolish and dangerous position of undertaking the growing commitment of developing countries to deal with their population problems.

Mindful that the Mexico City conference will be held just before the Republican National Convention, the administration has been trying to placate the most extreme elements in its anti-abortion constituency. That's not easy. Federal law has long forbidden the use of U.S. aid for abortion programs in other countries, but some right-to-life groups have been pressing for curbs on all U.S. population aid.

An earlier draft—prepared by the White House rather than by the State Department, as would normally be the case—was justifiably criticized for suggesting that population growth in the Third World could best be checked by a dose of free enterprise and faster exploitation of natural resources. This analysis looks all the more fatuous in light of the World Bank's new report pointing out the unprecedented pressures of the population explosion in developing countries and the dire consequences for their economic and social development.

The revised draft leaves this general analysis

eral money would still be cut off for private agencies that use other funds—not government funds—to provide voluntary abortion services or referrals. This would end the major source of funding for certain international agencies that are among the most effective providers of family planning services in developing countries.

Thanks to the efforts of a determined minority, federal money no longer pays for abortions in this country. But state and private aid ensure that almost all women have this choice available to them. Other countries do not have these alternative channels of support available. It is offensive for the United States to attempt to deny to citizens of other countries an option that—with the support of the majority of Americans—is available to its own citizens.

The tragedy of the administration's effort to undermine birth control programs is that it will result in higher infant and maternal mortality. Family planning not only reduces illegal abortions, which are common in developing countries. It also results in fewer infant deaths and in healthier mothers and children. That ought to be an outcome favored by any administration.

The Washington Post, Monday, July 16, 1984, Page A10

Questions for the Ambassador

THE CASE OF Ambassador to the Vatican William A. Wilson, a political appointee and close friend of the president, becomes more complicated. Why and to what extent did he become personally involved in two criminal investigations involving financial fraud? Why was he given an exception to the general rule that ambassadors must resign corporate directorships when they assume office?

On two occasions, Mr. Wilson tried to obtain information from high officials of the Justice Department about a rumored investigation of Archbishop Paul Marcinkus. The archbishop, American-born head of the Vatican bank, is under investigation in Italy in connection with the collapse of one of that country's largest banks, and is said by sources in the U.S. government to be the subject of inquiries concerning a money laundering scheme here. The initial request on behalf of the archbishop drew a strong letter from a Justice Department official, who counseled that such intervention in a criminal matter was "inappropriate"—whether it came while Mr. Wilson served as the president's unpaid personal representative to the Vatican or after he was confirmed as ambassador in March.

Mr. Wilson also tried to arrange a personal meeting between Attorney General William French Smith and Archbishop Marcinkus in Rome. The attorney general wisely limited it to a quick exchange of pleasantries. Why would Mr. Wilson

do this after having been specifically warned that his conduct was out of bounds?

On another occasion, he intervened with the Swiss government in the case of an American fugitive, a commodities trader indicted here in the nation's largest tax evasion case. Earlier the State Department had urged him not to get involved.

Then there is the matter of corporate directorships. State Department regulations require ambassadors to relinquish these private positions except in extraordinary circumstances. Mr. Wilson was granted an exception—the Senate Foreign Relations Committee was advised of it before he was confirmed—allowing him to continue to serve on two boards, even though he does not appear to qualify on any of the three grounds listed in the regulations. The Department could cite no other ambassador given this privilege. Mr. Wilson is said to have resigned from one directorship and to accept no fees from the other.

Mr. Wilson is no longer a private citizen. He is a public servant with an obligation to avoid even the appearance of impropriety. Does he realize how very unwise it is for an ambassador to get involved in a criminal investigation? Does he comprehend the possibility of conflict of interest when an employee of the government continues to hold a high position in a private corporation? Does he intend to offer an explanation of his conduct?

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Rare Ruling Let U.S. Envoy Remain on Corporate Boards

U.S.

By LESLIE MAITLAND WERNER
Special to The New York Times

WASHINGTON, July 11 — William A. Wilson, Ambassador to the Vatican, was permitted to retain positions on the boards of two corporations when he was raised to that rank in January, according to State Department officials.

The State Department was unable to provide any other example of an ambassador who had been granted such an exception from the general policy requiring ambassadors to step down from directorships in profit-making companies.

The corporations are Pennzoil and Earle M. Jorgensen, a California steel maker.

Policy on Directorships

Mr. Wilson, a longtime friend of President Reagan who served for many years as a trustee of his finances, has also been the focus of recent questions about his attempts to intercede in two international criminal investigations.

On the issue of the directorships, a State Department official said there is a written policy covering the question whether an ambassador may serve on a corporate board but said he could not make the policy public today.

The aim of the general policy requiring an ambassador to give up a directorship, he said, is to guard against possible conflicts of interest. The official said he did not know why an exception had been granted to Mr. Wilson.

The State Department could not provide any examples of other such cases, either under the Reagan Administration or in previous years. But an official

Continued on Page A8, Column 1

Continued From Page A1

said this should not be taken to mean that such an exception was never granted before.

The Senate Foreign Relations Committee, which held hearings on the nomination, was advised of the exception in a letter in January from the Office of Government Ethics. The letter apparently attracted no public attention at the time.

The letter, addressed to Senator Charles H. Percy, the Illinois Republican who heads the committee, said, "While the State Department has a general policy against the retention of for-profit corporate directorships, they have, in accordance with an exception in their policy, determined that Mr. Wilson may, on an uncompensated basis, retain his directorships."

According to an aide of the Foreign Relations Committee, Mr. Wilson's membership on the corporate boards was "not troubling" to the committee because "it was O.K.'d by State and the Office of Ethics."

Gary Davis, acting chief counsel of the Office of Government Ethics, said Mr. Wilson had been permitted to retain the positions because, it was determined, his corporate functions would not interfere with his duties as Ambassador and also because he was not receiving any compensation from the concerns.

The ethics office, created by the Ethics in Government Act of 1978, monitors compliance with Federal ethics programs and regulations.

Mr. Wilson's financial disclosure form shows substantial holdings in both Pennzoil and Earle M. Jorgensen.



Associated Press

William A. Wilson

On Personal Visit to U.S.

Alan D. Romberg, a State Department spokesman, declined in a regular briefing yesterday to comment on Mr. Wilson's activities. He said he believed Mr. Wilson was now in this country on a personal visit, but that he knew of no plans for Mr. Wilson to speak with Government officials while he is in the United States.

Robert G. Harper, manager of media relations for Pennzoil, said today that Mr. Wilson was in Houston, attending a meeting of the board of directors. He said Mr. Wilson had been named to the board in April 1983.

Mr. Harper said he had relayed a request to Mr. Wilson that he return a call seeking his comments. Mr. Wilson did not do so.

According to Mr. Wilson's financial disclosure form, his wife, Elizabeth, has three accounts of Pennzoil stock, each described as worth more than \$250,000.

The standard disclosure forms do not require officials to list the exact amount of their holdings, but to check off the range in which they fall. The highest category is for amounts worth more than \$250,000.

Two of the Pennzoil accounts are described as part of trust assets. Two are listed as providing dividends worth between \$50,000 and \$100,000; the third is listed as providing more than \$100,000 in dividends.

Member of 'Kitchen Cabinet'

The disclosure form also shows Mr. Wilson, a member of the President's "kitchen cabinet," as holding between \$100,000 and \$250,000 worth of stock in Earle M. Jorgensen.

In 1982, the company attracted public attention when it was disclosed that it had given Attorney General Smith a \$50,000 severance payment when he stepped down as an independent member of the board of directors. Mr. Smith contended the payment was legal and proper but returned the money to avoid an appearance of impropriety.

In the letter to Mr. Percy regarding Mr. Wilson's directorships, the Ethics Office's director, David H. Martin, said he had reviewed the financial disclosure report and had "obtained advice from the Department of State concerning any possible conflict" in Mr. Wilson's retaining the posts.

Mr. Martin noted that the exception granted by the State Department would be reviewed at the end of the first quarter of 1985 to guarantee that Mr. Wilson's outside activities were not affect-

ing his abilities to carry out his ambassadorial functions.

The letter concluded that Mr. Wilson was believed to be "in compliance"

Ambassador to Vatican Was Allowed to Remain on 2 Corporate Boards

with laws and regulations governing "conflicts of interest."

Mr. Davis, acting chief counsel for the Ethics Office, said Mr. Wilson's financial interest in the two companies was not pertinent to the decision allowing him to serve on their boards of directors.

Role in Investigations

Mr. Wilson became the focus of questions here when it was disclosed in The Los Angeles Times that he had tried to intervene in two international criminal investigations.

In one case, according to an official who saw the correspondence, Mr. Wilson wrote to Attorney General William French Smith inquiring as to whether the Justice Department was investigating Archbishop Paul C. Marcinkus, the Vatican's banker.

Archbishop Marcinkus was then under scrutiny by Italian officials in connection with the 1982 collapse of the Italian Banco Ambrosiano.

