

THE CIA AND DRUG PROXIES IN SOUTH-EAST  
ASIA AND LATIN AMERICA:

THE SECRET HISTORY OF THE CIA'S  
INVOLVEMENT IN THE NARCOTICS TRADE

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## **LIST OF REGULARLY USED ABBREVIATIONS**

AAA – Argentine Anti-Communist Alliance  
ACC – NATO’s Allied Clandestine Committee  
ADDO – CIA Associate Deputy Director of Operations  
AMGOT – Allied Military Government (Italy)  
ANSEAL - Salvadoran National Security Agency  
APACL - Asian People’s Anti-Communist League  
ARDE – Southern Front contra forces, Costa Rica  
ARENA – Salvadoran Military Death Squad  
ATC – Air Traffic Control  
FBDD – Federal Bureau of Narcotics and Dangerous Drugs  
CAL – Latin American Anti-Communist League  
CAT – Civil Air Transport (CIA Proprietary)  
CGT - Communist-Socialist labor coalition  
CIA – Central Intelligence Agency  
CIC – U.S. Army Counter Intelligence Corps  
CORU - Coordination of United Revolutionary Organizations  
CPC – NATO’s Clandestine Planning Committee  
CPPG – NSC Standing Crisis Pre-Planning Group  
DCI – Director of Central Intelligence  
DDO – CIA Deputy Director of Operations  
DEA – Drug Enforcement Administration  
DIA – U.S. Defense Intelligence Agency  
DINA – Chilean Secret Police  
DO – CIA’s Directorate of Operations  
DOD – U.S. Department of Defense  
DOJ – U.S. Department of Justice  
FBN – Federal Bureau of Narcotics  
FDN – main contra force based in Honduras  
FSLN – the Sandinistas  
G-2 – Military Intelligence  
IDF – Israeli Defense Force  
IRS – Inland Revenue Service  
ISA – U.S. Army Intelligence Support Activity  
KMT – Kuomintang, Nationalist Chinese forces  
LOA – Laotian Opium Administration  
MACG – French Military’s Mixed Airborne Commando Group  
MAG-SOG - Military Assistance Group-Special Operations Group  
MSM – Main-Stream Media, or Big Corporate Media  
NHAO - Nicaraguan Humanitarian Assistance Office  
NSA – National Security Agency  
NSC – National Security Council  
NSDD – National Security Decision Directive  
ONI – Office of Naval Intelligence

OSS – Office of Strategic Services  
P-2 - Italian Masonic Lodge, Propaganda Due  
PDF – Panamanian Defense Force  
RIG - Restricted Interagency Group  
SAT – Southern Air Transport  
SDECE – French equivalent to the CIA  
SEA – Southeast Asia  
SEC – Securities and Exchange Commission  
SIDE – Argentinean Secret Police  
SISMI - Italian Military Intelligence  
SOD – U.S. Army Special Operations Division  
SOM – School of the Americas  
SSG – NSC Special Situations Group  
USAID – United States Agency for International Development  
WACL - World Anti-Communist League  
WFC – World Financing Corporation (CIA affiliated company)

## INTRODUCTION

The purpose of this dissertation is to explore what is perhaps the greatest story never told within the annals of the academic literature on American foreign policy: namely that the CIA, almost from its inception, has sought financing for covert operations from the drugs trade; an underground industry "estimated to be worth between \$500 billion and \$1 trillion a year, an amount, according to UN Secretary General Kofi Annan in remarks to a United Nations General Assembly session in June 2003, that is greater than the global oil and gas industry, and twice as large as the overall automobile industry" (Kochan, 2005: 124).

Jordan (US Ambassador to Peru, 1984-86) (1999: 69-70) cites 4 main reasons why governments support, or directly partake in drug trafficking, and thus indirectly encourage the consumption of drugs in their own or other countries:

- 1) The enormous profits earned by the drug trade not only maintain the financial systems of countries where liquidity has become a problem but also expand the economic influence of those nations.
- 2) The drug trade supports both a nation's agriculture and its commerce.
- 3) States embrace drug trafficking as a means to secure intelligence and to financially support intelligence agencies. Drug income, precisely because it is illegal, remains anonymous and is a source of autonomy and independence for intelligence agencies. In addition, it provides access to criminal elements who can furnish the intelligence agencies with services they may wish to keep at arms length.
- 4) Governments support trafficking for strategic reasons.

We are led to believe that whilst many governments rely so heavily upon the sale of narcotics that they warrant the classification of 'Narco-States'; and that whilst we are told nearly all 'enemies of the West', whether it be 'communists', 'terrorists or Islamists', tap the narcotics trade for funds and strategic influence, Western governments, and particularly the US, are somehow aloof from such corruption: our primary purpose here is to lie this absurd myth to rest. In order to address this issue, we shall be forced to abandon any analysis of point 1, the complexity of which, and the near total lack of previous academic research, places it far beyond the remit of this short study. Instead our analysis shall fall almost entirely within the boundaries set by point 3, with cursory mentions of points 2 and 4.

It has become fashionable of late – particularly since the publishing of Pulitzer Prize-winning journalist Tim Weiner's *Legacy of Ashes, The History of the CIA* (2007), a damning critique of the CIA's intelligence gathering record – for the Main-Stream Media (MSM) to write 'penetrating' articles documenting the staggering ineptitude of the CIA in fulfilling one of its primary tasks, that is, to accurately deconstruct and predict the political climate of the World's hotspots. Such shallow and superfluous criticism is of course the norm of the MSM -

but a researcher of Weiner's calibre should know better. For such criticism misses the point entirely; as 25 year CIA veteran, Ralph W. McGehee (1999: 192) accurately points out,

"the CIA is not nor has it ever been a 'central intelligence agency'. It is the covert action arm of the President's foreign policy advisors. In that capacity it overthrows or supports foreign governments while reporting 'intelligence' justifying those activities. It shapes its intelligence to support presidential policy... [and] disinformation is a large part of its covert action responsibility, and the American people are the primary target audience of its lies."

The National Security Act gave birth to the CIA in 1947, permitting the new Agency to "perform such other functions and duties related to intelligence affecting the national security as the NSC may from time to time direct" (Johnson, 1989: 90). By 1963, President Truman, who had signed the CIA into existence, began to realise that the Agency was acting far beyond its suspiciously hazy remit: he wrote that "for some time", he had "been disturbed by the way the CIA had been diverted from its assignment." He noted that instead of gathering intelligence the CIA had "become an operational and at times a policy-making arm of the government" (Prouty, 1997). In theory, the Central Intelligence Agency Act of 1949, "established Congress' authority to regulate the CIA", but as a sign of things to come, "it left vague Congress' oversight of the CIA's clandestine activities" (Ranelagh, 1987: 193). So although Congress *can* deny appropriations to the CIA, once it has signed funds over to the Agency, "the sums made available to the Agency may be expended without regard to the provisions of the law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary or emergency nature, such expenditure [can] be accounted for solely on the certificate of the Director..." (ibid, 193), clearly such language was a great enabler of clandestine activity and the maintenance of secrecy. One need only look at the carving up of the CIA's 'budgetary pie' to understand its purpose; "While about 20% of the Agency's budget and 40% of the Agency's personnel were involved in research, analysis, reporting, and administration, the remaining 80% of the budget and 60% of the people were involved in the Directorate of Plans" (ibid, 202), otherwise known as the Clandestine Services, the CIA's covert operations arm. Tom Braden, a senior operations officer in the early-50s explained that the CIA

"never had to account for the money it spent except to the President if... [he] wanted to know how much money it was spending... otherwise the funds were not only unaccountable, they were unvouchered, so there was really no means of checking them... Since it [the CIA] was unaccountable, it could hire as many people as it wanted... It could hire armies; it could buy banks" (ibid, 194)

As we shall see, the CIA did all of this and much more, but its clandestine activities were still limited by its relatively small share of the intelligence budget and to any additional

Congressional appropriations it received throughout the year. Of course overthrowing governments is an expensive and politically sensitive occupation, and it is for precisely this reason that the CIA, almost from its inception sought the benefits of 'extra-legal' funds in order to sever Congress' only real means of control. The answer was privatization, massive participation in black-market commerce, and a string of alliances with well-placed crime syndicates (who partially controlled the infrastructure and distribution capacities essential for raising such funds), in order to achieve politically expedient foreign policy objectives, that would certainly be viewed as morally ambiguous, or more precisely, un-American, if carried out in the harsh light of day. It was not long before the CIA realised that the products forming the backbone of Underworld trade were fabulously lucrative, and more importantly, the profits, if handled correctly, were entirely untraceable. Soon the CIA would be addicted to heroin and later, cocaine, running guerrilla armies, and at certain times, entire wars, largely on the proceeds of these highly addictive substances, for which the fastest growing consumer market was the US populace.

The best theoretical rendering of how this state of affairs has metastasized and avoided public denouement for half a century is the work of Peter Dale Scott, who explains that, by their very nature,

"Covert operations, when they generate or reinforce autonomous political power, almost always outlast the specific purpose for which they were designed. Instead they enlarge and become part of the hostile forces the United States has to address." Using Scott's terminology, "*parapolitics*, the exercise of power by covert means, tends to metastasize into *deep politics*, an interplay of unacknowledged forces over which the original parapolitical agent no longer has control" (Scott, 2003: 29).

The CIA is perhaps the archetypal parapolitical agent, serving, since its inception as the primary tool of American foreign policy. As a background pre-ambule we can understand the unpleasant necessity of the CIA in the following way:

In short, America's highest priority is the promotion of a liberal international economic order within which the U.S. is the pre-eminent hegemonic power. Regions such as Latin America (notably the Panama Canal Zone), the Middle East, Eastern Europe, and even isolated regions farther a field in Africa and South-east Asia, are, depending on the political climate, variously designated areas of essential strategic interest to the U.S. goal of maintaining and expanding such a system. Whilst some regions are the repositories of material resources that quite literally fuel the world economy, others, such as the five Central American countries in the US's 'backyard' serve as sources of low wage labour pools essential for maintaining a steady stream of cheap commodities (both food stuffs and industrial raw materials); but in both cases, the

corporations controlling these industries are largely controlled by U.S. capital. Imperial relationships necessarily require the enforcement of inequality, where poverty, illiteracy, child mortality, lack of sanitation and so forth are rife. Consequently for the last half-century, the government's within such regions have largely consisted of what can be termed 'Military-Oligarchic complexes'; that is, two generally complementary power bases composed of immensely wealthy landed elites and a U.S. funded and trained military. Together these elements constitute America's preferred form of Third World U.S.-friendly authoritarian government. Why are such governments promoted? Quite simply grinding poverty breeds dissent and ultimately revolution; revolutions generally threaten re-nationalisation, social reforms, diversification of the economy, increased corporate taxes and barriers to U.S. capital mobility and profit repatriation. These are of course anathema to U.S. corporate and banking interests; more precisely they attack the neo-liberal agenda by cutting away at corporate property rights and remove the 'disciplinary power of the market'; and perhaps worst of all, revolutions signal the possibility of alternatives to the neo-liberal capitalist model. Such democratic attacks on the capitalist system must be stopped at all costs. But of course bludgeoning popular democratic reforms in the cold light of day with US Marines, leaves the American public feeling decidedly uneasy; so instead the U.S. government opens the spigots and sends a continuous supply of 'aid' (in the form of weapons and military advisors) to 'friendly' authoritarian governments so they can conduct counter insurgency operations against their own civilian populations in order to enforce the structural power of U.S. capital. This usually translates to the brutal policing of U.S. corporate property rights, torturing and 'disappearing' 'communist political agitators', and generally silencing all forms of political dissent. Such operations have variously been sold to the American people as the fight against communist subversion, the 'war on drugs', and now, the latter plus the 'war on terror'. And always accompanying US 'aid' is the CIA, the US President's "covert action arm". (Clearly the above picture is a simplification, but for the period under analysis (mid-40s to late-80s) it is not far from the truth.)

Inevitably, relying upon a covert actions agency to conduct the actions necessary to maintain the disparities of a global empire - a methodology, no less, that is the antithesis of the imperial nation's democratic rhetoric - leads to what can best be explained as a sort of schizophrenic split in the country's decision-making institutions, with the visible branches of the US government (such as the Executive, Congress, the Senate, etc.) endlessly proclaiming the immortal virtues of 'Democracy', and the almost entirely unaccountable military and covert intelligence apparatus working tirelessly to destroy such democracy whenever it threatens U.S. strategic interests. Eventually the imperial form of rule is defined by secrecy and dishonesty, and operates as what Scott (1993: xi) calls a deep political system:

"A deep political system or process is one which habitually resorts to decision-making and enforcement procedures outside as well as inside those publicly sanctioned by law and society. In popular terms, collusive secrecy and law-breaking are part of how the deep political system works" (Scott, 1993: xi).

Scott goes on to define deep political analysis as "looking beneath public formulations of policy issues to the 1) bureaucratic, 2) economic, and ultimately 3) covert criminal activities which underlie them" (Scott, 1993: 10). Most importantly, Scott also states that "deep political practices and arrangements... are usually repressed rather than acknowledged" (1993: 9-10). So for example, academic theoreticians, and a mainstream media that looks to academia to set the parameters of 'reasonable' debate, are happy to acknowledge the effects of government bureaucracies on misjudged or even disastrous foreign policy, yet the mainstream news will nearly always fail to provide an accurate analysis or even acknowledgement of economic motives for U.S. interventions - in short, the bigger picture is always denied to the student and the viewer of the nightly news. With this in mind it is even less likely that the academic or corporate media establishments will acknowledge that criminal action is the norm of the system within which we are governed. Our goal here is to go straight for the jugular, bypassing shallow bureaucratic analysis and interpretations, and provide a detailed historical analysis of what is the most persistently ignored government crime in U.S. history. To guide us through the frustratingly complex underground history of what we shall clumsily call the CIA-Narcotics symbiosis, we shall attempt to view its development through the lens of - an admittedly crude - hypothetical developmental model.

### **STAGE 1:**

A department or intelligence agency of the U.S. government, faced with an intelligence problem or a national security threat in which it lacks operational capacity, or one in which the solution may involve resorting to illegal activity, turns to a conveniently located organized crime syndicate, or a specific faction, to act as their proxy. In return for their services, either specific elements of the syndicate's enterprise, or the enterprise in its entirety, receive either a period of grace, or a pervasive and coordinated program of protection from one or more US intelligence or crime fighting agency. One can imagine that this is not only out of gratitude or loyalty, but rather also about secrecy and the fear of public scandals. In other words, the exercise of *parapolitics* allows underworld proxies to metastasize, gaining power and influence under the protection of government agencies designed to curb their activities. As the *deep political* system becomes entrenched, the *parapolitical* agent inevitably loses control of its unacknowledged proxy.

## **STAGE 2:**

The criminal syndicate being used as a proxy may eventually be deemed so significant to US national security or foreign policy, that it becomes an essential tool in the CIA's covert operations and intelligence repertoire; as a result, it is essential their activities continue uninterrupted, and that secrecy is maintained. Therefore the criminal activity that best supplies funds for the continuation of the syndicates proxy activities is actively encouraged and even aided by one or more US intelligence agencies – in almost every case this involves turning a blind eye to the drugs trade. In light of this, we can further refine our definition:

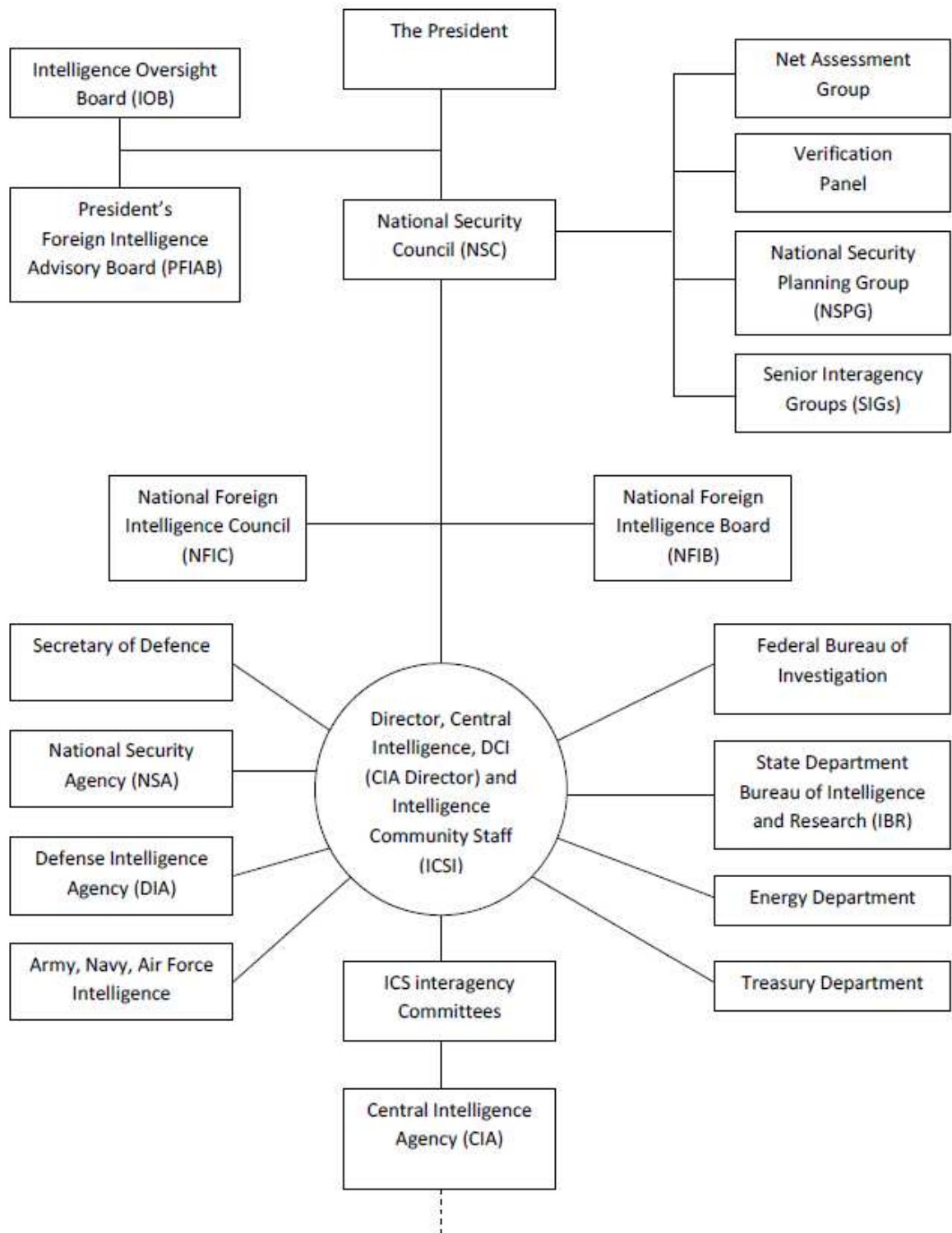
A 'drug proxy' can be defined as a working alliance between one or more U.S intelligence agencies and a drug network. As a general rule, the CIA (and by the 70's, often with support from the DIA, NSA and usually with cover from the DEA and domestic U.S. narcotics divisions) use proprietary companies to dramatically expand the structure of an existing drug network in order to utilize the proceeds from the sales of heroin/cocaine as a means of funding covert operations. The foot-soldiers in such operations generally take the form of paramilitary forces, trained by the U.S. military (often at the School of the Americas), to function as an instrument of American foreign policy. By using drugs to fund such militias (generally working at the behest of U.S. backed fascist/authoritarian domestic elites), *covert operations can be carried out without any congressional oversight.*

## **STAGE 3:**

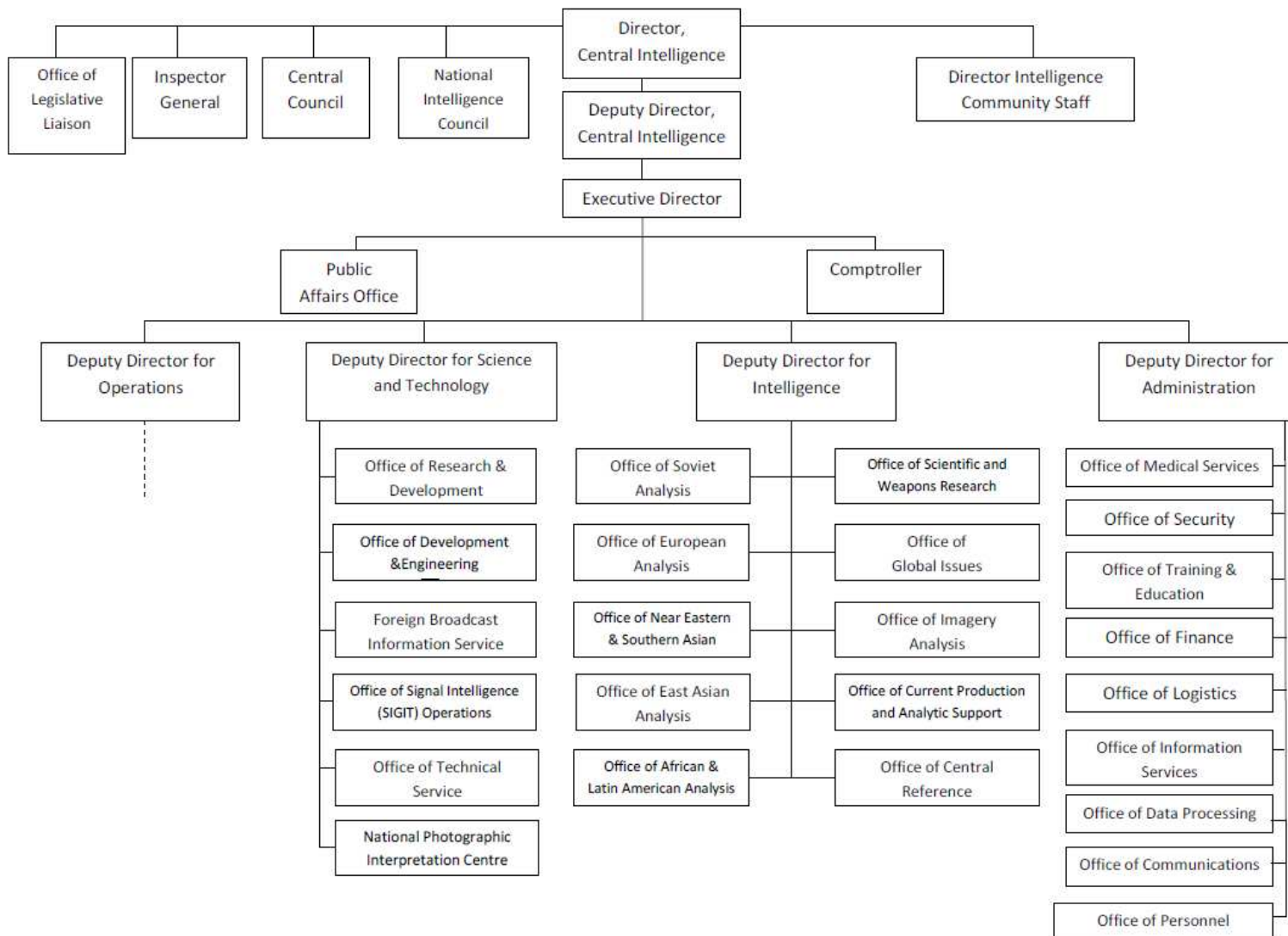
In phase three, instead of cliques within the CIA, the Executive Branch of the government (in this case, a clique revolving around the Vice President's office) decides to tap the proceeds of the drugs trade directly, in effect assuming command of the CIA's networks with the DCI's assistance. Inevitably, just as small factions of the CIA's Clandestine Services had done, the new compartmentalized groups within the NSC become a vital part of the drug supply chain, interacting with multiple international crime syndicates, and in essence becoming one in their own right.

