

**Spence arrested in N.Y., released; Once-host to powerful reduced to begging, sleeping in park  
Michael Hedges, and Jerry Seper THE WASHINGTON TIMES; Part A; Pg. A1 August 9, 1989,  
Wednesday, Final Edition**

**NEW YORK**

Craig J. Spence, the once-powerful Washington lobbyist under scrutiny by the Secret Service for late-night White House tours and theft from the presidential mansion, was arrested here last week for carrying a loaded gun and crack cocaine.

Mr. Spence, who has spent recent weeks prowling this city's finest hotels, cutting deals with inmates to protect himself in jail and eventually sleeping on a bench in Central Park, faces up to eight years in prison.

Monday, in a tense eight-hour interview with The Washington Times at a friend's apartment where reporters had tracked him, Mr. Spence said the discovery in 1986 that he had AIDS triggered his descent into using call boys and crack.

In a conversation that plumbed the depths of morbidity and self-pity, Mr. Spence caressed a shiny, double-edged razor blade he said he would ultimately use to kill himself and alluded frequently to his impending suicide, a move he said he would take before AIDS debilitates him.

Asked how he thought he would be remembered in Washington, he quoted Carl Sandburg: "Does it matter in the dust and the cool tombs . . ."

Mr. Spence said he left Washington early in July after becoming aware - through news accounts - of the Secret Service investigation. He spent several nights in expensive hotels in New York, rapidly spending his diminishing funds, according to hotel records and his account.

He was arrested July 31 at the Barbizon Hotel on East 63rd Street in Manhattan. According to police records, police took Mr. Spence into custody after a disturbance there. A loaded 9mm pistol was seized, along with a small amount of crack.

He spent parts of the next three days in jail before being released on personal recognizance Aug. 2. He faces another hearing Aug. 28. Maximum sentences for the charges against him total eight years in prison.

Mr. Spence's account of the episode considerably colored the drab prose of police reports. He said he had set up a meeting with a call boy who arrived with drugs.

When the male escort attempted to steal \$10,000 in cash and traveler's checks from his room, according to Mr. Spence and police reports, Mr. Spence started the ruckus that led to the arrest.

"They put me in the Tombs [slang for the New York jail] for three days without a phone call," Mr. Spence said. "I survived by offering to be the valet to the biggest thug there, a man appropriately named Heavy, and giving him half my bologna sandwich. I had to teach him not to pronounce it 'val-ay' like some parking attendant."

Mr. Spence, who is central to an investigation into the theft of Truman administration china from the White House and a male call-boy ring raided in February by D.C. police and federal agents, has eluded Secret Service agents and reporters since his dealings were first reported by The Times on June 29.

Mr. Spence, 48, who is being sought by the Secret Service to testify early next week before a grand jury empaneled by U.S. Attorney Jay Stephens, said the late-night tours could not have been set up by uniformed

Secret Service Officer Reginald deGueldre. Officer deGueldre and another officer were suspended without pay last week as a result of the ongoing White House investigation.

"Reggie couldn't have arranged anything," Mr. Spence said. "Poor Reggie is a nice guy. I gave him a Rolex watch unsolicited, and he later gave me this little 'dish,' as Rosalyn Carter would say, out of the Truman china. I didn't ask for it.

"Reggie's like an elevator operator pushing the buttons. But he is not the guy who can clear it for you to get in the elevator."

**Mr. Spence hinted the tours were arranged by "top-level" officials, including Donald Gregg, national security adviser to Vice President Bush and now ambassador-designate to South Korea.**

**"Who was it who got Felix Rodriguez [the CIA's former Costa Rica station chief, who became embroiled in the Iran-Contra affair] in to see Bush?" Mr. Spence asked when pressed to say who got him inside the White House. He agreed that he was alluding to Mr. Gregg.**

**Mr. Gregg yesterday dismissed the allegation as "absolute bull." Vacationing in Delaware, Mr. Gregg said the only time he met Mr. Spence - at an April party the lobbyist arranged for former South Korean Prime Minister Nam Duc Woo - he found him to be "a thoroughly unpleasant character."**

"It disturbs me that he can reach a slimy hand out of the sewer to grab me by the ankle like this," Mr. Gregg said. "The allegations are totally false."

Mr. Spence said all of the parties he held at his Kalorama home were bugged by "friendly" intelligence agents.

He described in detail how he rigged his apartment with listening devices in electrical outlets in the walls after he was approached by an intelligence agency that he refused to identify.