According to the official, Mr. Wilson also advised Mr. Smith, a friend, that an extensive Vatican investigation had cleared the Archbishop of any wrongdoing.

In a reply from a Justice Department official, said to have been written with Mr. Smith's Mr. Wilson was told it would be inappropriate for Mr. Smith to reply to such an inquiry.

Visit to Rome

Nonetheless, the source said, Mr. Wilson, acting without Mr. Smith's permission, subsequently arranged for the American-born Archbishop, a friend of Mr. Wilson, to meet the Attorney General while Mr. Smith was staying with Mr. Wilson during a visit to Rome.

Other sources familiar with Mr. Wilson's activities said he had also been involved in discussions regarding a fugitive financier, Marc Rich, who is under indictment by the office of Rudolph W. Giuliani, the United States Attorney in

Manhattan, on oil fraud and tax evasion charges.

Lawrence S. Eagleburger, then Under Secretary of State who has since retired, sent a cablegram to Mr. Wilson last December warning him against becoming involved.

According to a source familiar with the cable, Mr. Eagleburger said, "Our legal advisers and the Justice Department are all extremely nervous about any involvement at all on your part in this case."

Subsequently, however, Mr. Wilson met a Swiss official regarding the case and was introduced to a lawyer representing Mr. Rich.

A source familiar with the situation said Mr. Wilson later gave a full account of his discussions regarding the case to Mr. Eagleburger and that Mr. Eagleburger "considered his explanation of the events adequate."

Swiss Government Disturbed

Mr. Giuliani said Mr. Wilson had not been in contact with him or anyone in his office concerning the case. Efforts by Mr. Giuliani to obtain records on Mr. Rich's Swiss-based company have disturbed the Swiss Government, which has strict corporate secrecy laws.



Associated Press

Archbishop Paul C. Marcinkus, right, the head of the Vatican Bank, with Camillo Cibin, chief of the Vatican Security Service, during Pope John Paul II's general audience yesterday in St. Peter's Square. William A. Wilson, the U.S. Ambassador to the Vatican, was reported to have once asked Attorney General French Smith whether the Justice Department was conducting an investigation of the Archbishop.

Another source familiar with Mr. Eagleburger's discussions with Mr. Wilson said the Under Secretary had admonished Mr. Wilson on another occasion, after Mr. Wilson had met with Libyan officials who were trying to "develop him as a contact" for renewed relations with the United States.

The source said Mr. Eagleburger had told Mr. Wilson that the Libyans had tried to use a number of American diplomats for that purpose and had advised him not to participate in further discussions with them.

In regard to Mr. Wilson's reported efforts to intervene in the two criminal cases, a committee aide to the Senate Foreign Relations Committee said its

staff would monitor the situation.

Federal law enforcement authorities said Archbishop Marcinkus was under scrutiny by the United States Customs Service as part of an investigation into dealings involving Michele Sindona, the Italian financier. Mr. Sindona is serving a 25-year prison term on a fraud conviction stemming from the collapse of the Franklin National Bank on Long Island.

Dennis Murphy, a spokesman for Customs, declined to comment on the inquiry.

Archbishop and Sindona

A source familiar with Mr. Wilson's actions regarding Archbishop Marcinkus said the case had troubled the Justice Department because of press reports linking the Archbishop to Mr. Sindona.

"The Justice Department was not investigating Mr. Marcinkus at the time, but our concern was his alleged link to the Sindona case, and we considered it a matter of prudence that the Attorney General not be involved in any way," the source said.

Mr. Wilson, who was serving as President Reagan's personal envoy to the Vatican at the time, thereafter invited the Archbishop to breakfast at his residence in Rome while Mr. Smith was there as a house guest in November 1982. The official familiar with the case said that Mr. Smith did meet Archbishop Marcinkus at Mr. Wilson's residence but that no matters of substance were discussed.

"As a matter of politeness, the Attorney General just dropped by to say hello, but he decided not to attend the breakfast," the official said.

To John
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WHILE YOU WERE OUT

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of Time Magazine
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NETWORK NEWS SUMMARY FOR TUESDAY EVENING, July 10, 1984

AMBASSADOR WILSON

CBS's Rita Braver: Administration sources acknowledge Vatican Ambassador Wilson has been rebuffed after intervening in delicate international criminal cases. Wilson is a close friend of President Reagan's. In one case, Wilson was trying to help an old friend, Vatican banker Archbishop Paul Marcinkus. Marcinkus was involved in a major Italian bank scandal, and on his behalf, when he was the President's personal envoy to the Vatican, Wilson wrote a letter to another old friend, Attorney General Smith, asking whether Marcinkus was also under investigation by the FBI. In July of 1982, an aide to Smith rebuffed Wilson, writing, "The Department of Justice can't respond to a formal request for such information." But Wilson kept trying. As recently as last May, the FBI confirms, Wilson, then officially ambassador, called FBI Director Webster to ask about Marcinkus. There is no word on what Webster told Wilson. Government sources say the FBI is not investigating Marcinkus, but the Customs Service is. The State Department was deluged with questions about Wilson today. (Reporter: "You can't even address them?" Alan Romberg: "I'm not going to address it.") There was no comment on the Marcinkus case, nor would officials discuss an unauthorized meeting Wilson allegedly held with a Swiss official to discuss Mark Rich, a U.S. commodities dealer indicted in a massive tax evasion case. Wilson, in the U.S., would not take reporters' calls. President Reagan is standing by his old friend. Nevertheless, White House officials are reviewing Wilson's activities to be sure there are no other actions that could be embarrassing to President Reagan. (ABC-3, CBS-2)

U.S. Envoy to Vatican Is Reportedly Chastised

Wilson's Alleged Intervention in 2 International Cases Comes Under Criticism

By RONALD J. OSTROW and DON A. SCHANCHE, *Times Staff Writers*

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Administration sources say Wilson's actions are being examined by the State Department's Bureau of European Affairs, but department spokesmen declined to discuss the inquiry.

Letter to Smith

In the Marcinkus case, Administration officials said that in 1982, Wilson wrote a letter on the archbishop's behalf to Atty. Gen. William French Smith, Wilson's long-time friend and fellow member of Reagan's "kitchen cabinet" of close advisers. Wilson, a Bel Air developer and rancher, has been co-trustee of the legal trust that has managed Reagan's private assets since 1973.

At the time he wrote the letter, Wilson was the President's unpaid personal envoy to the Holy See.

Reagan named Wilson ambassador to the Vatican last January and the Senate confirmed him in March as the United States established full diplomatic relations with the Vatican.

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Marcinkus remains under investigation by a Milan court for fraud in connection with the collapse of Banco Ambrosiano.

Faith in Marcinkus

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Wilson's letter drew a rebuke from Kenneth W. Starr, then counselor to the attorney general and now a judge on the U.S. Court of Appeals here. Administration sources say Starr wrote to Wilson that his contact with the attorney general in connection with the Marcinkus matter had been inappropriate.

Despite Starr's letter, Wilson invited Marcinkus to breakfast in his Rome villa when Smith and his wife, Jean, were guests there in November, 1982. Smith was on the final leg of an extensive foreign trip devoted primarily to drug enforcement and refugee issues.

As recently as May, Wilson persisted in his efforts to discover the status of any U.S. interest in Marcinkus by telephoning FBI Director William H. Webster about the case on a special secure telephone line in the U.S. Embassy in Rome, sources say.

In the interview in his Rome office, Wilson said he had trouble recalling the letter to Smith. "I can't remember the reason behind the letter," he said. "I can't even remember writing the letter."

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'A Long Shave'

Another official familiar with the breakfast said aides to the attorney general learned in advance that Wilson had invited Marcinkus and suggested that Smith "take a long time shaving" that morning rather than make contact with Marcinkus. Instead, the official said, Smith did a "drop by" and only exchanged greetings with Marcinkus rather than carry on any lengthy conversation.

Smith's aides were determined that "the attorney general was not to get involved in the entire matter," the official recalled.

Wilson said, in response to a question, that he had not asked Smith to do anything for Marcinkus during the breakfast or later.

As for the phone call to Webster from the embassy, he said: "That's personal. I prefer not to answer."

Asked if Marcinkus had asked him to make the call, Wilson said: "I don't want to talk about that telephone call. I had a special reason for using the secure phone. Why should I discuss what I said on a secure telephone?"

Starr declined to comment on Wilson's letter to Smith or his response. Smith, responding through a spokesman, also refused comment on any aspect of the matter, as did FBI Director Webster on the phone call from Wilson.

Wilson's involvement in the case of financier Marc Rich also drew a warning, this time in a cable from Lawrence S. Eagleburger, then undersecretary of state, on Dec. 12, 1983. Rich, once a New York-based commodities trader, renounced his U.S. citizenship and went to Switzerland, then was indicted in the biggest tax evasion case in history, along with charges of racketeering and fraud.

Eagleburger's cable said: "Our legal advisors and the Justice Department are all extremely nervous about any involvement at all on your part in this case."