The slim body of academic literature on CIA sponsorship of the World's drug networks has so far only cautiously acknowledged the existence of what is here being roughly designated as Stages 1 and 2 of the CIA-Narcotics symbiosis. As groundbreaking as Scott's work is, for the psychological reasons he himself acknowledges, a significant body of evidence has been neglected confirming what here is labeled Stage 3 of an even more pervasive and corrupt symbiosis that almost beggars belief. From here on, we shall be studiously following the principle that, the devil is in the details. That is, this piece is *not* a theoretical analysis, it is rather a historical *re-analysis*, and should be seen as a corrective to a shameful distortion

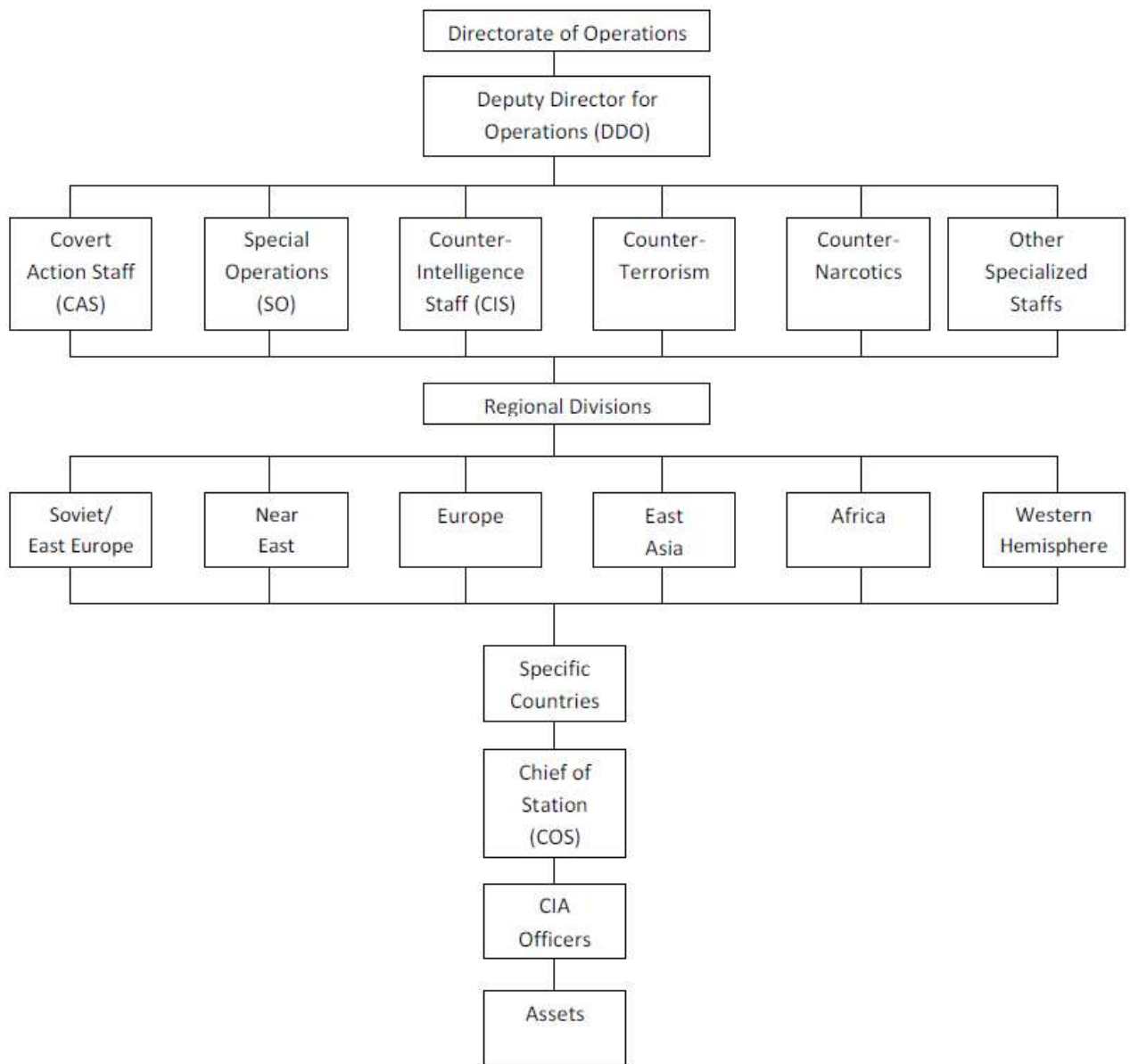
that has escaped serious academic attention for over thirty years. It is hoped that as we follow the seemingly incidental actions of the many characters and organizations as they interact and evolve, like a kaleidoscope a pattern shall gradually emerge, justifying the loose stages of the CIA-Narcotics Symbiosis above. Therefore the central body of this dissertation shall document as concisely as possible the massive body of evidence illustrating the evolution of the CIA-Narcotics Symbiosis, with the hope of providing a map of the most pertinent pieces of this neglected history for future researchers. However, it cannot be emphasized enough, this will be a frustrating journey, for the evidence we shall cover, in this researchers estimates, represents approximately ten percent of the puzzle, and therefore the answers to many pertinent questions shall elude us. Nonetheless, the pieces of the puzzle available still allow for the construction of a surprisingly cohesive picture of the CIA-Narcotics Symbiosis. (To help us maintain our bearings, three diagrams outlining the structure and hierarchy of the U.S. intelligence apparatus are reproduced below – See figures 1, 2, and 3).



**Figure 1:** The United States Intelligence Community



**Figure 2:** The Central Intelligence Agency



**Figure 3:** The Directorate of Operations

Figures 1-3: taken from Johnson, L. K. 1989. America's Secret Power (figure 1 p 39, figure 2 p 42, figure 3 p46).

## **DRUG PROXY TEMPLATE: THE CIA IN SOUTH-EAST ASIA**

**PHASE 1:** *A department or intelligence agency of the U.S. government, faced with an intelligence problem or a national security threat in which it lacks expertise, or one in which the solution may involve resorting to illegal activity, turns to a conveniently located organized crime syndicate, or a specific faction, to act as their proxy. In return for their services, either specific elements of the syndicate's enterprise, or the enterprise in its entirety, receive either a period of grace, or a pervasive and coordinated program of protection from one or more U.S. intelligence or crime fighting agencies.*

### **THE CIA AND THE SYNDICATE**

In 1942 the U.S. Office of Naval Intelligence (ONI) became convinced that a number of shipping accidents involving cargo ships recently berthed in New York were actually "the result of German espionage successes in monitoring ships as they left New York" (Cockburn & St. Clair, 1999: 119). The ONI was faced with the difficult task of penetrating the strategically essential New York waterfront so as to be able to identify and eliminate Nazi saboteurs and informants. Powerless to infiltrate the Waterfront itself and induce the dockland to cooperate with anti-sabotage efforts, they turned to the recruitment of local gangsters who controlled the Waterfront unions. Soon the ONI was dealing directly with New York's boss of bosses, Sicilian-born Charles 'Lucky' Luciano, the head of what was collectively known as The Syndicate (or Murder, Inc.), and his partner, Russian-born Meyer 'Little Man' Lansky.\* By the mid-30s this Underground Empire, which, according to Lansky, was modeled on John D. Rockefeller's Standard Oil Trust, had become "the most powerful criminal syndicate in the U.S. and pioneered organizational techniques that are still the basis of organized crime today." By the early 30s, the Syndicate had consolidated its control over heroin distribution and prostitution throughout the five boroughs of New York (McCoy, 2003: 28-29); indeed, Lansky once quipped that their underground empire was "bigger than U.S. Steel" (Cockburn & St. Clair, 1999: 122). With Murder, Inc's assistance, the ONI was able to infiltrate agents into the mob-controlled dock unions, allowing them to closely watch over the shipments of essential war materiel for the planned invasion of Europe. The ONI was also happy to collude with the mob in targeting strikers, particularly those with a communist bent, to guarantee the flow of important supplies (between 1942 and 1946 there were 26 unsolved murders of troublesome labor organizers) (Cockburn & St. Clair, 1999: 126).

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\*It was Lansky, "a boy genius of the [Jewish] Lepke and Gurrah gang which controlled much of the New York heroin trade", who convinced Luciano to enter the highly lucrative heroin trade, inadvertently alienating him from the older Sicilian Mafia Dons who viewed heroin as a commodity likely to antagonize a generally cooperative New York police department. An exceedingly brutal purging of the old-line mafia capos ensued between 1929 and 1932, resulting in over seventy assassinations, and the ascendancy of the Syndicate (Cockburn & St. Clair, 1999: 121-22).

Based upon the success of this unlikely collaboration, and despite the breadth of the Syndicate's vast criminal enterprise, the ONI further "sought Luciano's help in gathering intelligence for the allied invasion of Sicily, then planned for some time in 1943" (McCoy, 2003: 32). The ONI and the recently created Office of Strategic Services (OSS) felt sure they could guarantee the assistance of La Cosa Nostra, for from 1924 to 1927, Mussolini had declared total war on the Sicilian mafia, conducting "a reign of terror in Western Sicily that surpassed even the Inquisition" (ibid, 30). By the beginning of World War II the mafia was decimated, existing only in secluded mountain regions of Western Sicily, so when ONI Captain McFall and Commander Haffenden approached Lansky (acting on behalf of Luciano and his Sicilian Lieutenants), the Sicilian factions of the Syndicate were only too happy to help. Lansky "rounded up hundreds of Sicilians for interviews with ONI cartographers... [producing] more than 5000 files... dozens of large-scale maps showing roads, mountain passes, docks and locations of potential sympathizers" (Cockburn & St. Clair, 1999: 127). The information proved fruitful; the recommended mafia contacts assisted ONI agents in rapidly locating the "secret headquarters of the Italian Naval Command" where "documents embodying the entire disposition of the Italian and German naval forces in the Mediterranean" were promptly recovered and successfully utilized to accelerate an Italian surrender (McCoy, 2003: 34). As a reward for the mafia's assistance, Luciano's Sicilian counterpart, Don Calogero, the unchallenged leader of the Sicilian Mafia, received the covert backing of the OSS in assembling a Sicilian Independence Movement, the primary purpose of which was to serve as a counterbalance to a mainland government increasingly veering towards Communism. Don Calogero's 'anti-communist' efforts - including the breaking up of leftist political rallies with indiscriminate machinegun fire - were rewarded with passes and export papers [from] AMGOT in Naples and Sicily, allowing his truck caravans to ferry vast amounts of black-market goods north to Naples, where Murder, Inc. associate, Vito Genovese (soon to be joined by Luciano himself) handled their distribution (ibid, 37).

In 1946, as a reward for his assistance in the war effort, Luciano (who had cooperated in the war effort from prison) had his 50 year sentence commuted to allow his release on condition he agreed to an immediate deportation to Italy. Within two years, having comfortably established himself in Naples, Luciano, with the cooperation of his friend, Don Calogero, set about creating the first truly integrated transnational narcotics syndicate. By 1930, the Syndicate's heroin operations and profits were mushrooming, forcing Lansky to seek both an off-shore entrepôt for their heroin operations, and off-shore assets and banking facilities through which they could launder their criminal proceeds. In the early 1930s, Lansky paid frequent visits to Fulgencio Batsista, the U.S.-backed dictator of Cuba, and forged an arrangement "which gave the Syndicate a monopoly on gambling operations in Havana, plus

assurances that their shipments of heroin manufactured in Sicily [and later, Marseille] could be landed and stored there pending distribution in the U.S." By 1940, the Cuban operation was immense, prompting Lansky and Luciano to delegate management of the Havana operations to their trusted capo, Santos Trafficante, who, upon retirement in the 50s, turned control over to Santos Jr. (Cockburn & St. Clair, 1999: 122, 131).

### **THE CIA AND THE CORSICAN MAFIA**

The Syndicate was not the only international criminal network to be revitalized by U.S. intelligence agencies; just as Sicilian Mafiosos had been instrumental in anti-communist strike-breaking in New York and Italy, the Corsican syndicates based in Marseille supplied similar services for the newly anointed CIA. By 1940 it became increasingly apparent that Corsica would be annexed by the Third Reich's fascist ally, Italy. In response, Corsican resistance fighters swore their loyalty to France, and very soon, Marseille's Corsican crime syndicates became the backbone of the regional French Resistance, and close allies of the OSS and the British (McCoy, 2003: 46). After the German occupation, the Communist party in Marseille mounted a successful campaign and elected its candidate mayor in 1945. But as McCoy (ibid, 54) notes, "this political configuration was short-lived; the Communist coalition had also declared war on the Corsican gangs, and so the partnership with gangster drug traffickers in Sicily [and New York] was mirrored in the CIA's partnership with the Corsican underworld in Marseille" (Cockburn & St. Clair, 1999: 139). By 1947 the Cold War had begun, and Washington's understanding of political events had boiled down to "the world-wide ideological clash between Eastern Communism and Western Democracy" ((McCoy, 2003: 57). The CIA's answer was to isolate the Communist party by bribing the Socialist party with \$1 million a year to sever all political ties with the Communists. In short order, De Gaulle's socialist party regained power and Marseille's newly elected Mayor, Michele Carlini, implemented a budgetary austerities program and public utility price hikes (ibid, 54, 57).

As a result, the economically ravaged Marseille finally boiled over, and between November 12<sup>th</sup> and 14<sup>th</sup>, riots and a nationwide strike were organized by the Communist-Socialist labor coalition (CGT) (ibid, 55-56). The CIA (fearing a Communist coup, and viewing Marseille as a vital beachhead for Marshal Plan exports to Europe) designated France's second largest city as a battleground of priority. The CIA dispatched a Psychological warfare team to Marseille where their contacts were the undisputed leaders of the Corsican Mafia, the Guerini brothers; they received guns and cash delivered personally by none other than Edwin Wilson (ibid, 60). The Guerini's Corsican gangs "embarked on a swift program of executive action, killing key strike organizers, paying legions of scab workers and stirring up riots on the docks" (Cockburn & St. Clair, 1999: 140). Three years later the pattern was repeated; the

dockworker labor unions, still dominated by a Communist majority, “were refusing to load military supplies on French ships headed for Indochina where Ho Chi Minh was leading the fight for independence”. So once again, the CIA and France’s external intelligence agency, the SDECE, “rallied the Guerini’s to lead a terror campaign against the strikers” (Cockburn & St. Clair, 1999: 139-40). By 1950 the Guerini brothers were the undisputed bosses of the Corsican underworld and the Marseille waterfront. “This combination of political influence and control of the docks created the ideal environment for the growth of Marseille’s heroin laboratories” (McCoy, 2003: 61) – and, fortuitously, this was at almost precisely the same time the Luciano/Lansky Syndicate was looking for heroin refiners so the Syndicate could concentrate on sales and distribution: the Corsicans were the natural choice.

Between 1946 and 1950, the Syndicate’s primary source of heroin had been diverted from legally produced stocks from one of Italy’s most respectable pharmaceutical companies, Schiaparelli. When the U.S. FBN revealed that over 700 kilos of pure heroin had been diverted to Luciano in a four year period, the Italian government tightened its pharmaceutical regulations (ibid, 38). This prompted Lansky’s 1949-50 European tour to address the refining problems; after conferring with Luciano in Naples, Lansky went to Marseille and forged an alliance with the Guerini’s Corsican syndicates, setting the stage for Marseille to become the heroin capital of the world, and the vital link in what was to be called the French Connection.\* By 1950 Luciano had made arrangements with the Middle East’s major exporter of morphine base, Sami El-Khoury, a Lebanese opium merchant, who acquired raw opium from the Anatolian plateau in Turkey. His operations were protected by the directors of Beirut Airport, Lebanese customs and both the narcotics and anti-subversive units of the Lebanese police. By 1954 the efficiency and quality of Marseille’s heroin laboratories had far surpassed those of Don Calogero’s operating around Palermo, so Luciano disassembled the Italian labs in their entirety and arranged for the Corsicans to fully exploit the supplies of morphine base that flowed from El-Khoury in Lebanon, whilst the Syndicate concentrated on smuggling (ibid, 39, 63).

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\*Afterwards he traveled to Zurich, where through an old smuggling friend turned banker, he “established the financial labyrinth that organized crime used for decades to smuggle its enormous gambling and heroin profits out of the country into numbered Swiss bank accounts without attracting the notice of the U.S IRS” (ibid, 44).

\*\*El Khoury shipped the morphine base to Sicily’s west coast where fishing trawlers picked it up; after the morphine base was processed into heroin in one of Luciano’s many clandestine laboratories, the product was distributed to Luciano associates in half a dozen European cities in order to reduce detection before shipment to New York, Montreal, Florida, or more likely, Cuba (ibid, 39).

The Guerini brothers' actions in 1947, and later in 1950, were not forgotten by the CIA-sponsored Socialist party and the SDECE; Marseille's Socialists maintained an unbroken political reign for over 25 years, owed in no small part to the early CIA-Corsican alliance. To maintain the peace, and nurture their political protection, the Guerini brothers imposed an absolute ban on heroin trafficking inside France that lasted nearly 20 years (ibid, 64). At its peak in 1965, the French connection was supplying 80% of America's heroin (4.8 tons of pure heroin), with the Majority passing through Trafficante Junior's operation in Cuba (McCoy, 2003: 61; Cockburn & St. Clair, 1999: 141).

## **THE CIA AND KMT IN BURMA AND THAILAND**

***PHASE 2:** A 'drug proxy' can be defined as a working alliance between one or more U.S intelligence agencies and a drug network. As a general rule, the CIA use proprietary companies to dramatically expand the structure of an existing drug network in order to utilize the proceeds from the sales of heroin/cocaine as a means of funding covert operations.*

In 1950, Chiang Kai-shek's crumbling western armies were chased out of China's Yunnan Province by the Communist Revolution. When approximately 1500 of Chiang's Kuomintang had re-grouped in neighboring Burma, Washington saw a way of continuing the fight: they would strengthen the remaining KMT army now gathered in Burma under Li Mi as a weapon against Communist expansion. In February 1951 "The CIA began supplying the KMT through two front companies: Civil Air Transport, a 40% CIA/60% KMT joint proprietary [run by U.S. General Chennault and subsidized to the tune of \$1 million a year by the CIA (McCoy, 2003: 167)], headquartered in Taiwan, and Sea Supply Corporation, headquartered in Bangkok" - Sea Supply was founded and run by ex-OSS, and then CIA agent Colonel Paul Helliwell, who had previously been OSS chief of special intelligence in China (Kwitny, 1987: 46). Helliwell "pioneered the art of illegally financing intelligence activity to avoid bureaucratic accountability", such as "creating banks and businesses to cover CIA operations"; he garnered the assistance of organizations like Brown Brothers Harriman and Chase Manhattan Bank to accommodate the young spy agency; however within two years of the agency's conception, it was knee-deep in drugs and Mafioso's, and the CIA needed "smaller banks and business fronts not subject to U.S. laws or SEC rules" - in this field, Helliwell was a trailblazer (Trento, 2005: 24).