"They basically just wanted to be sure that nothing was being said that shouldn't be said," he said.

He boasted that he had "created" important Japanese politicians, conducted covert operations for Central American governments and traveled in a circle of high-ranking closet homosexuals in Washington. He said he would not identify homosexuals in the Bush administration.

"I'm not going to smear the Republican Party," he said.

Mr. Spence described other midnight White House tours, including one he said he arranged for a group of powerful Japanese businessmen who, he said, photographed themselves in the Oval Office.

**He alluded frequently to even deeper mysteries. "All this stuff you've uncovered, to be honest with you, is insignificant compared to other things I've done. But I am not going to tell you those things, and somehow the world will carry on without knowing," he said.**

**After he became aware of Secret Service interest in his activities, Mr. Spence said he destroyed audio tapes and hundreds of photographs, many obtained surreptitiously during his parties. By the time the Secret Service raided his apartment in July, he said all that was left behind was his AZT anti-AIDS medicine.**

A Secret Service source confirmed that the agency served a search warrant at the Massachusetts Avenue apartment and that agents did in fact find vials of AZT.

**Careening from the wit that had won him powerful friends to glum resignation that "my life is over," Mr. Spence reserved his deepest bitterness for former acquaintances who he said have now forsaken him. "I've had the world at my house and now they don't know who I am," he said. "But they did come, didn't they?"**

Mr. Spence said that he frequently used call-boy services and that he liked "handsome young blond, 19-year-old boys," but he said he had not spent \$20,000 a month for them, as reflected in credit card documents obtained by The Times. These charges were inflated illegally by one escort service manager, he said. He declined to elaborate but said he fired his accountant over the matter - although it was never turned over to authorities.

During his hour as a Washington host, Mr. Spence dressed in Edwardian finery and lived extravagantly, affecting touches such as scarlet-lined capes and stretch limousines.

Among those who frequented his parties were journalists Eric Sevareid, Ted Koppel and William Safire; former CIA Director William Casey; the late John Mitchell, attorney general in the Nixon administration; conservative activist Phyllis Schlafly; then-Ambassador to Korea (now to China) James Lilley; and Gen. Alfred M. Gray, commandant of the Marine Corps.

Arnaud de Borchgrave, editor-in-chief of The Times, said he went to dinner once at Mr. Spence's home, to honor Mr. Lilley.

Even in recent months, Mr. Spence insisted, he retained enough cachet to set up large business negotiations such as one between the Washington law firm of Bishop, Cook, Purcell and Reynolds - represented by former U.S. Attorney Joseph diGenova - and a major computer manufacturer, Compaq.

He said influential persons such as Mr. diGenova, although aware of his increasing use of drugs, courted him for his network of business connections.

Mr. diGenova was in Hawaii yesterday and could not be reached for comment. A secretary, told of the nature of the inquiry, said she could not divulge Mr. diGenova's vacation telephone number. In earlier interviews, the former federal prosecutor said he went to Japan with Mr. Spence and Mr. Bishop in 1988 on business.

"When I got back from Japan, some anonymous person suggested that [Mr. Spence] might be using cocaine. Well, of course, my antennae went up right away and I checked those rumors out . . . and found much to my surprise that people suspected the worst," Mr. diGenova said.

At that point, Mr. diGenova said, he severed his relationship with Mr. Spence. "When you compared it to his other eccentric behavior, it made sense. But I had no evidence whatsoever," he said.

Mr. diGenova said he never took his concern that Mr. Spence might be using drugs to authorities and said he had never witnessed cocaine use by Mr. Spence or others at the parties.

A spokeswoman for Compaq, which is based in Houston, said yesterday that the firm had no record of any contact with Mr. Spence. She said, however, that there had been dealings with Mr. Bishop's law firm, but she declined to say what they were.

By Monday, Mr. Spence's flash had been replaced by the grim residue of his recent three-day stay in a New York City jail and a fitful night on a Central Park bench during which, he said, muggers had lifted the last few dollars he'd borrowed from a friend.

Located by reporters at the stylish apartment of a friend near Central Park, Mr. Spence first resisted, then relished describing his career.

After initial jobs in Massachusetts politics and as a correspondent for ABC News in Vietnam, Mr. Spence began focusing on Far Eastern affairs, he said.