Meets Swiss Official

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Wilson, in the interview, sidestepped questions about why he went ahead with the meeting, the nature of his interest in the Marc Rich case and details of his discussion with Kraft. "After it was all over, I reported in full to Larry Eagleburger," he said.

Eagleburger, now president of Kissinger Associates, former Secretary of State Henry A. Kissinger's consulting firm, declined to comment. A source familiar with Eagleburger's dealings with Wilson on the Rich case said Wilson reportedly became involved after an acquaintance, a Swiss lawyer, said he knew someone Wilson ought to meet.

Wilson took him up on the offer of an introduction, and the person turned out to be a lawyer representing Rich, who asked Wilson to intercede for his client, the source said.

Sources close to the investigation and prosecution of the Rich matter, which is being conducted by U.S. Atty. Rudolph Giuliani in

New York, said no attempts to intervene in the case by Wilson have reached Giuliani's office.

Times staff writers Robert C. Toth and Oswald Johnston contributed to this report.

U.S. Envoy to Vatican Got Special Exemption

By Mary Thornton
Washington Post Staff Writer

William A. Wilson, President Reagan's close friend and ambassador to the Vatican, was granted a special exemption from State Department rules after his nomination to allow him to continue serving as a director of two companies.

Wilson, a wealthy California rancher and real estate developer who was a member of Reagan's "Kitchen Cabinet" and co-trustee of the legal trust that manages the president's assets, was confirmed as ambassador in March. He had served since 1981 as Reagan's special envoy to the Vatican.

State Department spokesman Alan Romberg confirmed yesterday that Wilson was granted an exemption to allow him to continue to serve on the board of directors of Earle M. Jorgensen Co., a California steel manufacturer, and Pennzoil Co. Wilson resigned from the Jorgensen board shortly after his confirmation. After his confirmation, Wilson stopped receiving directors' fees from both companies.

Romberg said the exemption related to a set of May, 1981, department guidelines stating that, as a general rule, "persons appointed to positions requiring Senate confirmation must resign from directorship positions in for-profit corporations, even when no compensation is received."

The guidelines provide for exemptions "in appropriate cases" and list examples, such as a directorship of an inactive corporation or of a family-held real estate venture. Exemptions also are possible "in unusual circumstances, on consideration of the particular facts and circumstances of the case."

Romberg, citing the Privacy Act as a possible consideration, would not say what factors led to the exemption in Wilson's case. He could not provide any examples of exemptions granted to other ambassadors.

The State Department informed

the Senate Foreign Relations Committee, which handled Wilson's confirmation hearing, and the Office of Government Ethics of the exemption before Wilson was confirmed.

Wilson could not be reached for comment yesterday. On Wednesday, he attended a meeting of the Pennzoil board in Houston.

Tom Powell, a Pennzoil spokesman, said that Wilson has been on the board since April, 1983, and that he owns or controls 327,787 shares of stock worth about \$1.78 million.

Wilson's financial disclosure form, on file with the ethics office, shows three holdings of Jorgensen stock in his wife's name, each worth more than \$250,000. The disclosure forms indicate only wide ranges in the value of assets, not specific amounts.

It was reported earlier this week that Wilson was reprimanded in late 1982 by a high-level Justice Department official after he wrote a letter to Attorney General William French Smith about Archbishop Paul Marcinkus, a Vatican banker under investigation by Italian authorities in connection with the \$1.2 billion collapse of the Banco Ambrosiano.

Justice Department sources said that, despite the reprimand, Wilson later tried to set up a breakfast meeting between Smith and Marcinkus, who are friends of Wilson.

Marcinkus is under investigation by the U.S. Customs Service, according to federal sources.

Memorandum

Subject

Wilson Letter Conveying Request From
Archbishop Marcinkus

Date

August 3, 1982

To The Attorney General

From John Roberts *JR*

William Wilson, Presidential Envoy to the Vatican, has written conveying a request from Archbishop Marcinkus to review the contents of his FBI file or a summary of it. Marcinkus heads a Vatican bank, the Institute per le Opere di Religione. A book to be published in the fall, "The Vatican Connection," by Richard Hammer, supposedly will contain conversations allegedly held between Marcinkus and certain crime figures as well as between Marcinkus and FBI agents. Marcinkus has told Wilson that these conversations never took place, and has asked Wilson to make a request through you to review the FBI files for any relevant information they might contain concerning conversations between FBI agents and himself. (Marcinkus does recall one interview, during which FBI agents questioned him about the operation of the Vatican bank.) Wilson has asked that we respond directly to Marcinkus and not go through him, because the matter should be confidential between Marcinkus and Justice.

The Director's office at the FBI advises that the only way for Marcinkus to obtain access to his file is to file an FOIA/Privacy Act request, with his notarized signature. Depending on the size and contents of the file, normal processing time would be 90 days to 6 months.

It would seem that the next step for us would be to inform Mr. Wilson that we cannot respond to an informal request to review files, but that Marcinkus must submit a statutory request under the FOIA and Privacy Act. If you agree I will draft a letter to Wilson along these lines.

8/3/82

I agree with this recommendation

WUS

8/4/82

AG agree.

WUS



OFFICE OF THE SPECIAL INSPECTOR FOR THE PRESIDENT
OF THE UNITED STATES OF AMERICA
TO THE VATICAN

July 15, 1982

Honorable William French Smith
Attorney General of the United States
Washington, D.C.

Subject: The Vatican Connection

Dear Bill:

Just a few days before I departed Rome to return to the United States, I had a meeting with Archbishop Marcinkus who had asked me to come to his office to discuss a matter which is of serious concern to him. By way of background and memory refresher, I am enclosing an eight-page paper which was handed to me in London last week, which outlines in general the charges against Sindona who, as you may remember, is now serving time in prison in the United States for his complicity in the failure of the Franklin National Bank of New York. This paper purports to implicate the Vatican bank and Archbishop Marcinkus with Sindona, but subsequent to the imprisonment of Sindona, Marcinkus has been given additional responsibilities in the Vatican by Pope John Paul II. This does not provide proof of Marcinkus' innocence, however, it does indicate that as a result of the Vatican's investigation of the matter, Marcinkus was apparently not found guilty of any misdeeds.

More lately, as you will recall, a Mr. Calvi was found hanging from the Black Friars Bridge in London at about the same time that the Banco di Ambrosiana of Italy is being accused by the Italian government through the Bank of Italy of illegal currency exportation and making loans to Latin American subsidiary banks without sufficient security or collateral. Since the Vatican owns approximately 1.5% of

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July 15, 1982

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the common stock of Banco di Ambrosiana and since Marcinkus served on the board of directors of the Latin American holding company based in Nassau, there are now new accusations that Marcinkus is, again, involved in some illegal banking transactions. By innuendo and, possibly, even by association the attempt is being made to, again, associate him with drugs and other illegal activities. It is my personal opinion and certainly my sincere hope that Marcinkus will, again, survive this one. And if he does, I would hope that he, as manager of the fiscal assets of the Vatican, would see fit to make investments in more conservative ventures such as is the policy under Herb Gordon at the University. So much for the background.

The letter to me dated July 6th, together with its enclosures, relates to a book to be called "The Vatican Connection," which I understand is to be published in the fall of 1982 by Holt, Rhinehart and Winston. The Archbishop told me that it is his understanding that the book will contain many transcripts of wiretapped telephone conversations allegedly between Marcinkus and others, some of whom are alleged to be connected to the Mafia and other illegal operations. I was also told that portions of the book include conversations allegedly held between members of the FBI and Marcinkus which, again, he says were conversations that were never in fact held. He does refer, however, to a meeting in his office with three representatives of the FBI some years ago who came to ask questions concerning the operation of the Vatican bank. He tells me that he told them he would be happy to help them in any way possible and at the time gave them all of the information that he had at hand.

He has given me the enclosed letter and its attachments with the request that I discuss this matter with you and that through you a request be made to review the FBI files for any information they might contain concerning discussions between the FBI agents and Marcinkus on these matters. If you could supply him with a summary of what the files contain, I am sure it would be helpful to him and appreciated by both him and myself. In this regard, I think it would be well if you or the department would communicate directly with him instead of through me since I would prefer not to be involved in the matter which I think should be held in confidentiality between the department and Archbishop Marcinkus.

July 15, 1982

Page 3

In summary, he is very concerned that the book, when it is published, will contain large amounts of untrue material concerning him, and even though he is thinking of filing a significant lawsuit in the event he feels he has a sound basis, it would be much better for the Vatican and everyone concerned if the book were not published at all if it does contain false information. This is a matter between Marcinkus and the publishers however. Since Robert Wagner, the ex-mayor of New York and an attorney, was my predecessor in the post which I now hold in Rome, I have suggested to Marcinkus that he discuss this matter with Wagner.

It was a pleasure to be with you the other night and I look forward to seeing you next week.