With the CIA's help, KMT forces had swelled to 5,000 men by late 1951; however, it rapidly became apparent that the KMT's sorties into Chinese territory were nothing more than a nuisance to the Red army. By late 1952, it had dawned on the KMT leaders that the most valuable commodity in the region was opium, so, for the sake of convenience, this substance

became the default source for funds. Very rapidly the KMT consolidated their control of the previously haphazard village opium production and were using their American-made guns to control the Karen and Lahu hill tribes in the Shan states and enforce their taxing of the opium farmers (Kwitny, 1987: 47). Opium mule trains were coordinated by the KMT to transport as much produce as possible to Mong Hsat, an airfield 15 miles from the Thai border, where CIA CAT and Sea Supply planes made their arms and food drops. Inevitably, opium profits dulled the KMT's patriotic fervor; soon they bore little resemblance to a force of 'anti-communist' freedom fighters; instead, they increasingly began to resemble a criminal enterprise.

Nonetheless, the CIA cultivated their proxy army, apparently without much thought, seamlessly sliding into what we refer to here as phase 2 of the CIA-Narcotics symbiosis. After delivering the arms to the KMT in Mong Hsat, CAT and Sea Supply planes loaded the KMT's opium for the return flight to Bangkok, Chiang Mai or Taiwan. Most of the KMT opium was sold to the Thai police chief, General Phao, who rose to power after the CIA supported him in 1951 by supplying him with U.S. weaponry in his struggle against another General for control of Thailand's opium and heroin trade. Astonishingly, the CIA initially financed his opium purchases from the KMT - in return General Phao protected Sea Supply shipments to KMT troops in Burma. The CIA also assisted Phao in creating two paramilitary police units (the PARU and BPP) to patrol the northern opium zone; in addition to this, and upon the CIA's urging, Phao created the Political Affairs Bureau that conducted mass political arrests, crushing dissent against the corrupt regime in the name of 'anti-communism'. This was the pivotal reason for the CIA's support for Phao - his ardent 'anti-communism', directed specifically at Thailand's large Chinese community, who were becoming increasingly enamored of the People's Republic. The details of this program were spelled out in a National Security Council position paper, which suggested, amongst other things, the need to "organize [Thailand's Chinese communities] and activate anti-communist groups... to resist the effects of parallel pro-communist groups and activities... and to extend sympathy and support to the Chinese Nationalist Government" (McCoy, 2003: 185-6) - bizarrely, the U.S. delegated this task to the mass drug trafficker, General Phao.

"By 1955 Phao's national police force had become the largest opium trafficking syndicate in Thailand". Thai border police (presumably the CIA-sponsored PARU and BPP) would guard KMT opium caravans - the product that did not reach CIA proprietary airlines at Mong Sat - on their journey to police warehouses in Chiang Mai, police guards would then take it to Bangkok; from there "it was escorted by the Maritime Police to a mid-ocean rendezvous with freighters bound for Singapore or Hong Kong" (McCoy, 2003: 183-186). This Indochinese

opium "traveled through Iran and Lebanon to the Corsican... [and] Sicilian Mafia under Lucky Luciano" (otherwise known as the French Connection) (Scott, 2003: 60, 43).

Between 1947 and 1957, "General Phao had used his political networks to build the basic logistics of the Golden Triangle heroin trade" (McCoy, 2003: 191). As McCoy points out, the CIA's part in this was of paramount importance; they supplied the aircraft, motor vehicles and naval vessels "that gave Phao the logistic capability to move opium from the poppy fields to the sea lanes"; most importantly, Phao's protection of Sea Supply's shipments allowed him to establish himself as the exclusive exporter of KMT opium. By replacing opium mule trains with aircraft and sampans with naval vessels, the CIA directly participated in the 1000% expansion of Burma's opium crop; that is from under 40 tons before WW II, to 400 tons in 1962 (ibid, 191).

### **THE CIA AND CUBA**

Whilst in the name of anti-communism, the CIA was directly expanding the production of opium in Burma, and overseeing its distribution to criminal elements within the U.S.-backed dictatorship of Thailand, the CIA was about to fight the Communist threat in its own back yard. After Castro overthrew General Fulgencio Batista's regime on January 1, 1959, and reneged on his promises to incorporate officials from the deposed Batista dictatorship into his own regime, refused to hold elections and "refused to spread the patronage of power beyond his own loyal followers" (Ranelagh, 1988: 355); and even worse, when Castro began nationalizing American property, offering 20 year bonds as compensation, it was decided he must go. A taskforce was organized under the command of the CIA's Colonel J. C. King (Head of the Western Hemisphere Division), codenamed, Operation ZR/Rifle. By September, CIA agent Robert Maheu had been instructed by DDO Richard Bissell – who "attributed high standards of efficiency to the mafia" – to exploit his underworld connections in order to arrange the assassination of Castro (Denton & Morris, 2002: 209). He approached Syndicate members Norman Rothman, Santos Trafficante, John Rosselli and Sam Giancana; who, having extensive business interests in Cuba, were only too happy to help (ibid, 209; Ranelagh, 1988: 385). Many have wondered why such a corrupt compact was ever considered at all, but as Denton & Morris (2002: 210) point out, both the U.S. government and its Intelligence apparatus's were already deeply compromised:

"Organized crime had largely ruled Cuba as America's de-facto colonial administration and had supplied intelligence and enforcement for all U.S. interests since the 40s. From New York docks to the Cold War Third World, Washington had come to rely on and coexist with the same organized crime that covertly dominated so much of its domestic politics" (Denton & Morris, 2002: 210).

After the Bay of Pigs fiasco (Operation Zapata), President Kennedy advised his brother to “implement whatever schemes were appropriate to get rid of Castro”; Attorney General Bobby Kennedy urged the CIA to resume assassination and destabilization attempts against Castro and his regime under the aegis of Operation Mongoose (1961-1963) (Ranelagh, 1988: 385). This was supervised by Covert action specialist Colonel Edward Lansdale’s anti-Castro team, Task Force W in Langley. The CIA point man was Berlin station CIA veteran, Bill Harvey, who in 1962 selected his ruthless Berlin subordinate, Theodore Shackley, to command and retool the JM/WAVE Miami station as the operational center and front line of the Mongoose campaign (Corn, 1994: 73).

Shackley worked closely with old OSS hand, Paul Helliwell, who in 1959, had been transferred from Bangkok to Miami to exercise the skills he had honed running Sea Supply; specifically, his task was to cover some of the costs of the multiple anti-Castro operations. Helliwell began by setting up a law office and a Miami branch of Sea Supply as his front; a series of shipping companies and small airlines followed; then he traveled to the Bahamas and chartered the Mercantile Bank and Trust Company, and the Castle Bank and Trust Company. During his OSS days in China during WWII, Helliwell had cultivated ties to the Trafficante crime family based on their common interests in the Chinese opium trade; Helliwell’s installation in Miami (Trafficante’s base) was to further cement the CIA-mafia connection. “By the early-60s [Santos] Trafficante was the single biggest customer for the CIA-sponsored Asian Warlords heroin... Helliwell laundered organized crime drug money through his Mercantile and Castle Banks as well as providing organized crime with out of work CIA-trained Cuban refugees for sales and enforcement assignments” (Trento, 2005: 27). So, for instance, by allowing Las Vegas based Lansky associate, Moe Dalitz, to hold substantial accounts at the Castle Bank (Valentine, 2004: 373), and serving as legal counsel to a Panamanian holding company that controlled a Bahamian gambling casino connected with Lansky” (Hopsicker, 2006: 357), the CIA could actually extract a profit through their legitimate subsidiaries based upon capital illegally raised from the drugs trade that the CIA was also facilitating! These profits could then be used as a slush fund for unsanctioned black operations.

By the mid-60s the CIA’s portfolio of proprietary companies was vast; others intermingling mob money with CIA black funds were the World Commerce Corporation in Panama run by OSS founder, William Donovan and British Spymaster, William Stephenson; and Honduran-based Vanguard Services, a front for a batch of CIA-financed drug related anti-Castro Operations. Helliwell and Donovan oversaw the funneling of vast sums of Thai, KMT and

Vietnamese drug money into Castle Bank and Florida real estate deals, primarily brokered by General Development Company, a Lansky affiliate (Valentine, 2004: 260-1).

The CIA's Castle Bank was not the only intelligence connected financial institution protecting mafia drug proceeds; Lansky and his associates also used for instance, the Banque de Credit International in Geneva, a Mossad front run by Mossad agent, Tibor Rosenbaum; and another CIA front, Investors Overseas Services. The Mossad was even suspected of subsidizing some of Lansky's ventures in Mexico through a subsidiary of Bank Leumi, called Banco Mercantil de Mexico (Valentine, 2004: 373-4). By 1966, Lansky had established an incredibly elaborate network of businesses that "permitted organized crime enormous flexibility in moving and laundering funds as subsidiaries were placed in the U.S., Europe and the Caribbean" (ibid, 373). The mingling of Syndicate money with CIA and Mossad funds allowed the Mafia to wash its drug and gambling money in the Bahamas, Las Vegas, and Mexico and repatriate the profits to Miami behind an invisible protective shield (ibid, 374).

Shackley's JM/WAVE station rapidly became the CIA's largest station with 600 case officers, employing such CIA luminaries as Thomas Clines and Felix Rodriguez (the former as a case officer, and the latter as the manager of JM/WAVE's armory (Corn, 1994: 76-77)), eventually controlling thousands of Cuban-exiles (Trento, 2005: 29) and consuming over \$50 million a year (Corn, 1994: 75). "The CIA gave the Cuban exiles tens of millions to make midnight real estate purchases from Keystone Point to Key West. They bought waterfront homes where small boats were converted into attack gunboats. Using these gunboats CIA-sponsored Cuban organizations like Alpha 66 and Omega 7 conducted hit and run raids on Cuba" (Trento, 2005: 29).

When Shackley's empire was shut down in late-1964, Mongoose created the CIA's largest disposal problem to date - "The JM/WAVE station had churned out hundreds of persons well trained in the arts of smuggling, sabotage, and gunrunning... Some joined agency battles elsewhere... Others turned to more entrepreneurial endeavors... notably mercenary work and drug-trafficking" (Corn, 1994: 116-117).

## **OPERATION X AND THE CIA IN VIETNAM AND LAOS**

Whilst the CIA were employing members of the largest heroin distribution Syndicate in the U.S. as assassins in Cuba, the CIA and the U.S. military were becoming embroiled in a military debacle to which the Bay of Pigs would eventually pale in comparison. After over a century of French colonial rule, and after a decade of bitter guerilla warfare attempting to suppress the Viet Minh's struggle for national liberation, French and Vietnamese negotiators met in Geneva, signing an armistice that agreed to a temporary partition of Vietnam along the 17<sup>th</sup> parallel. But Vietnamese Nationalist Ho Chi Minh had other plans, and two years after the French had departed, Vietnam was re-united. This chain of events was entirely unacceptable to U.S. Secretary of State Dulles, who inaccurately, and unsurprisingly, decided to view Ho Chi Minh's nationalism as communism. Refusing to let a suspected communist lead a reunified Vietnam, Dulles sought to undermine the Geneva agreement and make the country's division permanent (Kinzer, 2006: 151). Dulles chose CIA agent, Mongoose veteran, and CI expert, Colonel Lansdale, to accomplish this task; in turn he selected the Pro-U.S. anti-communist, Ngo Dinh Diem to be Prime Minister South Vietnam. In 1960 Ho "proclaimed a [new] military campaign aimed at 'the elimination of the U.S. imperialists and Ngo Dinh Diem clique'" (ibid, 154). As a result, dissident political and religious leaders in the South formed a new political coalition, the National Liberation Front, and a corresponding militant arm, the Vietcong, to confront the U.S. proxy, Ngo Dinh Diem (ibid, 154).

At approximately the same time, the remote ex-French colony of Laos was rapidly becoming *the* secret battlefield on the Southeast Asian front. The Geneva Accords signed in 1954 decreed that Laos was to be neutral and off-limits to all foreign military forces; the CIA however was not deemed a 'military force', and President Eisenhower instructed them to subvert Laos's neutral status (Cockburn & St. Clair, 1999: 243). Fearing Laos might eventually turn Communist after the Leftist Pathet Lao (a small nationalist and communist force supported by the Viet Cong) won an electoral victory in 1958, the CIA financed a right-wing coalition coup in 1960 headed by General Phoumi Nosavan; a counter-coup ensued, but again, with CIA assistance, General Phoumi captured the capital, Vientiane, regaining partial control of the country (Corn, 1993: 126). Phoumi's army was "armed, equipped, fed, paid, guided, strategically and tactically, and often transported into and out of action by the U.S... [it was] trained and augmented by the CIA and by men of every branch of the U.S. military" (Blum, 2004: 141-2). Despite the risk of a possible armed confrontation with the Soviets over this tiny country that, somewhat arbitrarily, had become a key anti-communist battleground, the Kennedy administration "was anxious to preserve Laos as a buffer zone between strife-ridden Vietnam and the rest of Indochina" (ibid, 128); and the CIA had no

intention of shutting down an operation in which so much time, effort, and emotion had been invested.

When the French Expeditionary Corps had been pitted against the Viet Minh (1945-1954), the French had dismissed traditional military doctrine and adopted the tactic of forming strategic military alliances with politically expedient ethnic and religious factions to reduce Viet Minh infiltration; the long-term goal was to “atomize the Viet Minh’s... unified mass into a mosaic of autonomous fiefs hostile to the revolutionary movement” – in short, divide and conquer (Kinzer, 2006: 150, 131-132). By 1954, the French had more than 40,000 tribal mercenaries ambushing Viet Minh supply lines and safeguarding French territory. Most of this secret army consisted of Hmong tribesmen (sometimes referred to as the Meo), a hill people who had moved into northern Laos from Southern China (Corn, 1993: 127). The outlays for such a vast operation were immense, and as the CIA had discovered in Burma, the most convenient source of funds in the Tri-border area of the Golden Triangle is opium. Just as the CIA’s proxy, the KMT, had imposed order on the opium trade in Burma, the French had been doing the same since the late 40s; christened ‘Operation X’, the use of narcotics as a currency was sanctioned at the highest levels of the SDECE and MACG. X supplied a steady stream of funds through the purchase of the Hmong’s entire opium crop at exceedingly competitive prices by French Intelligence in the Nong Het district of Laos near northern Laos-Vietnam border. The opium was shipped to the Binh Xuyen gangs in Saigon who processed it and divided the receipts with the MACG (McCoy, 2003: 115-119).

The CIA’s WW II and Cold War ally, the Corsican Mafia, had maintained a strong regional presence in the French colonies of Southeast Asia for decades – and the CIA’s growing presence happened to dovetail perfectly with the interests of the Corsicans. Under Operation X, the Corsicans had purchased the excess opium the Binh Xuyen gangs in Saigon purchased from the MACG and shipped it to the Guerini brothers in Marseille to be processed into heroin for the U.S. markets (McCoy, 2003: 134-5, 157). When in 1958, President Diem’s brother, Ngo Dinh Nhu, the head of the Vietnamese secret police, needed additional funds to expand the scope of his intelligence work and political repression, opium was the logical answer (ibid, 203). Nhu “established two pipelines from Laotian poppy fields to South Vietnam. The major pipeline was... Air Laos Commerciale, managed by... Corsican gangster, Bonaventure Francisci” (ibid, 203-204). The Corsicans were also supplying the French Connection; Mathieu Franchini, the Corsican boss in Saigon, was responsible for purchasing morphine base from their contacts in Vietaine, this was then shipped on French merchant vessels to relatives in the Marseille underworld (ibid, 250). By 1965, in response to the CIA-protected narcotics explosion, the Corsicans had shifted a considerable amount of their

refining capacity to Laos and Saigon; eventually their presence was so well known that "power brokers in Premier Ky's apparatus contacted the leaders of Saigon's [Corsican] underworld... and agreed to let them start making large drug shipments to Europe in exchange for a fixed percentage of the profits" (ibid, 250). This arrangement was protected by CIA General Lansdale and Colonel Conein's RD Program, a secret unit targeting French Nationals supporting the Viet Cong and Pathet Lao. To conduct this operation, Lansdale had to negotiate a truce with the Corsican Syndicate – as long as they served as contact men for the CIA, Corsican narcotics operations would not be harassed (Valentine, 2004: 417-9).

Having closely observed the French's Operation X, and realizing that the defense of such a rugged and isolated region would require massive manpower and funds, the CIA's Colonel Lansdale drew up plans for the reincarnation of Operation X (McCoy, 2003: ibid, 300). It was decided that the Laotian government would become directly involved in the import/export of Burmese opium; General Ouane Rattikone was assigned the task and appointed to the semi-official Laotian Opium Administration (LOA) in 1962. The Phoumi regime made contact with Shan rebel leaders in Burma employed by the CIA, and by the years end they were receiving their first deliveries of Burmese opium. Meanwhile the CIA had been actively training Laotian Hmong guerillas since 1959 for a regional intelligence program directed by the Special Operation Division. As Hmong tribesmen abandoned their crop-growing duties, the Hmong economy began to suffer. To remedy this, and to further cement CIA influence around the strategically essential Plain of Jars, in 1960 the CIA implemented new cultivation techniques to increase the opium crop, the Hmong's main cash crop (ibid, 308). With their livelihoods protected, the CIA's proxy army primarily operated in the Shan hills of northeastern Burma through to the Laotian mountains, and southwards into the Central highlands of South Vietnam, gathering intelligence and sabotaging patrols along the Ho Chi Minh trail; to head this Hmong army, the CIA chose a ruthless French-trained officer called Vang Pao (ibid, 305).

By 1962, the Laotian town of Long Tieng had swelled, becoming the headquarters for Vang Pao and the CIA. Endearingly known as 'Spook Heaven', Long Tieng was the home of some 45,000 Hmong and Lao Theung guerillas, and the staging ground for Hmong strikes - aided by CIA proprietary Air America's plane and helicopter fleets - aimed at flushing out Pathet Lao in the hill-top villages of Sam Neua province (ibid, 316). Once a village was taken, crude airstrips were built to allow for Air America re-supply missions; the Corsican syndicates rapidly made use of these to pick up opium since the Plain of Jars had been taken by the Pathet Lao in 1960 (ibid, 317). Much of the brokering for opium purchases was done in the village of Houei Sai in western Laos on the Thai border, in the heart of the Golden Triangle,

by Pao's lieutenants, whilst behind the scenes, CIA agent Bill Young, coordinated Pao's activities with the generals and politicians running the LOA, and the KMT generals in Burma (Valentine, 2004: 421). CIA men at Houei Sai made sure that KMT opium flown from Nam Yu was loaded onto CIA proprietary C-147's, flown to the Gulf of Siam, dropped into the sea and picked up by accomplices in sampans, ferried to Hong Kong and processed into heroin by KMT chemists and then sold to U.S. Syndicate representatives. Houei Sai was also where Thai and Vietnamese officials purchased opium for their respective state-sponsored narcotics syndicates (ibid, 422). South Vietnam's largest opium operation was based in Pakse, and overseen by Mongoose veteran, David Morales. This operation was managed jointly by the Laotian Air Force, the KMT representatives, and South Vietnam's CIA trained and equipped First Transport Group. In 1966 the CIA even launched Operation Palace Dog in concert with the USAF to provide security and run interference for this huge smuggling operation; this was deemed strategically necessary because the Laotian and Vietnamese air forces were essential in the bombing campaigns focused on the Ho Chi Minh trail (it is strongly suspected that when Palace Dog aircraft flew the return leg to Detroit after delivering medical supplies to Vang Pao's forces, they were laden with heroin) (ibid, 426).

In 1965 General Rattikone rebelled against Laotian dictator, General Phoumi, primarily over the pitifully small cut Phoumi gave him of the opium operations. After taking power, he decided to create a Laotian military monopoly on the opium traffic and forced the Corsicans out of business. Air America took over and began using UH-H1 helicopters to fly opium out of northeastern Laos to Long Tieng and Vientiane (McCoy, 2003: 288, 318); in the northwest, by 1966 Rattikone had begun using Laotian Air force C-47's for the job – an air force entirely funded by the CIA (ibid, 333). The CIA deemed this to be an inefficient use of a CIA proxy air force (Cockburn & St. Clair, 1999: 247) so "air logistics for the opium trade were further improved in 1967 when the CIA and USAID gave Vang Pao financial assistance... [for] his own private airline Xieng Khouang Air Transport (dubbed Air Opium). Later this airline was used as the main pipeline for moving opium and heroin to Vientiane" (McCoy, 2003: 318). Vang Pao was known to launder some of his enormous profits through a Pepsi-Cola plant in Vientiane, run by Prime Minister Phouma's son, Panya, and jointly built with the U.S. state department (Valentine, 2004: 422).

Throughout the 60s, Laotian opium and morphine base traveled from Thailand on Thai fishing trawlers, where it was received by the Chiu chau and refined into no.4 heroin (McCoy, 2003: 276-81). Some of this Hong Kong heroin was smuggled across the Pacific to Chile (ibid, 254). Not to be outdone by their criminal competition, Lansky emissary, John Pullman, landed in Hong Kong in 1965 and began buying into casinos and arranging new

heroin smuggling routes “for Filipino and Malaysian couriers to transport heroin to America through Canada, the Caribbean, Chile and Paraguay” and others to move morphine base “from Hong Kong and Bangkok to Europe and America” (Valentine, 2004: 415-16).