**Mr. Spence said his "genius" was in recognizing before other U.S. observers that Japan was headed for economic greatness and in being able to identify and help Japanese Diet members on the way up.**

"I became a very significant intellectual force in Japan," he said with typical braggadocio. "I created three members of the Japanese Diet. It's called perspicuity. I saw a future prime minister in an obscure little man named [Yasuhiro] Nakasone when all our spastics here didn't see that."

Mr. Spence claimed he coached Mr. Nakasone on dealing with the United States, advising him to buy President Reagan a saddle for a present rather than golf clubs and always to mention the former president's movies just before the press was admitted for photo opportunities to ensure the two would be engaged in animated conversation.

Among his achievements, Mr. Spence said, was producing a "brilliant" position paper that persuaded the Japanese to allow the Palestine Liberation Organization to open an office in Tokyo.

He also said he greatly enhanced the reputation of Motoo Shiina, a powerful member of the Diet, Japan's parliament, who is considered Japan's top expert on defense issues and a likely future prime minister.

"Motoo's father, Etsusburo, who was a great man, asked me to help his son, who he saw as playboy," Mr. Spence said. "I made Motoo Shiina in the United States, then he sued me."

The lawsuit over a house on Wyoming Avenue NW, in a fashionable neighborhood of homes of senior diplomats, began when Mr. Shiina sought the return of \$345,000 he had lent Mr. Spence to purchase the property. Eventually, the suit would be dropped on the day Mr. Shiina was to give a sworn deposition.

The settlement terms led to Mr. Spence's company's getting \$68,000 from the Policy Studies Group headed by Mr. Shiina. Mr. Spence agreed to repay Mr. Shiina \$379,000 at 5 percent interest.

The money was repaid when Mr. Spence sold the house for \$900,000, and he kept the approximately \$500,000 profit.

Mr. Spence said yesterday that he had forced Mr. Shiina's attorneys to drop the suit by threatening to reveal that the money was "hot."

**"The money came into the country illegally from Hong Kong, and I knew it," he said. "That's why I could be so sarcastic in my deposition. I knew they wouldn't push it."**

Mr. Shiina has denied any wrongdoing in the case. He has specifically denied any violations of currency exchange laws.

Mr. Spence said he later turned his lobbying talents to China, with the intention of establishing high-level influence there. "They have no money. What were they going to pay me with - rice?" he asked. "I did it to make contacts."

Throughout this period, Mr. Spence admitted to leading a dual-level existence, with separate but strong excitements.

On the surface, he threw dazzling parties and weighty seminars, ensnaring Washington celebrities.

A profile of Mr. Spence in The New York Times in January 1982 was headlined "Have Names, Will Open Right Doors." The article quoted a Washington Post columnist saying of Mr. Spence in 1980: "Not since Ethel Kennedy used to give her famous Hickory Hill seminars for great minds of our times during the days of Camelot has anyone staged seminars successfully on a continuing social basis in Washington. That's what Craig Spence has been doing."

Mr. Spence was described in The New York Times as "something of a mystery man who dresses in Edwardian dandy style, a former television correspondent who now wears many hats, including international business consultant, party host, registered foreign agent and something called 'research journalist.' "

One former friend, William Harben, said of those days: "He conned people into going to parties - big people, Cabinet members, and personalities and so forth. Everybody likes to go to a free party around here."

That description eerily paralleled Mr. Spence's depiction of the guests at his soirees. "The town [Washington] is full of phonies," he said Monday. "All of these people I helped have turned on me."

The business was lucrative. Mr. Spence earns \$200,000 a year as a consultant for Becton, Dickinson & Co., a New Jersey-based firm that makes health care products for physicians, laboratories, pharmacies and the general public. He has worked for the firm since the fall of 1981 and, according to a Becton, Dickinson spokesman, is under contract until March 1990.

In documents filed with the Justice Department, Mr. Spence said he made \$666,774 working for the Policy Study Group, a company of which Mr. Shiina was president between 1979 and 1983.

He made many thousands more for other foreign and domestic companies but said Monday that he had no access to money. He said his accounts had been "frozen" but refused to elaborate.

Mr. Spence admitted Monday to a second lifestyle he kept hidden from most, in which he pursued young "military-looking" men. He bragged of many sexual conquests of otherwise straight men, including several servicemen stationed in the Washington area.

Mr. Spence said he discovered he had AIDS "about three years ago" after going to Johns Hopkins Medical Center on the advice of his doctor.

GRAPHIC: Box, On the trail of Craig J. Spence