With kindest regards, I am,

Yours sincerely,

Bill

William A. Wilson

WAW:sf

W. A. Wilson
10475 Bellagio Rd.
Los Angeles, Ca. 90077

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Paul C. Marcinkus

CITTA DEL VATICANO , July 6th, 1982.

Mr. William Wilson
Personal Envoy of the President
of the United States of America to the Holy See
Via di Porta Pinciana 4
00187 Roma

Dear Mr. Wilson:

Following up on our conversation of some days ago, I am enclosing some material concerning the case covered by Richard Hammer in his book "The Vatican Connection", which I understand should be published in the fall of 1982.

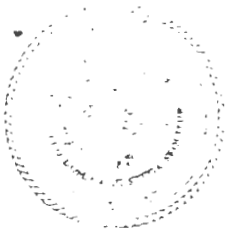
Thanking you in advance for your interest in the matter, and with every best wish, I am,

Sincerely yours,

+ Paul C. Marcinkus

+Paul C. Marcinkus

Enclo.



Office of the Attorney General

Washington, D. C. 20530

August 9, 1982

Honorable William A. Wilson
Personal Envoy of the President
of the United States to the Vatican
10475 Bellagio Road
Los Angeles, California 90077

Dear Mr. Ambassador:

The Attorney General has asked me to respond to your letter of July 15 to him. In that letter you conveyed a request from Archbishop Marcinkus to review Federal Bureau of Investigation files for information they might contain concerning discussions between FBI agents and himself.

After examining the question I must inform you that the Department of Justice cannot respond to an informal request for such information. Access to files of this sort can only be obtained -- if at all -- pursuant to a formal request made by the individual himself under the Freedom of Information Act and/or the Privacy Act of 1974.

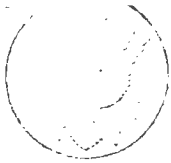
I am sorry that we cannot be more directly responsive to your letter, but I am certain you will appreciate the need to comply with formal procedures in such a sensitive area.

If I can be of any further assistance in this regard please do not hesitate to call upon me.

Respectfully,

A handwritten signature in cursive script, reading "John Roberts", is written over the typed name.

John G. Roberts, Jr.
Special Assistant to
the Attorney General



August 12, 1982

The Honorable William French Smith
Attorney General
Office of the Attorney General
Washington, D.C.

Dear Bill:

Thank you for your letter of August 6 responding to both of my letters; one regarding Archbishop Marcinkus and the other regarding Mr. Sadri. I have already heard from Mr. John Roberts concerning the matter of Archbishop Marcinkus and I will pass along to the Archbishop the information which was contained in Mr. Roberts' letter.

I assume that Mr. Sadri will be hearing directly from the INS, which I think would be more appropriate than keeping me in that particular loop.

Since Betty and I will be here in Los Angeles most of the time between now and the end of September, I hope we will have the pleasure of seeing you and Jean out here very soon.

With kindest personal regards, I am,

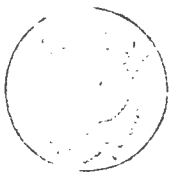
Yours sincerely,

Bill

William A. Wilson

WAW:sf

Shirley [unclear]



August 12, 1982

Mr. John G. Roberts, Jr.
Special Assistant to the
Attorney General
Office of the Attorney General
Washington, D.C. 20530

Dear Mr. Roberts:

Thank you very kindly for your letter of August 9th responding to the request made by Archbishop Marcinkus through me to the Attorney General. I understand completely the explanation that you have given in your letter as to the availability to the files on a particular case and I think by way of explanation to the Archbishop, I will pass this information along to him. Since he is an American by birth and is very familiar with the procedures in the United States, I am sure that he will understand.

Thank you kindly for your assistance.

Yours very truly,

William A. Wilson

WAW:sf

Vatican Vortex

Pope John Paul Deals With Rising Turmoil And Budget Problems

Bank Scandal, Strike Threat And Fight With Jesuits Mar His Image Abroad

Shades of the Reformation

7-29-82

By JONATHAN SPIVAK

Staff Reporter of THE WALL STREET JOURNAL

VATICAN CITY—While Pope John Paul II journeys around the world to the adoration of the multitudes, some nasty problems are arising for him here in the heart of the Holy See.

John Paul, who presides over a tiny, independent state of only 730 residents, is learning the hard way about the hazards of governing. His religious authority doesn't shield him from unsavory financial scandals, serious budgetary problems, strike threats by resentful workers, bitter conflicts with powerful lieutenants and even mounting ideological objections to his unbending orthodoxy.

"The pope is awakening to a tremendous tension in the Vatican," observes Prof. Franco Ferrarotti, a sociologist at the University of Rome.

It remains to be seen whether these problems will ultimately tarnish his papacy, which so far has been at least a glittering media success (one Jesuit leader here calls the Polish-born pope "the world's most famous personality"). But churchmen privately agree that the disputes within the Vatican's walls could foreshadow serious difficulties outside.

A Different Drummer

Ever since his installation as the first non-Italian pope in four centuries, John Paul has marched to a different drummer than have other popes. One high-ranking churchman says he watched in amazement that day as John Paul grasped a ceremonial halberd and waved it to and fro on the papal throne instead of holding it rigidly at his side in the traditional way. "From that moment, I knew things would be different," this churchman recounts. Just how different, he didn't imagine.

Except for his predecessor, John Paul I, whose papacy lasted only a matter of months, until his death, the Italian popes have risen through the administrative hierarchy of the Vatican Curia. But John Paul II has largely turned his back on this mammoth bureaucracy.

This policy has proved to be both his strength and his weakness. By ignoring the day-to-day work of the church, the pope has remained free to roam the world on his triumphal tours. But Vatican administrators complain that they lack the authority to get the work of the church done for him.

Vacancies remain unfilled, and long-standing projects, such as the codification of church law, remain unfinished. "We are suffering from overcentralization," one cardinal complains. "Too many things have to come to the pope."

Ambrosiano Affair

On the other hand, Pope John Paul risks dangerous dependence on a few aides he has entrusted with certain authority. Despite the deep suspicion and opposition of the Vatican bureaucracy, Archbishop Paul Marcinkus from Cicero, Ill., was placed in charge of all civil functions of the Vatican, including the Vatican Bank.

Msgr. Marcinkus thus became a central figure in Pope John Paul's current difficulties, as the monsignor has involved the Vatican Bank in the questionable financial dealings and defaulted loans of Banco Ambrosiano, Italy's largest private bank.

The Ambrosiano affair, being investigated by Italy's central bank, could entail a Vatican Bank liability far beyond its assets

of \$300 million or so. The apparent suicide last month of Banco Ambrosiano's president, Roberto Calvi, has added to the mystery surrounding the case. But the Vatican's involvement in the scandal is only the most visible of a lengthening list of papal problems that make John Paul less than adored within the Vatican's walls.

Pope John Paul is feuding with the 28,000-member Society of Jesus, whose social philosophy and political actions are too unorthodox for him and whose priests appear to be getting out of the control of local bishops.

Ban on Political Jobs

So far, the pope appears to hold the advantage over the Jesuits. He has placed his own men in temporary charge of the society since the physical incapacitation of the order's governor-general, Pedro Arrupe. And he has banned Jesuits and other priests from holding political office (an order that forced the Rev. Robert Drinan to resign from Congress). But the election of a new governor-general next year will put to the test the pope's continued ability to control the intellectually independent Jesuits. "Many Jesuits in the U.S. were displeased" with the political ban, says the Rev. Charles O'Neill, the director of the Jesuit History Institute in the Vatican.

Then there is the Vatican strike threat. The low-paid employees, some of whom receive as little as \$200 a month, are an embarrassment to the pope. Even the Swiss Guards threatened a strike soon after the attempted assassination of the pope. They cited the extra pressures placed on them.

The pope's reluctance to meet the workers' demands, because of the Vatican financial pinch, contrasts with his recent ringing defense of the rights of labor, propounded in an encyclical on work. The labor dispute also indicates the changing position of the pope within the Vatican. "For the first time in history, the Vatican has developed a trade-union movement," Rome's Prof. Ferrarotti observes. "It's a serious blow to the paternalistic role of the pope."

The intellectual qualities of the pope's theological pronouncements are also being questioned with increasing frequency. He has clearly not enunciated new doctrine in his four years, and some critics contend that he displays a simplified view of the church's role that is out of date in the modern world.

"His thinking is based on the monolithic church of Poland," one Catholic editor here says. "But this doesn't fit the role of the church in any other country, even the Third World." The pope's stern social morality—particularly his refusal to loosen the bans on artificial birth control and premarital sex—has put him at odds with liberals and youths, whom the church is trying to attract.

But papal positions don't appear to have any practical effect on the actions of most Catholics. Studies show that Catholics continue to rely on birth control about as much as others do, with social and economic class being a far greater determining factor than religious affiliation. The pope's authoritarian statements may fill the desires of the young for a strong father figure, one Jesuit leader says, but the statements fail to answer their intellectual needs. "They want to know if it is possible to be a Christian without following all the precepts of the church," this Jesuit remarks.