In July 1966, the ‘Blond Ghost’, Ted Shackley, was ordered by the new DCI, Richard Helms, to report to Vientiane, Laos, where he was to assume the position of Chief of Station and run the CIA’s very own secret fiefdom (Corn, 1993: 131). For Shackley, Laos was the perfect canvas upon which he could apply the skills he had learned under Helliwell’s tutelage in Miami. Shackley’s arrival ushered in a new war: moving away from the relatively effective and competent guerilla organization so far imposed on the Hmong, Shackley envisioned a more conventional force, where the tribesmen would be organized along the lines of the South Vietnamese for “the purpose of tying down more and more NVA soldiers [and supplies] in Laos” as they passed through on their way to South Vietnam – this specific task was assigned to Tom Clines, Shackley’s old JM/WAVE colleague (ibid, 136-137). Using opium as the chief source of funding for this secret army, was not without its problems; in 1967 a three-way opium war broke out between two CIA proxies, the old Burmese-based KMT forces and General Rattikone’s army; and an up-and-coming opium warlord known as Khun Sa – the CIA backed Rattikone and beat back Khun Sa: but, as we shall see, this was only temporary, for 20 years later, Khun Sa would eventually become the world’s most powerful heroin lord; and, strangely enough, he would do so with the CIA’s blessing.

In 1968 Shackley received a promotion of sorts - he was to be the Station Chief of Saigon, not to fight a war but to preserve the Saigon regime (ibid, 164, 171). Before leaving, Shackley organized for his friend Clines to be promoted to station chief in Long Tieng, where, unbelievably, by the late 60s a considerable amount of the opium flown to Long Tieng by Air America was refined in a heroin laboratory controlled by Vang Pao and housed at the CIA’s Long Tieng headquarters (McCoy, 2003: 289). Incredibly, this heroin, was ultimately destined for consumption by GIs in Vietnam (ibid, 304); it was initially flown there by the Corsican Air Laos, and then later by Marshall Nguyen Cao Ky, the head of South Vietnam’s Air force, and the man later selected by the CIA as South Vietnam’s new leader, who flew it to Saigon on South Vietnam’s Air force planes (Cockburn & St. Clair, 1999: 247).

By 1969 the secret war in Laos was suddenly not so secret; whilst the Executive Branch was engaged in a bout of very public disassembling, the Hmong were on the path toward decimation; of all the Hmong who had taken up arms, one quarter were killed in action; out of a population of 400,000, 10% died in the war (Blum, 2004: 167). “Between 1965 and 1973, more than 2 million tons of bombs rained down upon the people of Laos, considerably

more than the U.S. had dropped on both Germany and Japan” during WWII, and in a far shorter period (ibid, 144). Victor Marchetti, special assistant to DCI Helms from 1967 to 1969, recalled that officially the CIA was “spending \$27 million a year on the war in Laos while Shackley was there. The war was costing ten times that amount. It was no secret how they were doing it: they financed it with drugs. They gave Shackley a medal for it” (Trento, 2005: 38).

*(For further information on the chronology of the CIA’s organized crime and drug-related money-laundering and banking proprietary companies, see Appendices 1 and 3.)*

## **THE 1970'S DRUGS MILEAU: TRACING THE FORCES THAT SHAPED THE CONTRAS**

Just as heroin had lubricated the engine of the anti-communist cause in South East Asia, cocaine was to fulfill a similar purpose in Latin America. And acting as the CIA's Praetorian Guard were some of the oldest creatures of the covert Cold War effort. When Eisenhower negotiated an end to the Korean and Indochina Wars at the 1954 Geneva Convention, the CIA, in league with the ruling intelligence networks of Taiwan and South Korea, created the Asian People's Anti-Communist League (APACL), "to provide a platform to continue... militant Cold War propaganda" (Marshall et al, 1987: 21, 33). In the same year, APACL took over the CIA's CAT Inc. Burmese drug running operations with the KMT (after tentative Congressional scrutiny had hinted at CIA connections to South-East Asian drug traffic), thus establishing a long-running relationship between the CIA-controlled Anti-Communist League and narcotics (ibid, 36). Over the next decade the groups of representatives from other countries and regions attending APACL conferences substantially diversified, justifying the creation of a new organization, WACL, founded by ex-CIA Taiwan station chief, Ray Cline, in 1967. All representatives for WACL "had one thing in common: their (often secret) links to U.S. intelligence and military experts in 'political' or 'psychological warfare'" (ibid, 21). But before even the consolidation of WACL, the CIA (in the form of E. Howard Hunt, later of Watergate infamy) had guided the creation of a sister organization in Latin America, the so-called Confederacion Anticomunista Latina, or CAL in 1958. By the late 70's this fascistic organization served as a meeting place for three CIA-supported 'anti-communist' forces. One of the corners of this trilateral alliance was the loosely affiliated groups of disaffected Cuban exile CIA assets (who had formed the nucleus of Operation Mongoose, the CIA plot to overthrow Castro that tapped resources and funds of the Miami and Cuban based arms of the Mafia); another was the representatives of Latin America's Operation Condor; and finally there was the fascist remnants of NATO's secret 'stay-behind' armies (created by the U.S. to resist a Russian invasion of Europe). Each group had, in various capacities, been a tool of the U.S. anti-communist effort throughout the 60's and 70's - together they formed the nucleus that spawned the Bolivian Cocaine Coup and the infrastructure from which the CIA's contra drug operations grew in the 80s.

### **THE CUBAN-EXILES**

In June 1970, the U.S. government widely heralded the Federal Bureau of Narcotics and Dangerous Drugs (FBDD) Operation Eagle, as an unparalleled success. The Justice Department loudly proclaimed that the 150 suspects arrested constituted "a nationwide ring of wholesalers handling about 30% of all heroin sales and 75 to 80% of all cocaine sales in the U.S." (Scott & Marshall, 1998: 26). A fact given no attention at the time was that "as many as 70% of those arrested... once belonged to the Bay of Pigs invasion force unleashed

by the CIA against Cuba" (ibid, 26). "Chief among those arrested in Eagle was Juan Restoy" (a member of the CIA's Operation 40, a state-sponsored terrorism outfit aimed at Cuba), controller of this drug ring, that itself was a direct "outgrowth [Santos] Trafficante's crime Empire, which had flourished in Cuba before the revolution as it did in Florida thereafter" (ibid, 27) (Trafficante had helped coordinate the International Anti-Communist Brigade with the CIA in 1960; in his 'professional' capacity, he represented the Cuban/Florida arm of the Meyer Lansky/Lucky Luciano international crime Syndicate).

As Operation Eagle proved, the CIA's Cuban assets had not let their talents go to waste; after the official termination of Operation Mongoose (a 1962 CIA de-stabilization operation), the approximately 1500 Cuban exiles established a number of militant splinter groups through which to continue the fight (such as Brigade 2506, the Cuban veterans association; the neo-fascist Cuban Nationalist movement (CNM); the Revolutionary Recovery Insurrection Movement (MIRR); the Cuban National Liberation Front (FNLC); Alpha 66, the Cuban collaborators of the WACL; and Omega 7, perhaps the most violent terrorist group). As one of their CIA trainers noted: their services "were actively sought out... by people in the drugs trade, because of their [smuggling] expertise.... Some of them made over... 300 missions to Cuba... These people came out knowing how you do it... they found it... child's play when they started in [with drug smuggling] over here..." (ibid, 27). Although their services were much in demand, groups like Alpha 66 and the FNLC continued to terrorize Cuba, whilst groups like the CNM and Omega 7 operated internationally, carrying out assassinations and bombings in Europe, Argentina, Chile, and astonishingly, in America on a massive scale; much of this with CIA approval and paid for with profits from the drug operations in which they partook (Marshall et al, 1987: 44).

By the mid-70s the uncontrolled carnage caused by the various Cuban narco-terrorist operations began to cause some unease amongst their old handlers. As one Miami police veteran puts it: "The Cuban groups were running amok... and the... [CIA] had lost control of them. So they [the CIA] backed a meeting to get them all going in the same direction again" (Scott & Marshall, 1998: 31). The meeting took place in the Dominican Republic, June 1976, and was organized by Frank Castro (Operation 40 veteran and head of the FNLC). It resulted in the foundation of CORU (Coordination of United Revolutionary Organizations), "an umbrella organization for terrorism against Cuban installations and... [other] countries deemed... sympathetic to... Castro's regime" (ibid, 30).

A reliable source of funds for CORU's activities was the World Financing Corporation (WFC), founded in 1971, unsurprisingly by a Brigade 2506 member named Guillermo Hernandez

Cartaya. In addition to Cartaya, there were six further stock holders and directors; together, they read like a who's who of Washington's Old Boy network; all were lawyers for prestigious law firms, and Walter Sterling Surrey, who signed the incorporation papers, was ex-OSS (Lernoux, 1984: 147). The WFC was "a Florida based financial conglomerate and drug trafficking front closely associated with the Restoy-Trafficante [crime] organization" (1998: 31); It owned "nine Miami companies... a bank, subsidiaries in eight Latin American countries... the Cayman Islands, London, the UAE, and Texas" (ibid, 148); its activities included "political corruption, gunrunning... [and] narcotics trafficking on an international scale" (Marshall et al, 1987: 44). Like the Castle and Nugan Hand Banks, and later the BCCI, we see the CIA's fingerprints on the WFC; indeed, a Dade County investigation later discovered that one WFC subsidiary was "nothing more than a CIA front" (Scott & Marshall, 1998: 31). One particular WFC subsidiary, King Spray Service, was run by Richard Fincher, a CIA-asset and close ally of Mario Escandar, "one of Miami's most powerful and untouchable traffickers" himself, a close friend of Cartaya (Lernoux, 1984: 152-3; 1998:27). King Spray and the WFC Group were found to be funding Orlando Bosch, head of MIRR, and "Miami's most notorious terrorist" by "printing and selling bonds" (ibid, 153). The CIA's connections to both the WFC and the Cuban-exile terrorist groups were so extensive that the Dade County Organized Crime Bureau and the IRS became convinced that "by means of the drugs trade, the CIA was using WFC to finance counter-revolutionary activities by Cuban-exile terrorists" (ibid, 156). As already noted, WFC connections could be traced even further up the drugs chain: "congressional hearings and investigations by the DEA showed that WFC was linked to [Santos] Trafficante's organization and that one of Trafficante's associates was even on the WFC payroll" - this associate was a large wholesaler of narcotics (ibid, 158).

At the same time the CIA-Old Boys network was setting up the WFC to aid their Cuban-exile associates, a young CIA-trained Cuban-exile named Alberto Sicilia Falcon, was exploiting both the re-organization in the global heroin trade and the emerging popularity of a drug grown a little closer to home - cocaine. The shooting of Corsican gangster Lucien Sarti (a representative of Auguste Ricord who controlled the Marseille heroin pipeline to Latin America) (Scott & Marshall, 1998: 84-6), and over five years of infighting within the Corsican mafia in Marseille (McCoy, 2003: 65-66), had created a lull in the South-east Asian Heroin pipeline to the U.S - and Sicilia Falcon was quick to pick up the slack. Whilst Falcon was importing "European heroin in vast quantities to the united states" from Marseille (Scott & Marshall, 1998: 34, 84), in 1974 he caught the attention of a representative of Colombian-based Santiago Ocampo Zuluaga\* (Cockburn & St. Clair, 1999: 355), who at the time, was the head of the "biggest cocaine ring in history" (Scott & Marshall, 1998: 82). Ocampo and Eduardo Tascon Moran (who later became known as the senior Cali cartel leader), were

responsible for the final processing of cocaine base supplied by a native Honduran named Alfonso Rivera, who in 1974 had begun "marketing cocaine [base] supplied by one of the wealthiest families in Peru, the Paredes family" (ibid, 83); according to James Mills, this partnership constituted the largest cocaine smuggling operation in the world at the time (Mills, 1986: 575-6, 585-7).

An arrangement was reached whereby Falcon would exclusively use Ocampo's cocaine connection to fuel his rapidly expanding Tijuana-based drug network (ibid, 83). In a staggeringly short space of time, Falcon was a billionaire and "regarded as the pre-eminent drug smuggler in the Western hemisphere"; he enjoyed the protection of the head of the DFS, Miguel Nazar Haro (a longtime CIA asset (Cockburn & St. Clair, 1999: 356)) and maintained numerous associations with Mexico's elites (ibid, 355). Upon closer inspection, this meteoric rise to infamy is not so surprising; in 1974, just when Falcon was making his most important connections, he was recruited by the CIA – along with a close business associate, and former CIA-trained Cuban-exile, Jose Egozi Bejar – to arrange a "\$250 million weapons shipment for a CIA-supported coup against the recently elected socialist parliament in Portugal (ibid, 356); after experiencing massive CIA resistance to investigations regarding Falcon's activities, DEA agents in Mexico concluded that "the CIA had recruited Falcon in Miami and assisted his rise" (Scott & Marshall, 1998: 34).

### **OPERATION CONDOR**

In the same year, representatives from CORU began to make regular appearances at meetings of the CIA's oldest anti-communist organization in Latin America, the CAL. Here they rubbed shoulders with one of the most disturbing products of the U.S. intelligence apparatus's covert 'anti-communist' war. The CIA-supported military coup in Chile in 1973\* and later, the WACL-backed coup in Argentina in 1976, placed the CAL squarely under the fascistic influence of the Chilean and Argentinean secret police, known as DINA and SIDE respectively. Sandwiched between these coups, again with the secret support of U.S. intelligence, in 1974 DINA and SIDE instigated the founding meeting of Operation Condor, an international terrorist operation that pooled the intelligence resources of Argentina, Chile, Uruguay, Paraguay, Bolivia and later, Brazil; in short, an 'intelligence commission' designed to terrorize 'subversives' (familarly defined as "those with dangerous ideas that challenged the traditional order, whether they were peaceful dissenters, social activists, or armed revolutionaries" (McSherry, 2005: 1)). Under the aegis of this project, Condor states "linked

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\*The planning of this coup was overseen by Ted Shackley (who was then the new Western Hemisphere Division Director in the Directorate of Plans) with assistance from the DIA. They selected Augusto Pinochet as the dictator-to-be. When the CIA finally succeeded in removing Allende, they helped train Pinochet's secret, DINA and put them in contact with Shackley's CIA Cuban-exiles (Trento, 2005: 49).

together secret units within the military intelligence forces of member countries... operatives were drawn from branches of the military, intelligence... police, and... right-wing civilian [groups]" (ibid, 1); they were focused on extraterritorial action and were permitted to "act extra-legally... including the utilization of abduction, interrogation and execution" (ibid, 79) (Condor members such as DINA were also happy to employ the services of irregular foreign groups, such as CORU's CNM if it suited their needs).

Although publicly, the U.S. government always tried to distance itself from involvement from Condor, a declassified State Department document from 1978 revealed that Condor intelligence chiefs, presumably at the behest of the CIA, were allowed to "keep in touch with one another through a U.S. [Defense Intelligence Agency] communications installation in the Panama Canal Zone which covers all of Latin America". "The unavoidable conclusion is that select U.S. forces... provided unambiguous operational support to... Condor hunter-killer operations" (ibid, 96) (documents recovered in 1992 revealed that between 50 and 80,000 people were murdered or 'disappeared' by Condor activities (ibid, 96)).

### **GLADIO, P-2, CAL AND THE CIA**

From the 1960's to 1980, Italy was regularly rocked by devastating, well orchestrated terrorist attacks. For many years these terrorist attacks were blamed on a loosely affiliated network of extreme left-wing activists known as the Red Brigade. After investigating a number of these attacks an Italian Judge named Felice Casson discovered that some of these attacks were actually carried out by a Catholic neo-fascist group (Ordine Nuovo) that maintained close ties to Italian military intelligence, SISMI; and thus came to light NATO's European-wide psychological warfare operation, collectively known as the 'Stay-Behind' armies. In 1990, after detailed searches through SISMI file archives, Operation Gladio was revealed; this was the name of a secret army that had been set up by SISMI in close collaboration with the CIA soon after World War II. "This secret army was to function as a guerilla unit in the event of a Soviet invasion" (Ganser, 2007: 87). Further investigation revealed that Gladio was merely the Italian branch of a European-wide anti-communist initiative: "These stay-behind armies were supervised and coordinated by two secret unconventional-warfare centers of NATO, named the Allied Clandestine Committee (ACC) and the Clandestine Planning Committee (CPC)" (ibid, 88). The task of Gladio operatives was to isolate and implicate the Italian Communist Party through the utilization of a tactic known as 'The Strategy of Tension', "a tactic for developing a popular case for rightwing order" (Marshall et al, 1987: 69); "Tension refers to emotional distress and psychological fear, whereas Strategy refers to the technique of bringing about such distress and fear" (Ganser, 2007: 82). A terrorist attack in a public place, followed by the discovery of planted

evidence implicating a political opponent, would be the textbook example of how this strategy was usually implemented. As neo-fascist bomber Vincenzo Vinciguerra explained, the purpose of the strategy of tension was to force "the Italian public to turn to the state to ask for greater security. This is the political logic that lies behind all massacres and the bombings which remain unpunished..." (ibid, 86). According to General Maletti, former head of Italian counter-intelligence, it was precisely this process that was used by Gladio's CIA-NATO handlers to "create an Italian nationalism capable of halting what it saw as a slide to the left [in Italian politics]..." (ibid, 91). This theme was verified by a NATO source who confirmed that the function of Britain's stay-behind unit was to "destabilize any left-leaning government, even a Social Democratic one" (McSherry, 2005: 38).

Alarming, this NATO-controlled anti-communist terror complex was not the only covert organization under U.S. control in Italy. After World War II, the dubious talents of Nazi covert operations specialists (and their collaborators) were widely sought after, and later employed by the U.S. Army's Counter Intelligence Corps (CIC). It was later shown that the fascist group Ordine Nuovo was the paramilitary arm of the Italian Masonic Lodge, Propaganda Due (P-2) (ibid, 44). The founder of P-2, Licio Gelli, after defecting from the Hermann Goering division of the SS, was recruited by the CIC to work for the U.S. Army. In 1964 he was recruited by Frank Gigliotti, former OSS agent and ranking member of the US Masonic Lodge, "to set up an anti-communist parallel government in Italy in close cooperation with the CIA station in Rome" (Ganser, 2005: 73). This "US-funded anti-communist parallel government" cooperated closely with "the US funded anti-communist parallel army" (ibid, 75). Just how closely, was revealed in 1981 when the Anselmi Parliamentary Investigation unearthed a P-2 membership list, identifying approximately 1000 people, that read like a Who's Who of Italy's power elite. This shocking discovery prompted an Anselmi Committee member "to come to the definite conclusion that Italy is a country of limited sovereignty because of the interference of the American Secret service and international freemasonry" (ibid, 74). Just as the CIA had cultivated the right-wing tendencies of the Syndicate in the U.S. and Cuba, La Cosa Nostra in Sicily and Italy, and the Corsican Mafia in France to counter the 'Red Menace' in the early stages of the Cold War, Gladio/P-2 was merely one more example of the deep political system that, as we shall see, metastasized into a textbook parapolitical agent.

### **THE COCAINE COUP**

P-2 went on to create a parallel network concentrated in Argentina and Uruguay where significant influence was wielded through the SIDE, it also contributed to the machinations of Operation Condor, and exerted a wide influence in Latin America through regular attendance

of CAL meetings. Indeed, one of the ideological leaders of Operation Condor was General Carlos Guillermo Suarez Mason, who owed his ascendancy to his P-2 membership. Suarez Mason later headed a Condor outfit called 'The Andean Brigade', "a sort of secret foreign legion whose job was rooting out 'communists' wherever they happened to be"; this group rapidly established drug connections in order to finance their operations, and by 1985, Mason was regarded as "one of Latin America's chief drug traffickers" (Scott & Marshall, 1998: 44). Another member was Jose Lopez Rega (this P-2 member also exploited Argentine-Paraguay drug connections and the Ricord-French Connection for funds (Marshall et al, 1987: 70)), who as Director of the Orwellian-like Ministry of Social Welfare, was also in charge of the fascist death squad, the Argentine Anticommunist Alliance (AAA), an organization that regularly worked with Cuban exile group, Omega 7 (Scott & Marshall, 1998: 43). The final P-2 member of significance to operate in Latin America was Stefano delle Chiaie who initially operated as an assassin for SIDE and DINAs, followed by a brief stint with the AAA death squads, finally he worked exclusively for Colonel Luis Arce-Gomez in Bolivia, where they founded yet another fascist assassination squad called the Phoenix Commando's; together, they were key coordinators of the aptly named Cocaine Coup of July 1980 (ibid, 44-45). As a P-2 member, delle Chiaie also "acted as the liaison between the Bolivian military and the Sicilian drug Mafia" and also maintained contact with Turkish heroin trafficking organization, the Gray Wolves (ibid, 46-7).

The idea for this coup fomented in the milieu of the CAL, where operatives of Condor, P-2 and CORU, concocted a plan designed to wipe communism of the South American map; "what was being brokered in these CAL meetings was nothing less than an 'Argentine Solution' of death squad dictatorships from Buenos Aires to Guatemala City" (Marshall et al, 1987: 69) - and the test case was to be Bolivia, which was to be "bankrolled by the lords of Bolivia's cocaine traffic" (ibid, 69). In preparation, as many as 200 [Argentine] military personnel were infiltrated into Bolivia to coordinate the takeover with Col. Gomez, delle Chiaie, and the psychopathic Nazi war criminal turned CIA asset and drug trafficker, Claus Barbie. Secondly, "a month before the coup, six of Bolivia's biggest traffickers [including Roberto Suarez, Bolivia's premier cocaine trafficker, and cousin of Colonel Arce-Gomez] met with the military conspirators to work out a financial deal for future protection of their trade" (Scott & Marshall, 1998: 45)\*.

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\*According to Mike Levine, a 25 year veteran of the DEA, details of this meeting reached the CIA via attendee Jose Gasser, whose family had assisted the CIA in a previous coup in 1971. In what can only be read as the CIA's tacit support for these events, the DEA was ordered to close its Bolivian offices a month after the coup (Levine, 1993: 74-76).

Bolivia's new drug dictator, Luis Garcia Meza, organized for Col. Arce-Gomez to be Minister of the Interior, giving him a virtual monopoly over Bolivia's security apparatus and total control of the country's cocaine industry (Levine, 1993: 59); Arce-Gomez then delegated his "neo-fascist militants, under the leadership of Klaus Barbie [and his death squad, the Fiances of Death], to protect Bolivia's major cocaine barons and transport their drugs to the border" (Scott & Marshall, 1998: 46). Under Arce-Gomez's and Barbie's protection, all Bolivian cocaine trafficking was put under control of a small group of drug barons, known as La Corporacion, who had financed the coup; namely Suarez, Gutierrez, and Jose Gasser, a CIA asset who was actually in prison during the coup's occurrence, and inexplicably released just after, presumably at the behest of the CIA (Levine, 1993: 59, 62). Barbie's Fiancés of Death set about eliminating the Cartel's competition, seizing billions of dollars in cocaine, and storing it in the vaults of the Bolivian National Bank.

Another member of La Corporacion who maintained a close working relationship with the Fiancés and the military, was Sonia Atala, the niece of Hugo Hurtado-Candia, a mid-level drug trafficker and bagman for Suarez, in charge of collecting bribes from the coca dealers to pay government officials before the coup (ibid, 26). The beautiful, and utterly psychotic, Atala was put in charge of selling the government's cocaine stock by Acre-Gomez as a result of her excellent connections in Colombia and the US; later she formed close business relations with the Medellin Cartel's Ochoa family (ibid, 60, 143). After a falling-out with Gomez, Atala turned DEA informant for protection and took part in DEA Operation Hun, attempting to arrest Arce-Gomez (ibid, 133-6); later she was put in the witness protection program by the CIA, where she continued to broker drug deals, presumably under the aegis of DEA sting operations (ibid, 417-19). According to DEA agent Levine, Atala, rapidly labeled the Snow Queen or the Queen of cocaine, was "responsible for shipping more cocaine into the US than any person" he ever investigated (Hopsicker, 2006: 250); largely because the CIA helped Atala by "destroying her competitors, protecting her from prosecution... and paying her a small fortune in tax dollars for her 'services' " (this is not surprising when one considers that a number of the largest cocaine labs on the continent were joint CIA/Atala operations, with some of the proceeds siphoned of to fund the contras (ibid, 252)). After Atala was removed from the picture, Suarez began dealing directly with Medellin's, Pablo Escobar, who eventually became one of the Suarez Cartel's biggest customers (Woodiwiss, 2005: 145).

However research conducted by journalist Daniel Hopsicker (2006), indicates that the CIA was not the only intelligence agency close to the coup; for the US's super-secret NSA had an agent assigned to the Cocaine King himself, Roberto Suarez. This agent (who prefers to

remain anonymous) was married to a member of the Suarez family and also worked with the 'Snow Queen' of Bolivia, Sonia Atala. He stated that Atala "ran the cocaine biz in Bolivia. And that was where the business was run from... the Ochoa's and the Escobar's and the Lehder's - they were just Vice Presidents fronting for the Company" (ibid, 254). Interestingly, with regards to the next section, another CIA pilot and DEA informant, Bo Abbott, states that the Suarez/Atala Cartel stored their planes in Asuncion, Paraguay when they were not flying cocaine to Atala's warehouse's in the free-trade zone in Colon, Panama (ibid, 253).

Astonishingly, CIA recruitment of international drug traffickers had reached even further up the chain to a man called Juan Ramon Matta Ballesteros, Falcon's connection to Ocampo's cocaine operations in Colombia; it is generally assumed his recruitment occurred in 1970 when instead of being arrested for "bringing 26 kilos of cocaine into Dulles airport" he was strangely set free and deported to Honduras (Cockburn & St. Clair, 1999: 281). Matta Ballesteros rose to power through overseeing Ocampo's logistics network and arranging political payoffs in Panama, Honduras, Mexico and the U.S.; he made his personal fortune acting as a pipeline to Andean cocaine for the Mexican Cuban-exile networks of Alberto Sicilia Falcon and later, Falcon's successor, Miguel Felix Gallardo, head of the Guadalajara Cartel (ibid, 350). By the mid-70's Matta Ballesteros was regarded as the "chief of the Honduran mafia" and "the boss of bosses of Mexico's cocaine industry" who supplied "perhaps one-third of all the cocaine consumed in the U.S."; indeed his influence was so great that in 1978 he was the key financier behind the military coup that replaced Honduran President Melgar with military dictator, General Paz Garcia (Scott & Marshall, 1998: 42, 54). Oddly, even though the DEA were aware of this 'cocaine coup', the U.S. government tripled economic assistance to Honduras "making [it] the largest recipient of U.S. aid in central America" (ibid, 55). For the next three years Ballesteros worked hand in hand with Leonides Torres Arias, head of Honduran Military Intelligence (G-2); together they turned Honduras into the key transshipment point for cocaine between Colombia and Florida. Unsurprisingly, both Torres and Garcia were the key contacts in Honduras of Duane Clarridge, the CIA's chief of Latin American Operations.

### **OPERATION WATCHTOWER: CIA, OR THE COCAINE IMPORTING AGENCY?**

The early 1970s were tumultuous times for the CIA, and particularly the Clandestine Services. When in 1970, the CIA failed to stop the election of Chile's 'leftist' Presidential candidate, Salvador Allende, and then again failed to bribe the devoutly democratic Chilean Senate to block Allende's confirmation (the vote was exceedingly close, with Allende winning by a 1.5% margin), and then, *yet again*, failed in a last-ditch attempt to incite a military coup, the Agency earned the undying ire of President Nixon. Loudly proclaiming that "the CIA isn't worth a damn" and accusing a 'liberal cabal' in the agency for the coup's failure, Nixon threatened to "cut the CIA's budget to one-third its present size" (Weiner, 2007: 313). Soon after being re-elected, and vowing to run and rebuild the CIA in his own image, Nixon implemented his plan: In 1973 DCI Helms was fired and replaced with James Schlesinger, a man entirely malleable to Nixon's will (ibid, 322-3). Schlesinger proceeded to purge more than 500 analysts and over 1000 agents from the Clandestine Service (then headed by Bill Colby, who would be DCI in a mere 8 months) (ibid, 324-325), and continuing Nixon's budgetary austerities, he oversaw the cutting of the CIA's covert operations budget to a mere 10% of the overall CIA budget (in 1960, it had been 50%) (ibid, 326). When President Ford entered office in August 1974, the CIA fared little better; Ford re-organized the NSC as it was under Eisenhower (i.e. the President's principal arm in formulating policy on military, international, and internal security affairs (Inderfurth & Johnson, 2004: 41)), keeping DCI Colby firmly outside the Whitehouse inner circle (ibid, 336). To make matters worse, Seymour Hersh's CIA domestic spying story broke in December 1974, prompting further digging by the straight-shooting Attorney General Silberman. His efforts uncovered the existence of the CIA's earliest volume of 'Family Jewels', passed on to DCI Colby by ex-DCI Helms; amazingly, Colby was told to hand them over or face obstruction of justice charges: he complied (ibid, 337). As Weiner notes, the Congress elected in 1974 "was the most liberal in memory", and the Ford Administration was terrified by the dangers of disclosure; so Ford assigned White House Chief of Staff, Donald Rumsfeld, to mount a damage control operation, the public face of which was the Rockefeller Commission (ibid, 339).

In his memoirs, Kissinger offered two possible explanations for Colby's extensive cooperation: 1) Colby thought power in Washington was shifting to Congress, "meaning the way to preserve the CIA had to be cooperation with Capital Hill", or 2) Colby might have come to think intelligence methods were weakening the moral fiber of America and sought to purify it by concerting with the protest movement (Prados, 2003: 305) – considering the amount of blood (and drugs) on Colby's hands in SEA, the former is more probable. Despite this, many career CIA veterans in the Clandestine Services were furious with Colby for his

relatively forthright discussions of the CIA's Family Jewels; indeed, by the end of 1975, even President Ford realized that Colby's frank admissions could decimate the CIA (Trento, 2005: 63-64).

As a result of Colby's astonishingly frank testimony during the Senate CIA oversight panel hearings in January 1975, and despite Rumsfeld's efforts, the CIA faced eight separate congressional investigations and hearings (Weiner, 2007: 338), culminating in the 14 Church Committee reports released in late 1975 and 1976. In November 1975, in an attempt to regain control and head off Colby's potentially disastrous strategy of openness, and in what was later christened the Halloween Massacre, Ford fired SoD Schlesinger and DCI Colby, promoted Rumsfeld to SoD, and, neutralizing a potential presidential competitor, made George Bush\* the new DCI in January 1976 (ibid, 346). Ford wanted someone who would keep his head down and loyally defend the CIA's tattered reputation - DCI Bush performed admirably, partially restoring CIA morale by denying cooperation with Congressional oversight committee's and the wild card Attorney General. However, as a sign of things to come, SoD Rumsfeld adopted a confrontational stance with the CIA and fully exercised his operational control over the DoD's purse strings, assuring that the DoD maintained its 80% cut of the intelligence budget (Weiner, 2007: 347; Daggett, 2004); in a meeting with Kissinger before the inauguration of Carter, Bush acknowledged that, regarding their covert action capabilities, the CIA was "both ineffective and scared" (354).

With this tapestry of confusion and distrust as our background, a tentative hypothesis shall be proposed to help us navigate the CIA-narcotics symbiosis from the mid-to-late-70s. In short, it would appear that a small clique of CIA old-boys, specifically those long associated with the East Asia Division of the Clandestine Services (this term is CIA parlance for the Directorate of Operations (pre-1973, the Directorate of Plans), headed by DCI Colby and implemented by Shackley, refused to bend with the winds of change sweeping through the CIA. Instead, they decided to secure their independence by cutting themselves loose from the constricting purse-strings of Congress, the meddling Senate Oversight Committees, and even the President himself, by assuring themselves of a reliable source of untraceable funding. They turned to narcotics, specifically, the burgeoning South American cocaine trade, and their initial efforts were given the operational codename, WATCHTOWER. It must be emphasized that all the evidence indicates that this operation was still entirely confined

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\*Bush was perhaps recruited by the CIA as a business asset as early as 1948, using a drilling equipment company, Dresser Industries as cover (Dresser provided cover for CIA agents from the Agencies inception) (Trento, 2005: 13-14). In 1950, Bush started Zapata Petroleum, an oil drilling, and equipment-leasing company; by 1956 Bush began doing favors for the CIA, such as talent-spotting for CIA business recruits (ibid, 15). By 1960, a subsidiary, Zapata-Offshore, was being used to assist in the logistics for the CIA's ant-Castro efforts, interestingly codenamed, Operation Zapata (ibid, 18).

to the CIA's Clandestine Services with control emanating solely from DCI Colby. In his capacity as Director of all of the U.S. intelligence apparatus, Colby enlisted the expertise of the DIA and the facilities of one of their closest foreign allies, CIA asset and head of the Panamanian G-2, Manuel Noriega. Although we will almost certainly never know the precise motivations of those involved in Watchtower given the political tempest rattling the CIA, it is more than likely that a defiant reassertion of power figured high on the list, as might have a misplaced sense of commitment to the anti-communist struggle, tinged with an absolutist interpretation of the saying: 'the end justifies the means'.

The details of this astonishing chapter in the CIA's secret history were revealed in September 1998, within a \$63 million lawsuit and a 1999 Civil Action case, both were seeking the release of a former Green Beret named William Tyree who was falsely imprisoned in 1980 for the murder of his wife in 1979, and both required that the court receive evidence of government drug trafficking and massive domestic surveillance operations that would contextualize the murder of Tyree's wife and how he was framed for the crime (Dowbenko, 2003: 83). Filed by Massachusetts attorney Ray Kohlman, the lawsuit, consisting of a 101-page complaint and five inches of affidavits and appendices, named numerous high ranking government officials as defendants in a far-reaching case involving US government sanctioned narcotics smuggling. Within this lawsuit are contained some of the most incriminating documents ever to have reached the public eye; collectively the documents describe two joint CIA-DIA missions called Operation Watchtower and Operation Orwell. These signed declarations, affidavits and additional witness testimonies, reveal how the CIA, in essence, became a drug cartel in its own right. In order to understand the context within which Watchtower was implemented, we shall use the leaked, and rarely seen, signed declarations of DCI William Casey (witnessed by Richard Nixon!) (1981-1987) and CIA agent Colonel Albert Carone, as a map to help us navigate the overall topography for CIA-US Army covert operations between 1973 and 1984 pertaining to the drugs trade (See figure 4 for a reproduction of Colonel Carone's diagram. See the Watchtower appendix for copies of the declarations and further details).

**FIGURE 4. Colonel Carone's overview of the CIA's drug-related infrastructure and assets from 1973 to 1984.**

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**RED MIST: (Identification of the communist infrastructure) (1973-1975);**

**(A-1);**

**(A-2);**

**(A-3);**

**(A-4);**

**(A-5 Colonel Manuel Noriega);**

**(A-6);**

**(TASK FORCE 157 shared intelligence with Red Mist (1973-1975));**

**ORIGINAL PROJECT**

**SANDMAN: (Elimination of the communist infrastructure (1975-1979));**

**(A-7 (Latin America)).**

**SECOND PROJECT**

**SANDMAN: (Elimination of communist infrastructure (1980-1984):**

**(A7A-TASK FORCE BRAVO (1982-1984));**

**(combat role of the military of the United States in Central America);**

**(A7B-Yellow Fruit (1981-1984));**

**(A7C-Sea Spray (1982-1984));**

**(A7D-Omni Project (1981-1984));**

**(A7E-Medellin Cartel (1980-1984): (Panama; El Salvador; Costa Rica; Honduras; Mena, Arkansas);**

**(A7F-Meneses Cartel (1980-1984): (Louisiana; Texas; California);**

**A7G-Cali Cartel (1980-1984): (Haiti; Florida).**

**ORIGINAL PROJECT**

**SANDMAN: (Elimination of the communist infrastructure (1975-1979):**

**(A-8 (Africa)).**

**SECOND PROJECT**

**SANDMAN: (Elimination of the communist infrastructure (1975-1979):**

**(A8A-Red Seed (1975-1979));**

**(A8B-Red Tide (1975-1979));**

**(A8C-Operation Diamond (1975-1979): (MINUTE MAN (On The Job Training) PROGRAM).**

**ORIGINAL PROJECT**

**SANDMAN: (Elimination of the communist infrastructure (1975-1979):  
(A-9 (Far East)).**

**ORIGINAL PROJECT**

**SANDMAN: (Elimination of the communist infrastructure (1975-1979):  
(A-10 (Near East)).**

**ORIGINAL OPERATION**

**WATCHTOWER: (Drug trafficking to finance anticommunist activities (1975-1984):  
(A-11): cocaine flown from Colombia and pre-positioned in Panama, (1975-1976);  
(A-12): cocaine transshipped from Panama to pre-positioned areas in Costa Rica,  
El Salvador, and Honduras, (1976-1981);  
(A-13): surveillance carried out within the United States to learn if A-11 and A-12  
were discovered. Cover stories included: surveillance UP AR 340-18-5; surveillance  
of left wing radicals; surveillance of tax protesters;  
(A-14): cocaine flown from Costa Rica, El Salvador, and Honduras, into Mena  
Arkansas. The cocaine is received and distributed by Italian business men  
associated with Mr. Genovese to fund anti-communist activities in Latin America  
and Africa, (1982-1984).**

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(The nomenclature (e.g. A-1, A-2 etc.) used by Carone appears to be the official U.S. military code for these operations).

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According to Colonel Carone (1984), in 1973 President Nixon authorized the creation of a two year umbrella operation called RED MIST (1973-1975), the purpose of which was to identify the infrastructure of communist spy networks in Latin America. Then in 1975, Nixon authorized a follow-up operation codenamed SANDMAN (1975-1979), designed to eliminate the communist infrastructure identified in Latin America under RED MIST. Given Nixon's contempt for the CIA's inadequate handling of the so-called 'Communist Threat', the direct involvement of Nixon in the planning of such extreme measures seems entirely feasible, particularly when we remember that Nixon had his own man, Schlesinger, in the DCI slot; indeed as Corone states, "per order of President Nixon, all activities were compartmentalized" (Carone, 1984). With this in mind it is perfectly feasible that DCI Schlesinger was never informed of these operations, instead being left to fulfill his role as a cost-cutting bureaucrat, with compartmentalized control being handled for instance, by DDO

Bill Colby in his capacity as head of the Clandestine Services. This possibility is given credibility when we note that Corone states that it was later DCI Colby who authorized the continuation and world-wide expansion of SANDMAN operations from 1975 to 1979.

Taking Carone at his word, DCI Colby authorized Operation Watchtower (almost certainly without the knowledge of the new Republican President, Gerald Ford), and personally oversaw the implementation of Phase 1 (A-11; 1975-1976). The testimony of DCI Casey (1986) supports this: he states Colby supplied him with an off-the-record debriefing in early 1981, in which ex-DCI Colby notified him "of two operations he was *still* running in Latin America. Both operations were without knowledge and consent of the United States Congress, President Ronald Reagan, or even the United States Intelligence Apparatus". He goes on to explain how Colby had "authorized assets involved in A-6 and A-7 to engage in narcotics trafficking to finance both operations" (A-7 was the CIA's Latin American version of Vietnam's 'Phoenix Program', a political assassination unit, which Colby had also overseen in his capacity as head of the U.S./South Vietnamese rural pacification effort. It is not difficult to imagine such units cooperating with Operation Condor). Most importantly, Casey explains that Colby requested his assistance in completing Phase 3 of Operation Watchtower. Colby had already "pre-positioned more than one million pounds of cocaine [500 tons!] in Panama between December 1, 1975, and April 1, 1976" during Phase 1, with the "aid of our gallant ally, General Manuel Noriega"; and then transported the cocaine into El Salvador, Costa Rica, and Honduras, between 1976 and 1981 in Phase 2; Casey was to deliver the cocaine to the American market. In short, under the advice of their mutual friend, Colonel Corone, the cocaine was to be flown into Mena Airport in Arkansas via the CIA's base of operations in hangers four and five at Ilopango Air Base, El Salvador (Casey, 1986). Once the product was sold to the CIA's buyers, Colonel Carone laundered the profits through, "the BCCI, BNL, BCP, the Inter-maritime Bank of New York, through various intelligence assets at the NYSE, the LSE, the Chicago Commodity exchange, the Chicago Board of Trade, the Chicago Board of Options Exchange, and the Continental Illinois National Bank and Trust Company of Chicago" (Carone, 1984).

Who the CIA point-man on the ground actually was, is a contentious issue deserving some examination; two options seem to exist: 1) It was the notorious Edwin Wilson who officially 'retired' in 1971 (Trento, 2005: 43), but was secretly maintained as an "unregistered business asset" so the CIA could use his extensive corporate fronts for potentially explosive clandestine deals it wanted to keep 'deniable' (Margolis, 2003). Wilson's presence would support Colonel Corone's declaration, verifying that the CIA was collaborating with a secret Naval unit called Task Force 157 on the RED MIST intelligence gathering operation. At the

time of Watchtower, Wilson was acting as a mole within the ONI's TF 157\* (his infiltration having been organized by another CIA-asset within the ONI and loyal to the DO) as the outfit's corporate front under cover of a company called World Marine. From here, Wilson would report on TF 157's activities to Thomas Clines, Shackley's deputy, and then head of the Far East Division (Trento, 2005: 59). As Joseph Trento (*ibid*, 83-86) argues, a more complex and devious possibility seems to exist in which 2) Wilson was never there at all, and instead the agent claiming to be Wilson was actually Thomas Clines, using Wilson's identity to provide an additional layer of insulation, and to assure future deniability, thus allowing the CIA the possibility of claiming Watchtower was a 'rogue' operation (in the latter case, the ONI would obviously have been out of the loop).

Regardless of whether it was actually Wilson or Clines, a direct link to the CIA's DO is still apparent: Wilson was reporting to Clines, and Clines was Shackley's deputy – either way, both men were reporting to Shackley (then Chief of the East Asia Division (with William Nelson as DDO) until May 1976, when he was promoted to the position of Associate Deputy Director for Operations (ADDO)), and we can assume he in turn was acting upon orders from Colby, bypassing his immediate superior, William Wells (Deputy Director for Operations), and dealing with the DCI head-to-head in spook parlance. This possibility is all the more likely when we consider that, as Clines noted, Shackley was viewed as the more experienced operator, with Wells generally leaving things up to Shackley, "including any sophisticated type of operations approval"; apparently, "Shackley really ran the operations directorate when he was ADDO" (Corn, 1994: 316). With the exception of this un-resolvable mystery, the chain of command below Wilson/Clines is clear: In late 1975, Colonel Baker, the CO of the 2<sup>nd</sup> Battalion, 75<sup>th</sup> Rangers at Fort Lewis, Washington (Gritz, 1991: 181), under instruction from the 407<sup>th</sup> Intelligence Unit of the 16<sup>th</sup> Southern Expeditionary Forces commanded by Major General Collins, who in turn reported directly to the Assistant DIA Director for Caribbean and Central American Theater Operations, Frederick C. Ikley (Martin, 2003: 264), was told to liaise with CIA agents identified as Edwin Wilson and Frank Terpil to conduct what was dubbed Operation Watchtower.