When John Paul was first elected in the fall of 1978, some members of the Italian Curia muttered that the choice was a mistake. They contended that an outsider could never master the subtleties of Vatican politics, which had been their preserve for centuries. Now, these anti-John Paul forces are becoming increasingly vocal, though most clerics still refuse to speak for the record.

Discrediting the Pope

"They hope to exploit John Paul's close ties with Msgr. Marcinkus to discredit the pope," one student of Vatican politics says. Msgr. Marcinkus is much more than a Vatican administrator; he is the close confidant of the pope and arranges and accompanies the pontiff on his trips abroad.

So far, John Paul shows no signs of wavering in his support of the monsignor. The monsignor cryptically says only, "This could go on for a long time—if people want it to." He refers apparently to criticism from his and the pope's detractors.

Critics in the Curia dislike Msgr. Marcinkus in part because of his gruff American style. They distrust him because in the early 1970s he brought in as an investment adviser to the Vatican Bank Michel Sindona, the Italian financier who was later implicated in the collapse of New York's Franklin National Bank and jailed in the U.S.

The longer allegations of financial irregularities continue, the more doubt accumulates about the probity of the church itself and about John Paul's leadership. "Though I wouldn't say we are yet at this point," observes one student of the church, "the Reformation started with questions like this—who was paying money to Rome and for what purpose?"

The key appears to lie in Banco Ambrosiano. Bank of Italy officials investigating the ties between the Vatican Bank and Banco Ambrosiano insist the Vatican Bank's backing of Ambrosiano loans could prove binding. While the central bank has no direct regulatory authority over the Vatican, it believes international action could be taken to recover the funds. "We will be studying legal steps," an Italian government source says.

Potential Liability

The circumstances surrounding the Vatican Bank's backing of the loans remain a mystery. But if the Vatican Bank is held liable for the defaulted loans because of credit assurances issued by Msgr. Marcinkus, the financial repercussions for the pope will be serious. The Vatican Bank provides financing for many Vatican activities.

Banco Ambrosiano's defaults could run as high as \$1.4 billion, the Bank of Italy says. "It's impossible for the Vatican Bank to pay (such a sum)," one Vatican finance specialist says. He says the Vatican Bank's assets are probably not much more than \$300 million.

More immediately, the Vatican Bank problems compound the pope's already severe budgetary problem of financing Vatican City. John Paul has appointed a committee of 15 cardinals to study the difficulties, but little information has been released.

The overall Vatican budget this year will exceed \$75 million, with a deficit anticipated of \$20 million, Vatican sources say. Vatican expenses include the growing \$10-million-a-year payroll costs of the Curia but exclude the world-wide activities of the church.

At budget time every November the pope is asked to cover the deficit in the Vatican operations from his personal funds. These are composed of 80% of the investment earnings of the Vatican Bank (the remaining 20% are distributed directly to the poor); the investment earnings on the pope's own \$75 million portfolio; and direct contributions from Catholics around the world. The pope's contribution rose from \$2.8 million in 1971 to \$16 million last year.

Worry About Contributions

Currently, churchmen are concerned that public contributions from abroad to the pope's fund will fall because of adverse publicity about the Vatican. They note that U.S. Catholic contributions appear to have declined already—partly because the pope's hard line ideologically offends many liberals and partly as reaction to scandals in the Chicago Archdiocese relating to the use of church funds by the late John Cardinal Cody.

Pressure has also developed within the Curia to curb the activities of the Vatican Bank. The 15-member Committee of Cardinals has proposed a policy that would restrict the bank to making interest-bearing investments only. It now has holdings in gold securities and currencies. "The idea of the cardinals is to stay away from all speculation," a Vatican source says. The Ambrosiano affair could speed the adoption of this policy.

Other reforms in Vatican finance are also likely to be hastened by the pope's present financial fix.

Many of the Vatican activities, such as the radio station and the newspaper, are expected to be placed under separate corporate organizations and asked to carry their own weight financially. The Vatican's contributions to hospitals and churches in Rome, including even its own St. Peter's, would be reduced. And a "consolidated balance sheet" disclosing the Vatican's income

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and expenses would be made public for the first time.

Vatican sources say the pope himself has been the strongest moving force behind this policy of public disclosure. But he has met stern opposition from some of the same individuals in the Curia who have opposed him for ignoring their bureaucratic privileges. In the Vatican, as elsewhere, money is power. "There are 64 administrative chiefs here, and each one wants more authority," one Vatican specialist says.

Vatican Bank's Marcinkus Was Queried In U.S. Counterfeiting Case 9 Years Ago

By JANE MAYER

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — Archbishop Paul Marcinkus, the president of the Vatican bank currently under investigation by Italian authorities probing the Banco Ambrosiano affair, was questioned nine years ago in connection with a billion-dollar securities counterfeiting case, federal authorities say.

Neither Archbishop Marcinkus nor Vatican officials could be reached for comment.

William I. Aronwald, formerly the attorney in charge of the Justice Department's Organized Crime Strike Force for the Southern District of New York, said yesterday that none of the allegations implicating the Vatican bank were ever substantiated. But members of the strike force actually flew to the Vatican in April 1973 to question Archbishop Marcinkus, who is from Cicero, Ill. He had been head of the Vatican bank since 1971.

The allegations arose out of an investigation begun by the district attorney's office in New York into organized crime. The investigation became codenamed Operation Fraulein when a legal phone tap placed in a Lower Manhattan bar revealed relationships between Vincent Rizzo, a reputed Mafioso; William Benjamin, a convicted counterfeiter from Philadelphia, and several German businessmen.

The U.S. attorney's office and the Federal Bureau of Investigation entered the investigation, which uncovered a scheme to counterfeit \$950 million of American securities, printed under the name of Pan American World Airways, Chrysler Corp., and American Telephone & Telegraph Co., among others. Some of the securities, according to allegations investigated by the probe, were earmarked for the Vatican bank—officially known as Istituto per le Opere di Religione—where they were allegedly to be used as phony collateral for loans.

The investigation resulted in eight federal indictments and 18 New York State indictments, some of them against European citizens. All of the Americans pleaded guilty, but several of the Europeans could never be extradited to stand trial.

No Vatican officials were ever charged with any crimes during the two-year investigation, which Mr. Aronwald termed "exhaustive."

"I have no doubt that the people who were indicted were engaged in a sophisticated conspiracy of major importance," Mr. Aronwald said. "They planned to use these securities, some of which were earmarked for the Vatican, to bilk institutions out of

large sums of money." But no investigation, he added, "can answer all the questions you'd like."

The investigation moved from the wiretap in the Lower Manhattan bar to a wiretap in a Munich hotel room, where Mr. Rizzo met with two West German businessmen who owed him money for counterfeited securities he had given to them, Mr. Aronwald said. Mr. Rizzo later made a second trip to the same Munich hotel, the Bayerhofer, where he met with the same two businessmen and threatened to kill them if they didn't pay him. He was later convicted of threatening bodily harm, New York court records show.

Mr. Aronwald said that one of the allegations investigated by the strike force was a claim by one of those charged in the case, a convicted Austrian con man named Leopold Ledl, that someone in the Vatican had ordered up an initial \$14.5 million of the \$950 million in counterfeited securities.

Federal authorities were unable to confirm this, but did have evidence that an initial batch of counterfeit securities were brought to a monastery outside of Turin, Italy, by several of those later indicted in connection with the case, which began in 1971. The securities were received by an unidentified man dressed in a black frock coat and driving a BMW, Mr. Aronwald said.

The phony securities were detected by the Handelsbank in Zurich, where a transfer agent checked their numbers and found that they corresponded to a batch of securities that hadn't yet been issued, said Mr. Aronwald. Similarly, the securities were spotted as false by the Banco di Roma, said Mr. Aronwald.

"They couldn't have been very good forgeries," said Mr. Aronwald, "on paper the scheme looked great." In actuality, he described it as being more like "a Keystone Kops caper."

Nevertheless, back in New York, investigators concerned about the possible links to the Vatican consulted with local church officials. Mr. Aronwald and then U.S. Attorney Whitney North Seymour Jr. met with Terence Cardinal Cooke, the Archbishop of New York. Mr. Aronwald said Cardinal Cooke said he would notify the apostolic delegation in Washington to see how to proceed. A meeting was thus arranged between the American investigators and the Vatican undersecretary.

Cardinal Cooke couldn't be reached for comment last night.

On April 23, 1973, Mr. Aronwald said, he flew to the Vatican along with William Lynch, chief of the Justice Department's or-

ganized crime and racketeering section, and with FBI agent Richard Tammaro. In the Vatican they met first with a top Vatican official and then later they were able to meet with Archbishop Marcinkus about the investigation, Mr. Aronwald recalled.

"He was very cordial, and we were all very frank and business-like," recalled Mr. Aronwald, who said the meeting lasted about two hours. "He categorically denied any knowledge of the counterfeiting scheme. He said he knew of some of the people mentioned as being involved in it, but he said he had never heard of Ledl," recalled Mr. Aronwald. "He said he viewed his duties as a very solemn obligation. Basically, that was his story."