The project involved establishing and defending a series of three low frequency electronic beacon towers, the first outside of Bogota, Colombia, the second, northeast of Turbo, an isolated town on the Uroba Gulf adjacent to Panama's northern San Blas Territory, and the

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\*TF 157 was activated at the behest of Kissinger as a means of cutting the CIA and NSA out of his communications with Communist China, to restrict leaks and maintain absolute privacy – this of course infuriated the CIA (Trento, 2005: 52)

third in Panama itself (Gritz, 1993: 182) - the Special Forces troops were to maintain a perimeter and guard against possible guerilla or Colombian armed forces interference (Trento, 2005: 84). The 'nav-aid' beacons, in essence created a safe passage, supplying aircraft with reference points from which they could triangulate their positions (Martin, 2002: 264). These were necessary because the Watchtower aircraft flew at extremely low altitudes to evade detection (normally less than 500 feet), as a result "they could not receive the line-of-sight navigational signals available throughout the world"; the nav-aids remedied this by supplying all-weather night NAPE (nap of the Earth) navigation capabilities for the CIA-contract aircraft (Gritz, 1991: 182).

In December 1975, Colonel Baker handed operational control of Watchtower to his subordinate, Colonel Cutolo who was to take instruction from Wilson and Terpil. Thereafter Cutolo commanded the second and third Watchtower missions in February and March, 1976 lasting 22 and 24 days respectively (Cutolo, 1980; Guyatt, 1997). During the second Watchtower mission in February 1976, Cutolo states that:

"30 high performance aircraft landed safely at Albrook Air Station [Panama] where the planes were met by Col. Tony Noriega\*... [who] normally was in the company of other PDF officers known... as Major Diaz-Herrera, Major Luis del Cid, Major Ramirez. Also present at most of the arrivals, was Edwin Wilson, and an unidentified male Israeli national... During the [third] March, 1976 Watchtower Mission, 40 high performance aircraft landed safely at Albrook Air Station where they were met in the previously related fashion by those named" (Cutolo, 1980).

William Tyree's affidavit dated 6 September 1990, powerfully corroborates Colonel Cutolo's statements; then assigned to the 1st/17th Air Cavalry Division located at Fort Bragg, North Carolina, Tyree participated in the second and third Watchtower missions under Cutolo's command, and also the first mission in December 1975, under Colonel Baker. Tyree states that he

"personally witnessed members of the Panamanian Defense Force (PDF) help unload the bales of cocaine from the aircraft onto the tarmac of Albrook Air Station. Among the PDF officers were Colonel Manuel Noriega, Major Roberto Diaz-Herrera, Major Liz del CID, and Major Ramirez. These men were always in the company of an American civilian identified... by other personnel involved in the operation as Edwin Wilson of the CIA. Another civilian in the company of Wilson... was Israeli Mossad agent Michael Harari" (Guyatt, 1997)\*.

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\*From the late-60's Harari had been Mossad's Chief of European Clandestine Operations, overseeing Operation Wrath of God, the Israeli's bloody response to the Munich Massacre in 1972 (Cockburn & Cockburn, 1991: 246). Contrary to the portrayal of these events in Steven Spielberg's 2005 film, Munich, these operations were performed with a remarkable ineptitude, resulting in Harari's 'exile' to Latin America as Mossad Station Chief in Mexico City (ibid, 249; Murillo, 1995: 633). In 1973, Harari was visiting Panama to rally support from the country's wealthy Jewish community for the Yom Kippur War, fatefully, he was introduced to both Torrijos and Noriega; soon, Harari was serving as a broker of Israeli technology, eventually becoming the sole supplier of aircraft parts to the Panamanian Air force and a major distributor of Israeli small arms to the US-backed Central American dictatorships, earning him the nickname 'Mr. 60 percent' (with a slice of course, going to Noriega) (ibid, 633; 251).

All told, 105 cargo planes (35 plane-loads under Colonel Baker (Gritz, 1993: 182)) loaded with pure cocaine were flown from Colombia to Panama over a four month period in 1975 and 1976, a figure entirely consistent with ex-DCI Colby's admission to DCI Casey regarding the pre-positioning of one million pounds of cocaine in Panama in the same period (As 1 ton equals 2000 pounds, 500 tons would mean loads of 5 tons per plane, a figure well within the safe operational capacity of high performance military planes). If the CIA *had* chosen to unload the cocaine immediately, conservatively, a kilogram was selling on average for *at least* \$50,000 *wholesale* (import) in late 70's (Gugliotta & Leen, 1989: 12) - this would yield at least \$22.5 billion in revenues. However, as we know, the product was probably not sold until the early 80's, probably between 1982 and 1984\*\* when the wholesale price per kilo was somewhere in the region of \$20,000-\$30,000, depending on location, thus lowering profits to \$10 to \$12 billion. (UN World Drug Report, 2006: 369-370). Unfortunately we will never know precisely from who the CIA purchased this vast sum of cocaine and how much they paid for it, but the CIA, or their broker, probably purchased the cocaine for a *maximum* of \$5000 a kilo (ibid, 369-70), meaning after expenses of \$2.2 billion, they would clear \$10-\$20 billion in profits, with the product ultimately fetching anywhere between \$35-75 billion in revenues for the organized crime distributors at retail, again, depending on time and place of sale (It must be noted this amount would supply both the entire U.S. and European markets for a year!) (Thoumi, 2005: <http://www.drugwardistortions.org/distortion19.htm>). Yet another vital question is who supplied this gargantuan amount of cocaine? Although such an amount probably required a collective effort, there is only one possibility as to who oversaw the production: the Paredes-Rivera-Ocampo (Cali) nexus (see previous section).

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\*\* As Colonel Carone states this amount of product was not dumped en masse into the U.S. market; instead it was gradually fed into the U.S. between 1982 and 1984, under the watchful eye of DCI Casey. It is possible that the CIA saw this vast cache of cocaine as an investment that could be sold very much like corporate stock or Treasury Bills as and when the need arose. One question that concerned this researcher was: Could cocaine be stored for perhaps 5 years and still retain its quality? Theoretically, yes, as long as it is packaged to a pharmaceutical quality, kept dry and at optimum temperature. Worst case scenario, if there is some degradation, it can simply be reprocessed at some additional cost to restore quality (it is worth noting that the research of Colonel Wilson and William McCoy confirmed that the cocaine deposited in Phase II was the *same* cocaine shipped to Mena in Phase III (Stacy, 2006: B-3); See Appendix 3 for further details).

## **PANAMA, NORIEGA, AND THE CIA**

It is no surprise that DCI Colby chose Panama as the central cog in the Watchtower missions. Panama's dictator since the 1968 military coup, Lieutenant Colonel Torrijos, had been a paid CIA and DIA agent since 1962, when he was recruited to "monitor communist infiltration in the United Fruit Company's workers union" (Murillo, 1995: 68). Torrijos' second in command, and chief of Panama's G-2 since 1970, Manuel Noriega, had been a DIA agent since 1958 and a CIA agent since 1964 (ibid, 63), had received extensive training at the School of the Americas in the Canal Zone in 1965 (ibid, 66-67), intelligence/counter-intelligence training at Fort Gulick and psychological operations training at Fort Bragg in 1967, and even special intelligence and investigative training in Taiwan and Israel (ibid, 67). In short, Noriega and Torrijos ruled at the CIA's pleasure; and apparently, also at the CIA's pleasure, Torrijos and Noriega turned Panama into perhaps the most important narcotics transshipment points in the Americas.

In late 1969 Torrijos exponentially increased the importance of Panama in the eyes of the U.S. elite by cementing a very cooperative relationship with the Rockefeller's and a number of New York's biggest banks. By the end of the 60's New York banks needed an offshore center, and Panama, due to its monetary system and geographical position, placing it in the same time meridian as New York City, was an ideal choice. From 1969 the US pursued a strategy of non-intervention in Panama and in 1970 the country's banking laws were liberalized (tax free interest, unrestricted money flows, secret accounts etc) making it exceedingly useful as an offshore financial center for international banks (ibid, 94-95), and also turning Panama into the Mecca of money-laundering centers.

The services of Noriega, his PDF and G-2, were the natural choice for involvement in Watchtower – by the early 1970s Noriega had established a system in which his agents had become wholesalers of drugs, regularly importing wholesale amounts directly from producing countries (ibid, 124). The Panamanian Civil Aviation Authority would be ordered to direct incoming drug-laden planes to land at a specific hour of the night, then Noriega's special cargo handlers and guards would unload and transport the product to the Colon Free Zone at the Atlantic end of the Canal before shipment to the US and European markets (ibid, 127). By 1973, the DEA (the successor to the BNDD) had 45 documents dealing with the 'Panama Connection', with dossiers linking nearly every major personality in the Panamanian regime to the drugs trade (ibid, 139). Yet in that same year the CIA "dropped the requirement of reporting on narcotics from its activities in Panama"; in addition to this, the DEA was instructed to coordinate all its investigative operations with only one officer in the Panamanian National Guard. The name of this officer: Manuel Noriega (ibid, 155).

Just how important a role Noriega played in the South American drugs trade is revealed by testimony given by DEA agent, Tom Zepeda during the Kerry Commission in 1988: Zepeda testified that when stationed in Medellin, Colombia in 1977, he witnessed a Panamanian government airplane arrive in Medellin airport out of which came General Torrijos and Noriega; from here they were promptly whisked away by unlicensed Mercedes Benz's belonging to Santiago Ocampo, who, as we have already seen, was the pre-eminent cocaine smuggler in the world and the Godfather of what would later be known as the Cali Cartel. The Torrijos family's relationship with the Cali Cartel was so extensive that General Torrijos' brother, Hugo, owned a cargo airline with Ocampo called Aerolineas Medellin that moved Colombian cocaine into Panama (ibid, 233). And this relationship was no secret; in October 1977, President Carter held meetings with his advisors regarding the Torrijos-Noriega regime and narcotics trafficking; this was sparked by the request of a number of Senators who were demanding access to the DEA Panama files. Under orders from Carter, DEA personnel removed all sensitive files and destroyed them (ibid, 236) - "Among the files destroyed was a particularly sensitive one... in 1971, two undercover CIA agents posing as boat operators had taken their vessel to Panama to pick up a load of 'Panama Red' (marijuana)"; to their amazement, Colonel Noriega himself appeared at the pier to collect the bribe. Although the Justice Department wanted to prosecute, the CIA of course protected their asset and blocked the effort (ibid, 237). Given that Torrijos and Noriega were both CIA agents with extremely close relationships with Ocampo, one has to wonder if it were not the CIA's men in Panama who brokered the cocaine deal central to Watchtower.

## **THE CENTRALITY OF PARAPOLITICAL AGENTS**

In a parapolitical system (where covert activity is the primary means of exercising power) the studying of networks is key; and perhaps the most important node in any network is the one straddling the political world, legally sanctioned by law and society, and the criminal Underworld; for it is this netherworld that spawns the deep political system. Just such a 'node' is Colonel Albert Corone, perhaps the absolute personification of the deep political system, even more so than CIA characters like Paul Helliwell and Bernard Houghton (see Appendix 1). To understand how this man came to perfectly straddle the worlds of organized crime and Intelligence, a brief biography is most illuminating: Albert Vincent Carone, or "Big Al" as he was later known, led a destitute childhood in Brooklyn during the late '20s and early '30s. In approximately 1930 he was 'adopted' by the legendary mobster Vito Genovese, who operated out of a nearby bar in the White Hook area of Brooklyn. Genovese fed the young Carone and let him sleep in the bar; soon Carone was running errands for Genovese (Ruppert, 2002; Stacy, 2006: A-9). By the beginning of World War II, Al Carone was a 'made' member of the Genovese crime family with close working and friendly relationships with all the leading Mafiosi of his day, including Sam Giancana, Santos Trafficante, Joe Colombo, and Pauley Castellano amongst others (Guyatt, 2000) (after Genovese's death in 1969, the Genovese family merged with the Gambino family, with Carlo Gambino assuming the mantle of Boss of Bosses in New York, and making Carone a member of the Gambino family (Raab, 2007: 170; Stich, 2005: 216)). Upon entering the Army he was assigned to the Counter Intelligence Corps (CIC) where he worked extensively with the OSS and became fluent in Japanese, Chinese, Korean and Vietnamese (Ruppert, 2002). Whilst working in the Asia-Pacific theatre, Carone was introduced to OSS agent –and future DCI – William Casey by General Joseph Stilwell (Stacy, 2006: A-28; Casey, 1986).

After the War in 1946, Carone returned to New York, and, tellingly was allowed to simultaneously join the NYPD (eventually becoming a white-shield detective in the 42<sup>nd</sup>, 81<sup>st</sup>, 19<sup>th</sup> and 21<sup>st</sup> precincts) and the New York Air National Guard, beginning with the rank of Sergeant and eventually attaining the rank of Colonel (Stacy, 2006: A-12-15; Stich, 2005: 217). Whilst Carone was a detective, he acted as the "bagman" for the NYPD, collecting money from both the Mafia and CIA and distributing it to the appropriate captains and inspectors as payoffs for 'looking the other way' when CIA-protected drug shipments were being distributed (Stich, 2005b: 494). From 1946 to 1966, whilst a NYPD detective, Carone would be allowed to take frequent leaves of three to four months on operations for the CIA, using his military credentials as cover (ibid, 494). In his capacity as a CIA agent, Carone also acted as a CIA paymaster, collecting money for drug payments, or money to be laundered, from Mafia families in New York, New Jersey, and Pennsylvania for the CIA, and

occasionally, the Mossad (ibid, 494). In 1966, after leaving the NYPD, Carone\* became the point man in CIA-Mafia narcotics activities and by the early-70s was an important middleman, assuring that cocaine flowing from South America was distributed to the Colombo, Genovese and Gambino families (ibid, 495).

At some point after the war, Carone and Casey had become reacquainted and developed a close personal friendship, attending family parties and socializing often (Stacy, 2006: A-28). During this same period (late 60's mid-70's), Carone would use his home as a meeting place in his capacity as a Mafia-CIA liaison, hosting meetings between Casey and Pauley Castellano, the cousin and most trusted capo of Carlo Gambino, and later himself, the mafia "boss of bosses" and head of the Gambino family from 1976 to 1985 (Stacy, 2006: A-47-48; Maab, 2007: 248). The question is: why would Carone be mediating meetings between an ex-OSS hand and the New York Mafia? If we examine Casey's career and just one of his subordinates, an interesting, possibility comes to light.

During this period (mid-60's -1975) Casey was not only very active in the upper echelons of the Republican Party as a fundraiser (Perisco, 1990: 127), but later served as Chairman of the Securities and Exchange Commission (ibid, 137) and then President of the Export-Import Bank (ibid, 163). Within the SEC is the Division of Enforcement, the remit of which is the investigation of insider trading, "misrepresentation or omission of important information about securities", and perhaps most importantly, the "sale of securities without proper registration" (<http://www.sec.gov/about/whatwedo.shtml>). The head of this division from 1974 to 1981 was Stanley Sporkin, a close colleague and friend of Casey (Perisco, 1990: 145). It is not a tremendous stretch of the imagination to envision Casey and Sporkin - acting as CIA assets - exploiting their positions in the SEC to oversee the laundering of large amounts of Mafia and CIA drug profits through the securities markets; after all, they would be in perfect positions to provide false registration details, and Sporkin in particular, as the head of the Enforcement Division, was perfectly placed to bury, or restrict, violations investigations.\* Of course this is only a hypothetical, but consider this: soon after Casey was made DCI in 1981 after serving as Reagan's campaign manager, he sought out Sporkin and made him the CIA's General Counsel (ibid, 240) in which capacity Sporkin would later be responsible for drafting the infamous DOJ-CIA memo permitting the CIA to legally *not* report narcotics trafficking by CIA assets (<http://whereisthemoney.org/hotseat/stanley/index.htm>).

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\*Interestingly, like Casey, "Carone was also a Grand Knight of the Sovereign Military Order of Malta (SMOM), which historically has been the military arm of the Vatican and is regarded as a separate State with full powers of statehood, including issuing its own diplomatic passports"; a bagman could not ask for better cover (Guyatt, 2000).

Watchtower represented the culmination of Stage II of the CIA-Narcotics Symbiosis and also marked a shift in focus of the CIA's drug operations from SEA to Latin America, presumably to exploit the new recreational drug of choice, cocaine. And just as in SEA, where the CIA relied on the complicity of its 'anti-communist' allies to coordinate and supply vital elements of the production-distribution infrastructure, the CIA cultivated similar allies in El Salvador, Honduras, and most importantly, Panama. As we shall see in the next section, Watchtower was by no means the peak of CIA involvement in the cocaine trade. Next we shall examine how command of the CIA's drug operations was assumed by the NSC and a number of overlapping Restricted Inter-Agency Groups, ultimately overseen by none other than the Vice President of the United States, and how strong evidence indicates Executive Branch communication directly with the Colombia drug cartels in order to facilitate operations similar to Watchtower, and also to secure their cooperation with the operations of the CIA/NSC's drug-dependant proxies.

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\*In 2002, the Permanent Subcommittee on Investigations Hearing on Private Banking and Money Laundering conducted a limited investigation into just 22 US securities firms. It revealed that these firms had over 45,000 offshore clients who had collectively channeled approximately \$140 billion dollars into US securities accounts (Lilley, 2006: 67-68) – and this is just 22 firms out of many hundreds. So for instance, drug money might be deposited in cash into an anonymous bank account in Panama or the Cayman Islands; then through a securities brokerage firm maybe \$10,000,000 is invested in some form of securities financial instrument, perhaps for a fixed period; then the securities are sold and dirty money is now clean, ready to be legally moved about in the US.

## THE 1980s

### THE CONTRAS

When the devilishly complex, so-called Iran-Contra Scandal broke in 1986, the press went wild, and quite predictably, missed the real story by a mile. Ostensibly, "Iran-Contra had at its heart a simple scheme: to trade US arms to Iran for the release of American hostages held by Tehran's allies in the Middle East, with proceeds from the secret sales being diverted to the Nicaraguan Contras" (Dumbrell, 1997: 120). For a few years the MSM pontificated at length about Congress being denied its constitutional right to monitor arms sales; about the crass, cynical arrogance of 'rogue' NSC-staffers denying Congress its legal right to exercise its will over US foreign policy; the press were particularly fond of a comment made by NSA Poindexter, who stated that "Congressional authority to appropriate funds should not be allowed 'to restrict what the President can do in foreign policy' " (ibid, 121). Disturbingly, even some of America's most distinguished historians took the bait, obediently following the templates of disinformation provided by the US's most 'respected' newspapers, and confining their arguments to: who really knew what when, and specifically, was the President in the loop for the arms-for-hostage deal? (Draper, 1993: 59). In short, Iran-Contra boiled down to a few 'loyal, no-nonsense patriots' foolishly dealing with Iran, "an anti-American Islamic theocracy", in order to kill two birds with one stone, namely, free hostages and fund the contra 'freedom-fighters' (Hook & Spanier, 2007: 182). Indeed, Iran-Contra's infamous star, Lt. Col. Oliver North admitted that the Reagan Administration used the (Iranian arms funds) diversion *as a diversion*, to lay the blame at the feet of a few scapegoats, who would protect the upper-echelons of the Administration, staving off another Watergate (Kornbluh & Byrne, 1993: xvi). When the most damning details regarding precisely how the Reagan Administration had funded their largely secret Nicaraguan war, the public and the press were suffering from Iran-Contra fatigue, and unfortunately the immense significance of Oliver North's drug-ridden 'Enterprise' never saw the light of day.

But precisely what led the US government to resort to such extensive measures to wage a secret war against a small, destitute country? In 1979 the US-backed dictator of Nicaragua, General Anastasio Somoza Debayle, was overthrown and replaced by a government controlled by the FSLN, a nationalist, populist force with a strong leftist bent, popularly known as the Sandinistas. Commonly portrayed as rabid communists, the Sandinistas in reality were democratically voted into power, promising to implement government according to the "logic of the poor majority" (Robinson, 1996: 215). Upon entering office they immediately put into effect a budget emphasising healthcare, education, and a land reform program designed to enable rural campesinos to become self-sufficient. "The Sandinistas turned the huge absentee owned coffee, cotton and banana plantations, export mono-crop

slave-labour factories, into diversified family farms or community owned cooperatives" (Russell, 2000: 396). Fearing the Sandinistas anti-colonialist movement may become a model for the entire region, yet fully aware that opinion polls showed North Americans were "overwhelmingly opposed to US Military intervention in Central America" (La Feber, 1993: 279), the newly elected President Reagan signed a Finding on December 1<sup>st</sup> 1981, authorising a CIA covert action program "to support and conduct... paramilitary operations" against the Sandinista government (Kornbluh & Byrne, 1993: 11). However support for the CIA's weapon of choice when fighting leftist revolutionary governments, namely, a right-wing militia, *officially* began earlier, with the signing of NSDD#17 on 11<sup>th</sup> of November, allotting \$20 million to the CIA to create the 'Contras' - an amount CIA officials acknowledged was not nearly enough to field a credible fighting force (La Feber, 1993: 281). *Unofficially* this new struggle to contain the spread of 'communism' had begun in August, when CIA Chief of Latin American Operations, Duane Clarridge\*, established Col. Davico, vice chief of Argentine Military Intelligence, in Honduras with the support of Honduras's President, Paz Garcia and G-2 Chief, Col. Torres Arias, as the coordinator for the beginnings of the Contra movement (Scott & Marshall, 1998: 49). Soon Davico was re-grouping Somoza's Argentine-trained National Guard and training a select few in Argentina to be instructors in Honduras. Colonels Davico and Jose Ollas, as part of a joint US-Argentine-Honduran agreement, proceeded to unite the disparate anti-Sandinista groups by distributing hundreds of thousands of dollars worth of freshly minted \$100 bills (Prados, 1996: 399) - and the source of these funds? A small portion of the Suarez Cartel's drug profits, freshly laundered by the Argentine Government (Parry, 1999: 240). By the end of August 1981 the FDN was formed under the leadership of ex-National Guard leader, Enrique Bermudez; within a year, the Argentine intelligence unit, Battalion 601, had established contact with the CIA-sponsored Cubans, the rabid 'anti-communist' narco-terrorist groups Alpha 66 and Omega 7 in Miami, to organise "financing and currency exchange" (Scott & Marshall, 1998: 49). And right away, a brand new CIA drug proxy was formed that operated for over 2 years before the Enterprise was organised.

Before documenting Stage III of the CIA-Narcotics Symbiosis, it is necessary to trace the military infrastructure utilized during Phase II of Watchtower and almost certainly by CIA proprietary companies involved in contra supply missions and drug-running.

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\*Interestingly, Clarridge had been CIA station chief of Rome, the office that had maintained extremely close relationships with both Gladio and P-2 since the 1960's (Bradlee, 1988: 144). It will be remembered that Argentine intelligence had worked closely with a number of P-2 members throughout the 70s. Upon matters pertaining to the contra war Clarridge had been given a special waiver, meaning he bypassed the normal chain of command and reported directly to DCI Casey (ibid, 146).

## **WATCHTOWER: PHASE II**

Continuing to use the Corone Declaration as a map, we need to look for evidence supporting his statements claiming the cocaine initially stockpiled in Panama was disbursed for storage before shipment to the US, in Costa Rica, El Salvador, and Honduras. Unfortunately, operational details explaining precisely how, where, and when the cocaine shipments were made, are somewhat lacking. However, it will be remembered that Colonel Carone states that Phase II of Watchtower ran from 1976-1981 (Corone, 1984), and at the end of this period we do know that DCI Casey implemented a number of additional operations under the aegis of SANDMAN (as Corone notes, "A7A through A7G were authorized by Mr. Casey"). Of specific interest to us, with regards to which compartmentalized operations within SANDMAN may have facilitated the continuation of Phase II of Watchtower, are Operations Yellow Fruit (A7B, 1981-84) and Sea Spray (A7C, 1982-84 *sic*).

Between 1980 and 1981, USAF Major General Secord helped create Lieutenant Colonel Longhofer's Army Special Operations Division (SOD) (Secord had also gained valuable experience in the clandestine arts working for General John Singlaub in the CIA's secret war in Laos; then a Major, Secord had ran covert air operations for the entire region, where he had coordinated closely with Shackley and his deputy, Thomas Clines, with whom he became close friends (Trento, 2005: 34-35)). Its purpose was to circumvent reliance on CIA intelligence and supply the army with the ability to "form clandestine units capable of coordinating paramilitary actions and intelligence gathering" (Weiner, 1990: 175). The SOD was constructed to bypass all bureaucratic control and oversight, with some missions so sensitive "that only two or three people within the Army staff would know about them" (*ibid*: 176). Within the SOD the Intelligence support activity (ISA) was created; it was essentially the army's own secret espionage brigade, *with no congressional oversight*. The ISA, using the cover of shell companies, operated in El Salvador, Guatemala, Honduras, Nicaragua and Panama in order to support the war against the 'Communist' Sandinistas (*ibid*: 178). To increase the flow of funds for these operations, Army Chief of Staff General Meyer (commander of SOD) enlisted Autmer Ackley, a bursar from Army Intelligence and Security Command (*without the knowledge of his superiors*, again illustrating the practice of compartmentalization) to transfer appropriations from the Treasury, to the SOD and the ISA. Using 1080 Forms, Ackley transferred:

unspent funds from a score of different [Army] programs into covert forces' accounts. He could cut a check...and...vouch that the money already had been spent and accounted for on the Army's books. The soldiers turned the checks into cash. And then, by transferring the cash to clandestine checking accounts...they turned the greenbacks black. To serve the cause of secrecy, they wiped out the audit trail (*ibid*: 179).

Soon Ackley was dipping “into a dozen different unclassified Army accounts” and diverting the funds to the SOD’s secret soldiers; astonishingly “he had also gained access to CIA accounts further blurring the line between the Army and the Agency” (*ibid*, 189).

In 1981 the SOD, in conjunction with the CIA, created a secret aviation unit called Sea Spray, and following the drug proxy template, hid it inside a CIA subsidiary called Aviation Tech Services (*ibid*, 179). Sea Spray was not merely an aviation unit, in addition to a fleet of planes Sea Spray utilized advanced satellite blinding equipment capable of masking covert flights entering and exiting US airspace. Military satellites in orbit provide the primary defense network that protects American coastal airspace; Sea Spray could tap into these satellites and temporarily ‘blind’ them by selectively turning off their detection capability, thus establishing select ‘electronic holes’ or air corridors into (drugs) and out of (arms) US airspace for SAT planes or CIA proprietary flights (codenamed ‘Dodger’). So for instance, Sea Spray would render a plane invisible from say, Ilopango airbase in El Salvador all the way to the US ADIZ (the coastal defense alert area) approximately 200 miles off the Gulf of Mexico, where Sea Spray would give the pilot a time hack for reentry into US airspace, simultaneously, military surveillance tracking stations would augment the re-entry process by emitting large bursts of energy to jam US and Mexican ATC radar; at this point the plane would dive to extremely low altitude (below 500 feet) and slow down so US ATC would be unable to differentiate the plane from helicopter traffic servicing oil rigs. In order to pinpoint these corridors and reentry points SAT planes were equipped with GNS-500 navigational radios (costing \$500,000 each) “that continuously read the aircraft’s position in latitude and longitude via digital readouts”. In addition, they could process complex flight plans, meaning they could fly without making contact with ground controllers (Reed & Cummings, 1994: 255, 215, 204-7). The creation of Sea Spray would render all CIA drug smuggling activities invisible, and one can assume that if Phase III of Watchtower was still active, Sea Spray would undoubtedly have been utilized, as Carone’s declaration suggests.

As the SOD division grew and its missions proliferated, Longhofer created a specific unit whose sole occupation was to preserve the secrecy of the SOD – its codename was YELLOW FRUIT and it was run by Lieutenant Colonel Dale Duncan (Weiner, 1990: 180). Mimicking the CIA, Duncan created a host of secret checking accounts and dummy corporations to hide and distribute the SOD’s finances. Officially, the CIA did not consolidate its control of the SOD until the summer of 1982, when after receiving a detailed account of SOD’s activities, DCI William Casey decided to exploit a legal loophole (whereby “the Army is not legally bound to report its secret operations to Congress in advance, as the CIA must” (*ibid*: 180)) and requisition the services of SOD, and in particular the Seaspray unit. Casey proceeded to recruit SOD’s commanding officer, Longhofer, to the CIA’s covert-operations directorate to

work in conjunction with CIA's Office of Special Activities. This allowed Longhofer, acting as CIA liaison to the SOD, to control his former unit from within the CIA (*ibid*: 182). Throughout 1983 the SOD and Sea Spray were at work in El Salvador, Honduras (training Contras) and Costa Rica building airstrips (almost certainly as drugs/arms transshipment points) and running operations for the CIA and NSA. (For additional details of the SOD/ISA's activities in SEA, that quite by accident revealed further details of CIA involvement in the heroin trade, see Appendix 3).

### **THE CIA ASSUMES FULL CONTROL**

By mid-1982, the Argentine support for the contras was waning in light of the US support for the British in the Falkland's war; so by autumn of 1982, the CIA, flush with a significantly expanded budget (approximately \$3 billion), and ambitions to expand their ailing covert actions capability, assumed responsibility for the contra operation (Draper, 1991: 17; Weiner, 2007: 381). However Casey's plans were swiftly nixed by the first Boland Amendment, passed on December 8<sup>th</sup>, prohibiting the CIA from using any funds to overthrow the Sandinista government; but there was a loophole – the CIA could support the Contras as long as the purpose was something other than the overthrow of the Sandinistas (Draper, 1993: 18). The Democratic House continued to fight the Reagan Administration, and in December 1983, managed to cap contra funding at \$24 million for the next fiscal year (*ibid*, 19). Then in early 1984, a CIA-induced PR disaster further degraded support for Reagan and Casey's new war: In January the CIA foolishly mined 3 Nicaraguan harbors, and although the contras initially took responsibility, the truth leaked out in April, sharply bringing into focus the crisis of trust between the executive branch and Congress, the result? Boland II signed in October, prohibiting *any* military or paramilitary support for the contras (*ibid*, 23-24).

Suspiciously, despite the almost pitifully small amount of money the CIA had received from Congress to aid the contras, a tremendous amount of infrastructure had been established before Boland II. By 1983, the U.S. military and the CIA presence in Honduras, home to the biggest contra force, the FDN, was immense; "at least eleven airfields and base camps stretched out over 450 square miles", serving as the staging grounds for the Contra operations into neighboring Nicaragua (La Feber, 1993: 310). It is important to remember that by choosing Honduras as the base for the contras, the CIA were directly supporting a dictator, General Paz Garcia, who had risen to power, almost entirely due to the funding he received from Honduran cocaine lord, Cali Cartel associate and protected CIA asset, Matta Ballesteros.

Further muddying the contra chronology, in 1980, only months after the FDN's inception, and before it had garnered even the unofficial backing of the CIA, General Paz Garcia and Matta Ballesteros, along with General Schweitzer, the director of strategy for the Army's deputy chief of staff for operations, had begun engineering the use of Honduras as a Contra base of operations (Russell, 2000: 407). By 1982, a Col. Gustavo Alvarez Martinez, commander of the Honduran military, appeared to have assumed joint command of the FDN with Enrique Bermudez (2000: 407, 402). Between 1982 and 1987 the drug-dealing Honduran military establishment – the partners of Ballesteros in the 'Mexican Trampoline' that 'bounced' Colombian cocaine to the U.S. - received \$1.2 billion dollars from the U.S. government; yet in June 1983, the Honduran DEA station was conveniently shut down, apparently due to a lack of funds! (2000: 409).

By 1983, and clearly lending moral weight to the Boland Amendments, CIA regional chief, Duane Clarridge, widely disseminated training manuals such as *Psychological Operations in Guerilla Warfare*, commonly known as the murder manual, that advised "selective use of violence" against civilian targets, to the FDN in Honduras (Kornbluh & Byrne, 1993: 2). In no time at all

The Contras' brutality earned them widespread notoriety. They regularly destroyed health centers, schools, agricultural cooperatives, and community centers – symbols of the Sandinistas' social programs in rural areas.

(Blum, 2004: 293)

As despicable as the Contras' targets were, their methods for discouraging such 'leftist' activity were simply monstrous:

Contra troops specialized in the blowing up of school buses full of children, the rape, mutilation and murder of young girls... the use of children's heads spitted on stakes as warnings... [the] rape and mutilation of rural literacy volunteers... [and] the regular bayoneting of infants...

(Russell, 2000: 403)

Between 1981 and 1984 the Contra's "assassinated 910 state officials and killed 8000 civilians" (2004: 293). In 1985 Ronald Reagan declared these U.S.-trained, sadistic mercenary killers to be "the moral equivalent of our Founding Fathers" (Cockburn, 1987: 71).

In El Salvador the CIA's activities and allies were similarly repugnant; Major Roberto d'Aubuisson (a member of the CIA-initiated anti-communist organization CAL, graduate of the SOM, and deputy chief of ANSEAL, the CIA-funded Salvadoran National Security

Agency), was helping FDN commander, Enrique Bermudez establish the infamous Ilopango air base as a central cog in the Contra supply system. When not aiding the CIA, he busied himself directing his 'anti-communist' death squad ARENA that slaughtered at least 50,000 civilians between 1979 and 1985 (Russell, 2000: 400; Marshall et al, 1987: 20). The contras first secured the use of facilities at Ilopango in 1983, through CIA pilot and drug-trafficking partner of Norwin Meneses, Marcos Aguado, who had cultivated close relations with senior Salvadoran military figures, particularly, El Salvador's Air Force Commander, General Bustillo (Webb, 1999: 253).

Marcos Aguado was also the chief pilot for the ARDE 'Southern Front' contra forces, based in Costa Rica since 1982, and headed by Eden Pastora since his recruitment in 1981 by CIA regional chief, Duane Clarridge (Webb, 1999: 259). Aguado maintained close relations with CIA agent and contra liaison in Costa Rica, John Hull, who posed as a mid-western farmer managing some plantations. In reality, Hull's 1750 acre 'ranch', occupying strategically vital territory in the north, was a well-guarded compound with an airstrip, training areas and quarters for contra soldiers (Webb, 1999: 217, 311) (in 1984 when the CIA's infrastructure was handed over to the North, Hull would be paid \$10,000 a month for his services (Parry, 1999: 93)).

Inevitably, DCI Casey looked to Panama, and the services of Noriega and his Israeli partner, Harari, for weapons and narcotics logistical expertise. And rightly so, since April 1981, Noriega had essentially become a business partner of the Medellin Cartel, and since July, 1981, when General Torrijos was blown to pieces by a bomb planted in his airplane, Noriega had become Panama's de-facto ruler. A deal had been negotiated in which the Colombians would be able to construct cocaine processing laboratories 48 miles inside the Panamanian border in Rio Quindio. The PDF supplied the Cartel with a number of ancillary services such as Passports and visas, money laundering, intelligence on the DEA, paper corporations, airport facilities and real estate investment services, and protected shipments of chemicals essential for the processing of cocaine paste into powder (soon after, a second Cartel cocaine plant was set up in Darien) (Murillo, 1995: 385, 392).

Early on the CIA was aware that support for the Contras was creating damaging rifts within Congress, so as early as 1982, practicing an atypical subtlety, they turned to Noreiga and his business partner, Harari, to tap supplies of non-US-made weapons. Harari's source was the large caches of Eastern-Bloc weapons caught by the IDF in their 1982 invasion of Lebanon (ibid, 541). By late-1984, Noriega had personally met with Casey three times, once in Panama, and twice in Washington (to where he flew on the first occasion aboard a Lear

Jet owned by Marijuana Baron, Steven Kalish). The closeness of this relationship must be emphasized because the CIA could not possibly have failed to notice the inordinate amount of illicit traffic going through Tocuman air base (run entirely by Noriega's National Guard), and the increasingly cozy relationship between Noriega and the Medellin Cartel. Anel Arcadio Perez Castillero, head air traffic controller from 1978 to 1988 at Tocumen airport, witnessed *thousands* of unidentified flights land and take off throughout the decade - on three occasions he personally saw Jorge Ochoa received by Noriega on the tarmac. On another occasion, in mid-1983, he witnessed "a flotilla of old propeller Douglas DC-6 cargo planes arrive at the airport... [where] workers loaded each plane with barrels of ether and other chemicals used in the manufacture of cocaine. One DC-6 departed with its cargo every two hours... *for two full days*" (ibid, 399).

Noriega's emissary to the Medellin Cartel was his trusted gun-running partner and pilot, Floyd Carlton Cacerez, who began working for Pablo Escobar in 1982. Carlton would fly cocaine from one of Escobar's ranches in north-west Medellin to Panama, from there Panamanian airlines such as INAIR would smuggle the cocaine in various disguises to Miami (INAIR's major shareholder, Ricardo Bilonick Paredes, was merely a front man the Medellin Cartel) (ibid, 401-402). By late-1982 this pipeline had become so enormous that Noriega sent a representative to Medellin "to request the Cartel begin using large airplanes in place of small ones to reduce the number of unidentified flights arriving in Tocumen. The Cartel then began to fly old Douglas DC-6 and DC-4 cargo airplanes with 3 or 4 tons of cocaine per flight." Noriega's partnership with the Medellin Cartel made him exceedingly wealthy: Between 1982 and 1984, "Noriega received \$500,000 for each flight of INAIR to deliver cocaine to the US. INAIR made 19 of these flights in that period, for a total of 20,000 kilos. Hence, just from INAIR, Noriega received close to \$10,000,000 from 1982 to 1984" (ibid, 403-404). Despite his culpability, in a business that was ravaging the ghettos of Miami, Los Angeles and New York, the CIA paid him a retainer of \$110, 000 a year up until 1985, when it was upped to \$200,000 (Vesco, 1990: 478).

But, one might ask, how could so many large cargo planes fly through American airspace and disgorge their massive cargos unmolested in Miami, the frontline of the US 'Drug War'? Well interestingly, in January 1982, Reagan assigned VP Bush to head the high-profile South Florida Task Force on Drugs (SFTF), an effort to coordinate the various federal agencies in order to stem the flow of narcotics through this drug-porous state. Then in March 1983, "Bush was placed in charge of the National Narcotics Border Interdiction System, which was supposed to staunch the drug flow over all US borders" (Tarpley, 2004: 460-1) - the same VP Bush who, as a result of an unprecedented deluge of Executive Orders\* and National

Security Decision Directives in late-1981 and early-1982, had essentially assumed command of covert operations in Central America in his capacity as Chair of the Special Situations Group (SSG) (NSDD#3: November 14<sup>th</sup> 1981), and the Standing Crisis Pre-Planning Group (CPPG) (NSDD#2: January 12<sup>th</sup> 1982) (Spannaus, 1994; Tarpley, 2004, 387-88); and in which capacity had held lengthy meetings in 1983 with none other than Noriega to discuss ways in which Panama could be of assistance to the contras! (Murillo, 1995: 541).

### **THE CONTRA DRUG NETWORKS**

Collectively, these CIA-controlled and funded staging grounds (Honduras, El Salvador, Panama and Costa Rica) provided the infrastructure for the largest single expansion of the Latin American cocaine trade in history. The smuggling capacity of these networks were so vast, we shall have to make do with just a few of the most pertinent examples to convey the scale of these operations that collectively throughout the 80s, dwarfed the CIA's cocaine exploits under Watchtower. When CIA Inspector General Hitz finally released the 2 volume Report into Contra drug trafficking in 1997 and 1998, researchers such as Robert Parry and the Cockburn's, who had initially broken the Contra drug-running stories in the mid-80's, were stunned; all told, the report acknowledged more than 50 contra related entities had been implicated in the drugs trade (Parry, 1999: 225). According to CIA cables, the first Argentine-trained Contra faction to turn to drugs to fund the cause was the September Legion (also known as ADREN), who within only two months of their formation in May 1981 (3 months before the main faction the FDN was founded!) (Prados, 1996: 398) had exploited their contacts in Argentine Intelligence to tap their Bolivian Cocaine Coup benefactors – they made their first cocaine delivery to Miami in July 1981 (Parry, 1999: 42). Six months prior even to this, in December 1980, the Cuban-exiles - the allies of both Argentine Intelligence and the CIA – had also begun to tap the CIA-protected Suarez Cartel in Bolivia (ibid, 42). Chief among them was CORU founder, Frank Castro, who thrived within this furious hive of 'anti-communist' activity, again guaranteeing the safety of his operations by making generous contributions to the contra cause.

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\*Particularly EO#12333 (Dec, 1981), designating the NSC as "the highest Executive Branch entity that provides review of, guidance for, and direction to the conduct of all national foreign intelligence, counterintelligence, and special activities (i.e. covert operations) and attendant policies and programs..." (Bradlee, 1988: 141) – "effectively putting the NSC in charge of the CIA, military intelligence, [and] special operations" (Spannaus, 1994).

But the contra drug networks all really trace their lineage to what Colonel Carone referred to as the Meneses Cartel. The chiefs of this cartel were Norwin Meneses, a Nicaraguan drug dealer who had operated with the approval of the Somoza clan pre-1979, and Oscar Danilo Blandon, who under the Somoza regime had been head of Nicaragua's agricultural export program (St. Clair & Cockburn, 1999: 3). Based in San Francisco and Los Angeles respectively, both men were summoned to Honduras by an associate of FDN leader Bermudez in the spring of 1981 to discuss possible fund-raising options for the contras (ibid, 5). Immediately after, Meneses and Blandon traveled to Bolivia, to visit the CIA's cocaine coup assets, the Suarez Cartel, and for the next few years the up-and-coming Meneses network had a steady source of high-grade cocaine supplied by a fellow CIA-protected asset, that was being shipped through Honduras with the full support and protection of Contra Commander and CIA agent, Enrique Bermudez (Parry, 1999: 43). As internal knowledge of CIA proxy drug-smuggling spread, DCI Casey "lobbied Attorney General William French Smith to exempt the CIA from a legal duty to report on drug crimes" of its foreign assets – the waiver was granted in February, 1982 (ibid: 43) and was suspected to have been drafted by CIA General Counsel, Stanley Sporkin. As Rep Maxine Waters noted, this arrangement "allowed some of the biggest drug lords in the world to operate without fear that the CIA would be required to report their activities to the DEA... These damning memorandums... are further evidence of a shocking official policy that allowed the drug cartels to operate through the CIA-led contra covert operations in Central America" (ibid, 204).