Mr. Aronwald and the other U.S. officials flew home shortly afterward, with one stop in Vienna to interview Mr. Ledl. About three months later, on July 11, 1973, nine Americans and seven Europeans were indicted in connection with the international counterfeiting ring, including Mr. Ledl. A source close to the investigation was quoted at the time as saying that "a man of the cloth" inside the Vatican was suspected as being involved.

Mr. Aronwald went into private practice in 1977, and is now a partner in the New York law firm of Bartels, Pykett and Aronwald.

The facts related by Mr. Aronwald have been authorized by William Lynch, formerly chief of the Justice Department's organized crime and racketeering section, now head of the department's General Services Administration task force.

Italian prosecutors in Milan are currently investigating Archbishop Marcinkus and two other top officials of the Vatican bank in connection with reports that the bank issued "comfort letters" supporting \$1.4 billion in loans by the financially troubled Banco Ambrosiano S.p.A. and its affiliates to a series of Panama-based companies. According to Italian authorities, the Panama companies were nominally owned by the Vatican bank.

The Vatican has been silent about the affair but has appointed three lay outsiders to investigate the Vatican bank's links to Banco Ambrosiano. But earlier this week, the Vatican rejected judicial warrants sent by Milan prosecutors to the Vatican bank executives. The warrants are a notification that the men are under investigation.

Banco Ambrosiano's affairs have been thrown into turmoil by the default on more than \$400 million in borrowings by its 68%-owned Luxembourg holding company, Banco Ambrosiano Holdings S.A. The Bank of Italy has appointed three special commissioners to sort out Banco Ambrosiano's tangled affairs, including demands that Italian authorities bail out Banco Ambrosiano.

The Banco Ambrosiano scandal surfaced in June when its then-president, Roberto Calvi, disappeared from his Rome apartment. He was subsequently found hanged in London, a death that authorities there classified as suicide. Mr. Calvi's disappearance was believed to have been touched off by a Bank of Italy discovery of the \$1.4 billion in unsecured loans to the Panama-registered companies.

The Vatican bank officially holds 1.6% of Banco Ambrosiano, Italy's largest private bank, but there have been reports that the percentage is actually higher.

The investigation of Archbishop Marcinkus's alleged connection with the Banco Ambrosiano difficulties has sent tremors through the U.S. financial community, where he had extensive contacts. A Wall Street executive who has done business with the Vatican bank chief over the years described him as a "big, easy-going guy with good, earthy humor." The Wall Street executive added: "He isn't the type of individual—to my perception—who would get himself entangled."

The archbishop has strong political and financial clout. He has accompanied Pope John Paul II on official state visits, and manages a sizable pool of church assets. Despite Archbishop Marcinkus's relaxed manner with business associates, officials say the Vatican bank is surrounded by secrecy and that it can be difficult to arrange a meeting with the archbishop.

Marcinkus, Head of Vatican Bank, Says He Didn't Know of Counterfeiting Scheme

Wall St. Journal
8/11/82

By PAUL BLUSTEIN

Staff Reporter of THE WALL STREET JOURNAL
VATICAN CITY—Archbishop Paul Marcinkus said he "never" knew of the existence of a billion-dollar securities counterfeiting scheme until U.S. authorities questioned him about it nine years ago.

"I had never heard of any of the names" of the individuals implicated in the case, said the American-born archbishop, president of the Istituto per le Opere di Religione, the Vatican bank. "There is no possible way in which we could have been involved."

The archbishop was responding to a Wall Street Journal story published Friday that disclosed that Justice Department investigators had questioned him in 1973 about the counterfeiting

scheme. The story stated—and Archbishop Marcinkus reiterated yesterday—that allegations concerning Vatican involvement were never substantiated. The allegations, he said, were evidently made by an individual with a criminal record, and are "absolutely fantastic. There is no foundation to this in any way," he asserted.

In an interview yesterday at his Vatican bank office, the archbishop declined to comment on another, more recent matter that has become the subject of an intense investigation—the collapse of Banco Ambrosiano S.p.A. of Milan. Banco Ambrosiano was ordered into liquidation last Friday, seven weeks after its chairman, Roberto Calvi, was found hanged under a bridge in London.

Unostentatious Office

Dressed in a short-sleeved black shirt and white clerical collar, the tall, barrel-chested archbishop appeared relaxed and even jocular at times, filling the air with frequent puffs from his pipe. His second-floor Vatican office, accessible only after clearance by the watchful Swiss Guards, is only a few hundred feet from St. Peter's Square. It is tastefully furnished in an unostentatious style, more befitting that of a high-ranking banking executive than of a powerful cleric. There is a couch and two easy chairs. A crucifix sits atop his dark wooden desk.

"All my life I have tried to avoid publicity," he said, "and I get clobbered now." Referring to press reports that have made even his Lithuanian ancestry seem sinister, the Cicero, Ill., native remarked, "I can say I have a very difficult time recognizing myself in some of these descriptions."

Referring to the business relationship between the Vatican bank and Banco Ambrosiano, Archbishop Marcinkus said: "There will be a time when that will be explained." The Vatican has appointed a panel of three laymen to look into the matter.

Panamanian Companies

Meanwhile, a high Vatican source said yesterday that the Vatican bank doesn't own a series of mysterious Panamanian companies that figure centrally in the affair. Those Panamanian companies, according to Italian authorities, received about \$1.4 billion in unsecured loans from Banco Ambrosiano and its foreign affiliates.

"Those Panamanian companies aren't ours," the Vatican source said.

Italian authorities have said they believe the Vatican bank owns the Panamanian companies, at least nominally. Treasury Ministry and Bank of Italy officials also have suggested that the Vatican bank is responsible for the Ambrosiano group's huge loan exposure because the Vatican bank issued "letters of comfort" to Banco Ambrosiano's Latin American banking affiliates, offering a moral endorsement of sorts to the Panamanian borrowers.

Archbishop Marcinkus declined to comment on why the letters of comfort were issued, what he thinks the loans were used

he was later given a letter from Mr. Calvi absolving the Vatican bank of any financial responsibility for the loans. He did reiterate one of the only statements he has made publicly since the affair burst into the headlines two months ago: "I've never done anything that could be considered, even in the slightest way, fraudulent," he said.

Scheme Uncovered

The Wall Street Journal story to which the archbishop responded quoted William I. Aronwald, former head of the Organized Crime Strike Force for the Southern District of New York, as saying that legal wiretaps placed in New York and West Germany in the early 1970s uncovered a scheme to counterfeit \$950 million of securities in such large U.S. companies as Pan American World Airways, Chrysler Corp. and American Telephone & Telegraph Co. The investigation resulted in eight federal indictments, 18 New York State indictments, and guilty pleas from several U.S. citizens charged in the case.

According to the federal indictment, one of those charged, an Austrian con man named Leopold Ledl, claimed that a connection of his in the Vatican had specifically ordered an initial \$14.5 million of the bogus securities. Federal law enforcement officers investigated the possibility that these securities were going to be used as phony collateral for loans. They were unable to find credible evidence to confirm this allegation, although they obtained evidence that a batch of the counterfeit securities was delivered to a monastery outside of Turin, Italy, the indictment shows.

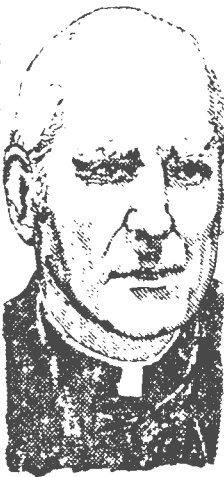
A book entitled "The Vatican Connection," to be published later this month by Holt, Rinehart & Winston, reportedly focuses heavily on a Vatican role in the counterfeiting scheme. Both the publisher and the author, Richard Hammer, decline to discuss the book's contents in any way, and Holt Rinehart has taken unusual precautions to ensure that galley proofs don't leave its offices.

However, several people who have had access to the galleys say that the book goes far beyond the conclusions of the 1971 Justice Department investigation in terms of Archbishop Marcinkus's alleged role in the case.

Yesterday Archbishop Marcinkus said he had received a letter summarizing some of the book's main points. Archbishop Marcinkus said that according to the letter one point alleged in the book is that he was to receive a \$150 million kickback from the counterfeiting scheme. "That would be nice, wouldn't it?" the archbishop joked.

In April 1973, according to Mr. Aronwald, a "cordial" Archbishop Marcinkus received a Justice Department delegation in the Vatican. The archbishop "categorically denied any knowledge" of the counterfeiting scheme, Mr. Aronwald said.

Archbishop Marcinkus said yesterday: "I never knew that this case existed before the moment Mr. Aronwald came here." He rattled off the names of some of the men the Journal story cited as implicated in the scheme. "Vincent Rizzo? William Benjamin? I never met or talked to them in my life," he said.



Friday, August 6, 1982

Vatican Bank's Marcinkus Was Queried In U.S. Counterfeiting Case 9 Years Ago

By JANE MAYER

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — Archbishop Paul Marcinkus, the president of the Vatican bank currently under investigation by Italian authorities probing the Banco Ambrosiano affair, was questioned nine years ago in connection with a billion-dollar securities counterfeiting case, federal authorities say.

Neither Archbishop Marcinkus nor Vatican officials could be reached for comment.

William I. Aronwald, formerly the attorney in charge of the Justice Department's Organized Crime Strike Force for the Southern District of New York, said yesterday that none of the allegations implicating the Vatican bank were ever substantiated. But members of the strike force actually flew to the Vatican in April 1973 to question Archbishop Marcinkus, who is from Cicero, Ill. He had been head of the Vatican bank since 1971.

The allegations arose out of an investigation begun by the district attorney's office in New York into organized crime. The investigation became codenamed Operation Fraulein when a legal phone tap placed in a Lower Manhattan bar revealed relationships between Vincent Rizzo, a reputed Mafioso; William Benjamin, a convicted counterfeiter from Philadelphia, and several German businessmen.

The U.S. attorney's office and the Federal Bureau of Investigation entered the investigation, which uncovered a scheme to counterfeit \$950 million of American securities, printed under the name of Pan American World Airways, Chrysler Corp., and American Telephone & Telegraph Co., among others. Some of the securities, according to allegations investigated by the probe, were earmarked for the Vatican bank—officially known as Istituto per le Opere di Religione—where they were allegedly to be used as phony collateral for loans.

The investigation resulted in eight federal indictments and 18 New York State indictments, some of them against European citizens. All of the Americans pleaded guilty, but several of the Europeans could never be extradited to stand trial.

No Vatican officials were ever charged with any crimes during the two-year investigation, which Mr. Aronwald termed "exhaustive."

"I have no doubt that the people who were indicted were engaged in a sophisticated conspiracy of major importance," Mr. Aronwald said. "They planned to use these securities, some of which were earmarked for the Vatican, to bilk institutions out of

large sums of money." But no investigation, he added, "can answer all the questions you'd like."

The investigation moved from the wiretap in the Lower Manhattan bar to a wiretap in a Munich hotel room, where Mr. Rizzo met with two West German businessmen who owed him money for counterfeited securities he had given to them, Mr. Aronwald said. Mr. Rizzo later made a second trip to the same Munich hotel, the Bayerhofer, where he met with the same two businessmen and threatened to kill them if they didn't pay him. He was later convicted of threatening bodily harm, New York court records show.

Mr. Aronwald said that one of the allegations investigated by the strike force was a claim by one of those charged in the case, a convicted Austrian con man named Leopold Ledl, that someone in the Vatican had ordered up an initial \$14.5 million of the \$950 million in counterfeited securities.

Federal authorities were unable to confirm this, but did have evidence that an initial batch of counterfeit securities were brought to a monastery outside of Turin, Italy, by several of those later indicted in connection with the case, which began in 1971. The securities were received by an unidentified man dressed in a black frock coat and driving a BMW, Mr. Aronwald said.

The phony securities were detected by the Handelsbank in Zurich, where a transfer agent checked their numbers and found that they corresponded to a batch of securities that hadn't yet been issued, said Mr. Aronwald. Similarly, the securities were spotted as false by the Banco di Roma, said Mr. Aronwald.

"They couldn't have been very good forgeries," said Mr. Aronwald, "on paper the scheme looked great." In actuality, he described it as being more like "a Keystone Kops caper."

Nevertheless, back in New York, investigators concerned about the possible links to the Vatican consulted with local church officials. Mr. Aronwald and then U.S. Attorney Whitney North Seymour Jr. met with Terence Cardinal Cooke, the Archbishop of New York. Mr. Aronwald said Cardinal Cooke said he would notify the apostolic delegation in Washington to see how to proceed. A meeting was thus arranged between the American investigators and the Vatican undersecretary.

Cardinal Cooke couldn't be reached for comment last night.

On April 23, 1973, Mr. Aronwald said, he flew to the Vatican along with William Lynch, chief of the Justice Department's or-

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ganized crime and racketeering section, and with FBI agent Richard Tammaro. In the Vatican they met first with a top Vatican official and then later they were able to meet with Archbishop Marcinkus about the investigation, Mr. Aronwald recalled.

"He was very cordial, and we were all very frank and business-like," recalled Mr. Aronwald, who said the meeting lasted about two hours. "He categorically denied any knowledge of the counterfeiting scheme. He said he knew of some of the people mentioned as being involved in it, but he said he had never heard of Ledl," recalled Mr. Aronwald. "He said he viewed his duties as a very solemn obligation. Basically, that was his story."

Mr. Aronwald and the other U.S. officials flew home shortly afterward, with one stop in Vienna to interview Mr. Ledl. About three months later, on July 11, 1973, nine Americans and seven Europeans were indicted in connection with the international counterfeiting ring, including Mr. Ledl. A source close to the investigation was quoted at the time as saying that "a man of the cloth" inside the Vatican was suspected as being involved.

Mr. Aronwald went into private practice in 1977, and is now a partner in the New York law firm of Partels, Pykett and Aronwald.

The facts related by Mr. Aronwald have been authorized by William Lynch, formerly chief of the Justice Department's organized crime and racketeering section, now head of the department's General Services Administration task force.

Italian prosecutors in Milan are currently investigating Archbishop Marcinkus and two other top officials of the Vatican bank in connection with reports that the bank issued "comfort letters" supporting \$1.4 billion in loans by the financially troubled Banco Ambrosiano S.p.A. and its affiliates to a series of Panama-based companies. According to Italian authorities, the Panama companies were nominally owned by the Vatican bank.

The Vatican has been silent about the affair but has appointed three lay outsiders to investigate the Vatican bank's links to Banco Ambrosiano. But earlier this week, the Vatican rejected judicial warrants sent by Milan prosecutors to the Vatican bank executives. The warrants are a notification that the men are under investigation.

Banco Ambrosiano's affairs have been thrown into turmoil by the default on more than \$400 million in borrowings by its 68%-owned Luxembourg holding company, Banco Ambrosiano Holdings S.A. The Bank of Italy has appointed three special commissioners to sort out Banco Ambrosiano's tangled affairs, including demands that Italian authorities bail out Banco Ambrosiano.

The Banco Ambrosiano scandal surfaced in June when its then-president, Roberto Calvi, disappeared from his Rome apartment. He was subsequently found hanged in London, a death that authorities there classified as suicide. Mr. Calvi's disappearance was believed to have been touched off by a Bank of Italy discovery of the \$1.4 billion in unsecured loans to the Panama-registered companies.

The Vatican bank officially holds 1.6% of Banco Ambrosiano, Italy's largest private bank, but there have been reports that the percentage is actually higher.

The investigation of Archbishop Marcinkus's alleged connection with the Banco Ambrosiano difficulties has sent tremors through the U.S. financial community, where he had extensive contacts. A Wall Street executive who has done business with the Vatican bank chief over the years described him as a "big, easy-going guy with good, earthy humor." The Wall Street executive added: "He isn't the type of individual--to my perception--who would get himself entangled."

The archbishop has strong political and financial clout. He has accompanied Pope John Paul II on official state visits, and manages a sizable pool of church assets. Despite Archbishop Marcinkus's relaxed manner with business associates, officials say the Vatican bank is surrounded by secrecy and that it can be difficult to arrange a meeting with the archbishop.

Criminal-Case Intervention

U.S. Scolds Envoy to Vatican

By Mary Thornton
Washington Post Staff Writer

William A. Wilson, ambassador to the Vatican and a close personal friend of President Reagan, has been admonished by a high-level Justice Department attorney for personally intervening in an international criminal case.

In a second incident, a senior official at the State Department has cabled Wilson to express concern at his possible involvement in another sensitive criminal case.

Wilson's role in the cases of Vatican banker Archbishop Paul C. Marcinkus and fugitive financier Marc Rich was reported

yesterday in the Los Angeles Times.

Wilson, a wealthy Los Angeles developer and rancher, has been a long-time member of Reagan's so-called "Kitchen Cabinet" of close advisers and served for many years as co-trustee of the legal trust that manages the president's financial assets.

Because of his closeness to Reagan, administration officials say they fear that Wilson's actions could embarrass the president in an election year.

In the Marcinkus case, administration sources said Wilson wrote a letter on Marcinkus' behalf to Attorney General William

French Smith in 1982 to determine whether Marcinkus was under investigation by U.S. authorities and to vouch for his good character.

Smith is also a close Reagan friend and long-time member of the "Kitchen Cabinet."

When the letter was written, Marcinkus, an American-born friend of Wilson, was under investigation by Italian authorities for the role that he and the Vatican bank—known as the Institute for Religious Works—played in Italy's largest banking scandal: the 1982 collapse of the \$1.2 bil-

lion Banco Ambrosiano. Marcinkus, who was president of the Vatican bank, had issued "letters of patronage" to Roberto Calvi, president of the Banco Ambrosiano, which Calvi reportedly used to obtain large loans.

Calvi was found June 18, 1982, hanged from a bridge over the Thames River in London. The death was ruled a suicide, but a British court later overturned the suicide verdict and ordered a new inquest into Calvi's death. The second inquest was inconclusive, ruling that the cause of death was a mystery.

When he wrote the letter to Smith, Wilson was Reagan's unpaid personal envoy to the Vatican. Wilson was nominated formally by Reagan last January as ambassador to the Vatican and confirmed by the Senate in March, when full diplomatic relations were established between the United States and the Vatican.

Wilson did not respond yesterday to telephone calls from The Washington Post.

In an interview with the Los Angeles Times, Wilson drew a distinction between his activities as Reagan's unpaid envoy and his government service after becoming ambassador.

"You must realize that as a personal envoy of the president, I was not a paid employe of the government. I was free to carry on my own business as I saw it," he told the newspaper.

But according to sources, Wilson continued at least until last May—after his confirmation as ambassador to the Vatican—in his efforts to determine whether Marcinkus is the target of a U.S. investigation.

At that time, the sources said, he telephoned FBI Director William H. Webster to ask about the case. Dave Divan, a spokesman for the FBI, refused to confirm yesterday whether Wilson made such a call.

Meanwhile, federal sources said yesterday that although the FBI is not investigating Marcinkus, the U.S. Customs Service has an interest in his activities in connection with a money-laundering investigation. Dennis Murphy, a Customs spokesman, refused to comment.

Wilson's 1982 letter went directly to the attorney general because of their long-time association. It was written after widespread international news reports raised questions about whether Marcinkus would be removed from his Vatican post because of the Ambrosiano scandal. He remains under investigation by an Italian court in connection with the bank's collapse.

An administration source said the Wilson letter to Smith was strongly criticized by Kenneth W. Starr, who was then counselor to the attorney general and now is a judge on the U.S. Court of Appeals here. The source said a letter signed by Starr was sent to Wilson, warning that his contact with the attorney general on the Marcinkus matter was "inappropriate."

Despite Starr's letter, the source said, Wilson invited Marcinkus to a breakfast in his Rome villa when Smith and his wife, Jean, were houseguests there in November 1982. Smith was there to meet with Italian authorities on his return from a long foreign trip dealing with refugee and drug-enforcement issues.

An administration source said aides to Smith immediately became alarmed at the possibility of a breakfast meeting between Smith and Marcinkus, because of alleged ties between Marcinkus and Michele Sindona, the Italian financier who was convicted in 1980 of 65 counts of fraud in connection with the collapse of the Franklin National Bank. Sindona is serving a 25-year prison term in the United States.

Sindona's case was then the subject of ongoing negotiations between the Justice Department and the Italian government, which wanted to extradite Sindona to Italy, where he has been charged with fraudulent bankruptcy, violation of Italian banking laws and falsification of company figures.

Wilson told the Los Angeles Times that he invited Marcinkus to breakfast while the Smiths were visiting because "it just seemed an appropriate time to get them together. Both [Smith and Marcinkus] play tennis and golf. They discussed those issues. I don't recall them discussing any substantive issues, however."

An official familiar with the breakfast said Smith and his aides had come to a "concensus" that a full breakfast meeting with Smith and Marcinkus present would present an "awkward situation. [Smith] decided not to participate in the breakfast but to just do a 'drop by,' to shake hands, that sort of thing."

The Los Angeles Times also reported that a top State Department official had tried unsuccessfully to prevent Wilson from becoming involved in the case of financier Marc Rich, a New York-based commodities trader who renounced U.S. citizenship, fled to Switzerland and was indicted in the nation's largest tax-evasion case.

According to the newspaper, then-Undersecretary of State Lawrence S. Eagleburger cabled Wilson on Dec. 12, 1983: "Our legal advisers and the Justice Department are all extremely nervous about any involvement at all on your part in this case."

The Times said Wilson nevertheless met shortly thereafter with a Swiss foreign ministry official to discuss the case and later reported to Eagleburger about his conversation.

Eagleburger could not be reached yesterday for comment, and State Department officials refused to comment further on the matter.

Sources in the office of U.S. Attorney Rudolph Giuliani in New York, where the Rich case is being handled, said that neither Giuliani nor lawyers working on the case were made aware of any attempt by Wilson to intervene.

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U.S.-VATICAN ENVOY TOLD TO MIND HIS OWN BUSINESS
BY ROBERT MACKAY

WASHINGTON (UPI) -- A HIGH-LEVEL JUSTICE DEPARTMENT ATTORNEY HAS ADMONISHED WILLIAM WILSON, U.S. AMBASSADOR TO THE VATICAN, FOR TRYING TO INVOLVE THE ATTORNEY GENERAL IN AN INTERNATIONAL CRIMINAL CASE, AN OFFICIAL SAID MONDAY.

WILSON, A LONGTIME MEMBER OF PRESIDENT REAGAN'S CALIFORNIA "KITCHEN CABINET" OF CLOSE ADVISERS, WROTE A LETTER TO ATTORNEY GENERAL WILLIAM FRENCH SMITH IN 1982 ASKING SMITH TO DETERMINE WHETHER VATICAN BANKER ARCHBISHOP PAUL MARCINKUS WAS UNDER INVESTIGATION BY U.S. AUTHORITIES AND TO VOUCH FOR HIS CHARACTER, SAID THE OFFICIAL FAMILIAR WITH THE COMMUNICATIONS.

AT THE TIME, MARCINKUS -- AN AMERICAN-BORN FRIEND OF WILSON -- WAS UNDER INVESTIGATION BY ITALIAN AUTHORITIES FOR THE ROLE HE AND THE VATICAN BANK, THE INSTITUTE FOR RELIGIOUS WORKS, PLAYED IN ITALY'S LARGEST BANKING SCANDAL -- THE 1982 COLLAPSE OF THE \$1.2 BILLION BANCO AMBROSIANO.

"AMBASSADOR WILSON COMMUNICATED IN WRITING INDICATING THERE HAD BEEN MISUNDERSTANDINGS ABOUT MR. MARCINKUS AND THAT AN INTERNAL INVESTIGATION AT THE VATICAN ITSELF HAD BEEN CARRIED OUT AND HAD EXONERATED MR. MARCINKUS OF ANY WRONGDOING," THE GOVERNMENT OFFICIAL SAID.

ALTHOUGH THERE WAS NO ONGOING U.S. INVESTIGATION OF MARCINKUS, "THE DETERMINATION (IN THE JUSTICE DEPARTMENT) WAS MADE THAT A COMMUNICATION SHOULD GO BACK TO AMBASSADOR WILSON AND INDICATE THAT ANY MATTERS CONCERNING MR. MARCINKUS WOULD NOT BE AN APPROPRIATE MATTER FOR THE ATTORNEY GENERAL'S INVOLVEMENT," THE OFFICIAL SAID.

A LETTER STRONGLY CRITICIZING THE WILSON OVERTURE WAS SENT TO THE AMBASSADOR BY KENNETH STARR, WHO WAS COUNSELOR TO THE ATTORNEY GENERAL. STARR NOW IS A JUDGE ON THE U.S. COURT OF APPEALS.

"IT WAS SIMPLY A QUESTION OF PROPRIETY OF APPEARANCE," THE OFFICIAL SAID.

THE LOS ANGELES TIMES ALSO REPORTED THAT A TOP STATE DEPARTMENT OFFICIAL HAD TRIED UNSUCCESSFULLY TO PREVENT WILSON FROM BECOMING INVOLVED IN THE CASE OF FINANCIER MARC RICH, A NEW YORK COMMODITIES TRADER WHO RENOUNCED HIS U.S. CITIZENSHIP, FLED TO SWITZERLAND AND WAS INDICATED IN THE NATION'S LARGEST TAX EVASION CASE.

ACCORDING TO THE NEWSPAPER, UNDERSECRETARY OF STATE LAWRENCE EAGLEBURGER CABLED WILSON DEC. 12, 1983: "OUR LEGAL ADVISERS AND THE JUSTICE DEPARTMENT ARE ALL EXTREMELY NERVOUS ABOUT ANY INVOLVEMENT AT ALL ON YOUR PART IN THIS CASE."

THE TIMES SAID THAT DESPITE THE CABLE, WILSON MET SHORTLY AFTERWARD WITH A SWISS FOREIGN MINISTRY OFFICIAL TO DISCUSS THE CASE.

EAGLEBURGER RETIRED LAST MONTH FROM THE FOREIGN SERVICE.

WILSON WAS REAGAN'S UNPAID PERSONAL ENVOY TO THE VATICAN IN 1982. HE WAS FORMALLY NOMINATED BY REAGAN IN JANUARY WHEN THE UNITED STATES ESTABLISHED AN EMBASSY AT THE VATICAN. HE WAS CONFIRMED BY THE SENATE AS AMBASSADOR IN MARCH.

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