To get some idea of the scale of these operations, it is worth further exploring the Meneses network's distribution process. In 1996 Gary Webb published his 'Dark Alliance' series in the San Jose Mercury News, allowing us to trace the West Coast distribution network of the Contra FDN/Meneses networks on the West Coast. By late-1981, and with the CIA's protection, this network had shifted over a ton of cocaine (\$54 million worth at prevailing wholesale prices), with a substantial portion of the profits going to the contra revolution (Webb, 1996). In spite of the scale of these operations, Meneses lived openly in the San Francisco Bay Area even though he was implicated in 45 separate federal investigations. Webb states that "Agents from four organizations... the DEA, U.S. Customs, the Los Angeles County Sheriff's Department and the California Bureau of Narcotic Enforcement... complained that investigations were hampered by the CIA or unnamed 'national-security' interests" (1996).

When Blandon began selling cocaine in California "street-level drug users were figuring out how to make cocaine affordable: by changing the pricey white powder into powerful little

nuggets that could be smoked - crack." Crack smokers "got an explosive high unmatched by 10 times as much snorted powder" (Webb, 1996). Blandon's biggest market soon became the ghettos of South Central Los Angeles and his largest client and distributor was 'Freeway' Ricky Donnell Ross. Ross was introduced to Blandon in late 1982 by Henry Corrales, a member of his network; by late-1983 Ross's operations dominated inner-city LA, supplying both the Blood's and the Crip's, LA's most powerful and violent gangs, and moving as much as \$2-3 million of crack *a day*. By this time Meneses routinely flew quantities of 200-400 kilograms of cocaine from Miami to the West Coast for Blandon who was selling Ross approximately 100 kilos a week; depending on the price of a kilo, this was roughly \$65 million to \$130 million worth of cocaine every year at *wholesale* prices – and this was just the LA operations! (Webb, 1996c). Ross's success came from the inexhaustible supply of CIA sanctioned cocaine at bargain basement prices, allowing Ross to undercut his competition by as much as \$10,000 a kilo if necessary. By 1987 Ross had cornered the crack markets in half-a-dozen major cities all over the nation; using the same low-price, high-volume strategy - and the same Nicaraguan drug connections - he'd used in L.A, Ross had become the dominant supplier in Cincinnati, Cleveland, Indianapolis, Dayton and St. Louis (Webb, 1996). As soon as the Contra war began to wind down both Blandon and Ross felt the heat; Ross was arrested in 1988 and Blandon in 1991.

According to L.A. County sheriff Sergeant Tom Gordon in a 1986 affidavit, the proceeds gained from the Meneses network were transported to Florida and laundered through their associate, Orlando Murillo, a high-ranking officer of a chain of banks in Florida named Government Securities Corporation. From here the profits were filtered to the contra rebels to buy arms in the war in Nicaragua (Webb, 1996). Amazingly, Gordon also stated that both the Drug Enforcement Administration and the FBI had informants inside the Blandon drug ring for several years. When the drug ring was finally raided, a number of members identified themselves as CIA agents; one was Ronald Lister, previously an LA police detective, who later acted as Blandon's bagman (Webb, 1996).

## THE NSC AND LT. COL. NORTH TAKE COMMAND

**STAGE 3:** *The Executive Branch of the government (in this case, a clique revolving around the Vice President's office) decides to tap the proceeds of the drugs trade directly, in effect assuming command of the CIA's networks with the DCI's assistance. Inevitably, just as small factions of the CIA's Clandestine Services had done, the new compartmentalized groups within the NSC become a vital part of the drug supply chain, interacting with multiple international crime syndicates, and in essence becoming one in their own right.*

As already noted, by 1982 much of US foreign policy concerning Central America was handled by VP Bush in his capacity as the head of the SSG and CPPG (these groups reordered the chain of command by placing the SSG and CPPG directly below the President and above the Secretary of State). But most importantly the staff coordinator of CPPG was Lt. Col. Oliver North.\* So when the CIA's contra program expired in mid-1984 and Boland II was passed in October, and Reagan instructed NSA McFarlane to transfer the contra program to the NSC, it was North, as staff coordinator of the CPPG, who became the central coordinator of the contra war (Kornbluh & Byrne, 1993: xviii).

Under the auspices of the CPPG, a Restricted Interagency Group (RIG) was formed to help coordinate the contra operations and cut through the interagency bureaucracy. It consisted of Thomas Enders, Assistant SoS for Inter-American affairs; Nestor Sanchez, the deputy assistant secretary for international security affairs and ex-Latin American Chief in the CIA's DO; Duane Clarridge, the current CIA Latin American Chief in the DO; and Roger Fontaine, the NSC specialist for the region (Bradlee, 1988: 148). And so began the Enterprise, the NSC's attempt to "replicate what the CIA had been doing since 1981" (ibid, 123).

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\*North began working for the NSC in August 1981, and was charged with briefing Senators and tracking the lobbying progress for the White House's \$8.5 billion sale of AWAC technology to the Saudi's (Bradlee, 1988: 120). In the spring of 1982 North became the NSC's liaison for FEMA and began working on terrorism, crisis management and continuity of government (COG), in this capacity he became part of a select group charged with "drawing up contingency plans for government operations in the event of a nuclear disaster or some other calamity" (ibid, 129). By 1983 North headed the sensitive NSC Crisis Management Center, becoming a central cog in the national security nexus, "directing the flow of highly classified intelligence throughout the government" (ibid, 131). North's work on COG between 1982 and spring 1984 was highly classified; however it was reported by the *Miami Herald* that his work involved drafting "sweeping contingency plans to impose martial law in the event of nuclear war, or less serious national crises such as widespread internal dissent, or opposition to an American military invasion abroad" (ibid, 132). He also had a hand in the Defense Resources Act "which would give the President powers to impose censorship, seize the means of production and ban strikes" (ibid, 133). It is also known that he partook in FEMA's emergency simulation exercise, Rex-84 Bravo, "designed to test FEMA's readiness to assume authority over DoD personnel, all 50-state National Guard forces... [and to] deputize all DoD and National guard personnel" to avoid violation of the Posse Comitatus Act – in short, it was a plan to 'legally' install a military dictatorship (ibid, 133-4). With this in mind, and depending on ones perspective, North was perhaps the absolute worst, or perhaps the best candidate to coordinate the CPPG.

Between 1985 and 1986, NSC creation the CPPG, headed by North, had taken over the CIA's Central American infrastructure and made it their own, labeled the 'Enterprise', this extended network served as "a covert corporation of CIA agents turned arms merchants, dummy companies and Swiss bank accounts." It operated with its own airplanes, pilots, airfield, operatives, ships, and secure communications devices. General Secord "basically created a mirror image outside the government of what the CIA had done... The Enterprise existed to make money off of covert operations, and to generate profits for more covert operations" (Weiner, 1990: 202). "For 16 months, it served as the secret arm of the NSC staff, carrying out with private and non-appropriated money and without the accountability or restrictions imposed by law on the CIA, a covert Contra 'aid' program that Congress thought it had prohibited" (Inouye-Hamilton Committee, 1987). What was not reported by the 'thorough' probing of the above commission's, was that the Enterprise was a near carbon copy of similar army and CIA outfits set up respectively four and three years earlier by General Secord\*, namely, the US Army's SOD and ISA, the personal tools of DCI Casey.

However the NSC's Enterprise did not begin after Boland II; amid a growing sense of unease on Capitol Hill that US policy in Nicaragua was becoming a serious public relations liability, the NSC had been busy since at least mid-1982, coordinating its covert infrastructure with the CIA's in Central America. In August 1982 VP Bush's new VPNSA, Donald Gregg hired Felix Rodriguez to work out of the VP's office. In March, whilst still at the CIA, Rodriguez was involved in drafting proposals for the creation of 'mobile tactical squads', assassination teams along the lines of MAG-SOG\*\* to be used in El Salvador by their mass-murdering ally, Major d'Aubuisson.

In 1982, before North was involved, Felix Rodriguez was assigned to oversee the Contra airlift supply effort in El Salvador (Cockburn et al, 1999: 293). That same year Rodriguez enlisted the help of Ramon Milian Rodriguez (also a CIA-trained Cuban-exile) "in his capacity as a money manager for the Medellin drug cartel... [in order] to enlist the cartel to the Contra cause... He was asked to contribute \$10 million... on a per need basis from 1982-85";

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\*Immediately after creating the SOD, General Secord had moved to the CIA, and from the Spring of 1982 "[managed] an operation in which Israel shipped weapons captured in Lebanon to a CIA arms depot in San Antonio, Texas, for re-shipment to the Contras" (Hopsicker & Ruppert, 1999). In 1983, General Secord, began working in Central America for DCI Casey, creating a network of private companies to run arms smuggling and covert operations, as part of CIA Director Casey's expanded privatization of intelligence operations.

\*\*Rodriguez had worked under Ted Shackley and E. Howard Hunt at the notorious CIA Miami station in the early 60s as part of Operation Mongoose. Later he worked with Shackley and Gregg in Southeast Asia within the Military Assistance Group-Special Operations Group (MAG-SOG), a part of Operation Phoenix, the political murder unit. Oliver North and Richard Secord were also officers in this unit that killed as many as 100,000 civilians (Tarpley, 2004: 390). In the 70s Rodriguez was involved in similar CIA operations in Central America, where according to Gregg "Rodriguez was a genius with napalm. He pioneered its use on the campesinos of El Salvador. From 1979-81...[CIA sponsored operations]...killed 30,000 Salvadorans" (Russell, 2000: 403).

In return, the Medellin cartel received safe passage for their cocaine into U.S. markets from the DEA! (ibid: 309).

North's immediate concern by mid-1984 was arms procurement, and on the recommendation of DCI Casey, North turned to retired SEA veteran, Major General Secord, who turned to Watchtower operative, Thomas Clines, then an 'ex'-CIA agent, running an arms procurement company called Defex-Portugal Ltd., that bought up weapons caches in Portugal, Poland, and elsewhere in Eastern Europe (Kornbluh & Byrne, 1993: 124). By October North had secured the services of yet another SEA veteran, General Singlaub, director of the drug-soaked WACL, and representative of GeoMilitech Consultants, that also procured millions of dollars worth of Eastern-Bloc weapons for the FDN (ibid, 123).

North's operations received an unexpected boost in June 1985, when Congress bowed to Republican pressure and passed \$27.5 million in non-lethal 'humanitarian aid'. As the CIA and Pentagon were banned from supplying military funds to the contras, the task of administering the funds fell to the State Department, who created a new bureaucratic entity, the Nicaraguan Humanitarian Assistance Office (NHAO) as the distribution mechanism, headed by Career Diplomat, Robert Duemling. But this did not stop North; unbeknownst to Congress Duemling was receiving his orders from another RIG, consisting of North, CIA ADDO, Alan Fiers and ASoS, Elliot Abrams. This RIG employed Secord pilot, Richard Gadd, who was already running a CIA re-supply proprietary called EAST, Inc., (that in turn was subsidized by SAT and based at Ilopango, in El Salvador), to fly genuine aid to CA and then use the same planes to run guns to the various groups (Kornbluh & Byrne, 1993: 125-6).

But CIA proprietary firms were not the only airlift companies on the NHAO's payroll; the largest receiver of NHAO funds was SETCO, owned by none other than CIA asset, Juan Ramon Matta Ballesteros, head of the Honduran mafia, chief distributor of Cali Cartel cocaine, and business partner of CIA asset, Honduran G-2 chief, Torres Arias (Cockburn & St. Clair, 1999: 281-2) – and this was despite the fact that the DEA had extensive files documenting SETCO's habit of flying cocaine into the US on their way to pick up contra supplies (ibid, 282). Ballesteros also co-owned a second airline with DEA-tagged drug smuggler, Frank Moss, that secured NHAO contracts called Hondu-Caribe. Planes from this company regularly carried weapons bought from a US firm established in 1984 called R&M Equipment, which maintained a large warehouse in Tegucigalpa, the Honduran capital, and another in the Honduran industrial center of San Pedro Sula (Cockburn & St. Clair, 1999: 282; Perry, 1999: 160). The 'Arms Supermarket' as North called it, stored millions of dollars worth of stockpiled Eastern Bloc weapons; according to North's own notebooks, the

warehouse was financed with drug proceeds (Parry, 1999: 141). Entries for 1984 and 1985 read:

The July 9<sup>th</sup> 1984 entry... states, in Ollie's own hand, 'wanted aircraft to go to Bolivia to pick up paste, want aircraft to pick up 1,500 kilos'. The July 12<sup>th</sup>, 1985 entry reads, '\$14 million to finance [arms] Supermarket came from drugs'. August 9<sup>th</sup> 1985: 'Honduran DC-9 which is being used for runs out of New Orleans is probably being used for drug runs into the U.S.' All told, Ollie referred to CIA drug dealing in more than 250 entries (Russell, 2000: 410).

Ron Martin employed a Cuban-exile, John Molina to oversee the running of numerous shell corporations in Panama to shuffle dirty money for the Supermarket (159). In the 70's Molina had worked for the CIA, Mafia, and drug-affiliated WFC Corp, heading its subsidiary in Panama, UniBank (personally protected by Noriega) where he oversaw WFC's Colombian interests and steered WFC funds all over the world to untraceable accounts (165). In his capacity as Martin's banking consultant, Molina worked for the CIA arranging letters of credit for the Contras and other US backed governments in Central and South America so they could purchase arms (168).

Yet another company implicated in drug-smuggling to receive funds from the NHAO was Frigorificos de Puntarenas/Ocean Hunter. Overseeing this contract was Rob Owen, North's right-hand man. Frigorificos de Puntarenas was ostensibly a shrimp company with a small fleet of fishing boats based in the Pacific Coast village of Puntarenas, Costa Rica, and Ocean Hunter was the import company based in Miami (Webb, 1999: 238). In reality these companies were initially set up by CIA Cuban-exile and Medellin Cartel accountant, Ramon Milian Rodriguez as "part of an interlocking chain of companies... created to launder torrents of cash that were pouring into the Cartel's coffers... Drug money would go into one company and come out of another through a series of inter-company transactions, clean and ready to be banked or invested" (ibid, 238). However, in 1982, these companies were handed over to an organization of Cuban-exiles based in Miami who were giving "financial support to anti-Castro groups and the Nicaraguan Contra guerillas" and using them as "a front to bring cocaine into the US" (ibid, 239).

But perhaps most astonishingly of all, the NHAO gave airlift contracts to a Miami-based company called DIASCA, run by CIA agent and Cuban-exile, Alfredo Caballero, but actually owned by Floyd Carlton, business partner of both Noriega and Pablo Escobar! This company was not only used to smuggle cocaine on behalf of Pastora's ARDE contra faction in Costa Rica, but also as an intermediary for the Contras to secretly purchase aircraft (ibid, 244-5).

Yet another was Vortex Aviation, owned by Michael Palmer, who according to a federal prosecutor in Detroit, ran “the largest marijuana business cartel in the history of the country” (ibid, 245-6).

Now that we have an outline of the CIA and NSC facilities and transportation infrastructure, and more importantly, an understanding of the nature and identity of the companies who connected this operation together via their airlift services, we can address the question: how did most of the contra cocaine enter the US unhindered and in such vast quantities? Clearly the answer is obvious, but a brief description of the typical method is instructive. Central to this story is DEA agent Celerino Castillo, who in October 1985, was assigned to the Guatemala station, making him one of only three agents covering Guatemala, Honduras, Belize, and El Salvador – this ridiculous situation quite succinctly illustrates how seriously the US government took its drug interdiction duties (Castillo, 1994: 107). Almost immediately, Castillo was somewhat mysteriously warned off from interfering with the NSC and CIA’s contra operations run out of Ilopango air base, and then under the control of Felix Rodriguez (and his deputy, Luis Posada Carriles), who reported to VP Bush (ibid, 112). Undeterred, Castillo began tapping a number of the DEA’s most reliable informants, particularly a member of the Guatemalan G-2 and contra supporter, Socrates Sofi-Perez (ibid, 126), and Ramiro Guerra, an agent of D’Aubuisson’s Salvadoran ARENA. Through these sources he recruited Hugo Martinez, an air traffic controller working at the airport’s civilian terminal. Through this well-placed informant, Castillo was able to compile detailed reports listing the names of traffickers, their flight paths, tail numbers and destinations; on average, *hundreds* of flights each week delivering cocaine to the US market used Ilopango as a re-fueling point (ibid, 138). As Martinez described it

Every pilot had his own preferred technique for getting his illegal payload to US soil. Some liked the John Wayne approach, flashing their CIA credentials at Florida airfields and unloading the drugs in plain view. Those who want to maintain a lower profile shipped the kilos out in innocuous cargoes like towels, seafood, frozen vegetables or auto parts. Many landed at military bases around the US, knowing no one would inspect a contra plane. [But] airdrops were... the least risky and most popular... dropping bundles in the Bahamas or off the Florida Coast (ibid, 139).

Those flights that actually landed in the US would often be loaded with cash and return to Ilopango in transit to Panama, where they would deposit the profits, from here, the money could be wired to Costa Rican bank accounts held by the contras (ibid, 139). As Castillo points out, since the CIA’s occupancy of Hangar 5 and the NSC’s of hangar 4 at Ilopango from 1983 (Castillo, 2004), this air base had become as important a link as Panama for the Medellin Cartel’s smuggling operations – Ilopango had become perhaps the main hub

between Colombia and the US (Castillo, 1994: 140). Could it really be that contra-related airlift companies were unloading cocaine on US military bases? According to testimony by Enrique Miranda Jaime, Meneses's emissary to both the Medellin and Cali Cartels, in a 1992 drug smuggling trial in Nicaragua, the answer was yes. It will be remembered that one of the ARDE's chief pilots was CIA agent, Marcos Aguado; after being formally accused of cocaine trafficking in Costa Rica in 1984, "Aguado became a colonel in the Salvadoran AF... and was accepted by subordinate ranks as Deputy Commander" working directly under his old friend General Bustillo (Webb, 1999: 259). From here, as part of North's Enterprise, Aguado controlled an operation in which "the flights he directed went as far as Colombia, where they were loaded with cocaine and then redirected to the US", specifically, Carswell AF Base in Texas, home to a Strategic Air Command bomber squadron (ibid, 259-60). Typically, Medellin Cartel pilots would fly cocaine stored in 25 kilo packages to Costa Rican airstrips, including the one located on CIA agent, John Hull's ranch; then CIA/NSC-controlled contra airlift contractors would fly the product to Ilopango. In El Salvador, Aguado and Meneses himself "supervised the loading of the cocaine onto US-bound aircraft owned by the Salvadoran AF and, on occasion... SAT" (ibid, 260).

But according to testimony from multiple DEA and FBI informants (one of whom was Wanda Palacio, an ex-associate of the Medellin Cartel, whose track record was 100% accurate), SAT contract pilots "were flying cocaine out of Barranquilla, Colombia" between 1983 and 1985 in an arrangement with Jorge Ochoa whereby drugs were exchanged for guns; astonishingly, even Kerry commission staffers had been de-briefed on this matter, but unsurprisingly this information never made it into the final report (Parry, 1999: 119, 124). The most explosive confirmation of the SAT-Medellin Cartel connections came from Colombian trafficker turned informant, Allen Raul Rudd (again whose record was 100% reliable), during questioning by the DoJ in 1988. Rudd stated that the Medellin Cartel "had made a deal with VP Bush to supply weapons to the contras in exchange for free passage for their cocaine deliveries to the US." Specifically an agreement was reached between Bush and Pablo Escobar in which US planes, would fly guns to the cartel in Colombia and return to the US loaded with Medellin cocaine; the Cartel would then deliver and sell the weaponry to the contras - in short it was a swap of cocaine for guns (ibid, 261-2).

## **THE CONTRA WAR AND THE CIA IN MENA, ARKANSAS**

So far we have seen how the CIA and NSC operations evolved in Central America from 1981 to 1985. But from 1982, an equally important part of these operations was based in Mena, Arkansas, then firmly under the control of long-time CIA asset,\* William Jefferson Clinton (Attorney General of Arkansas, 1976-78; Governor, 1978-80, 1982-1992). Since 1982 Arkansas had been the CIA's very own 'Banana Republic'; Arkansas state officials were charging the CIA a 10% tithe for allowing the Agency to, amongst other things, maintain illegal airplane modification facilities, Contra training camps, and arms manufacturing and transshipment points (Reed & Cummings, 1994: 126). Using firms such as Brodix Manufacturing and Iver Johnson Arms Inc. (a New Jersey company purchased by the CIA and moved to Arkansas) (and later, Razorback Metal Processors and Choate Manufacturing), the CIA was manufacturing weapons components for the contras (ibid, 54).

"Under federal law, arms companies must create a paper trail for tracking and control of all weapons, especially for components that go into fully-automatic weapons. The M16, the weapon used by American military services, is a weapon requiring this documentation and control. All international sales require an End-User certificate, which traces the weapon from origin to destination. The Boland Amendments, which banned sales to the Contras, effectively forced the CIA to find a source of weapons without such certificates" (ibid, 54).

The CIA had purchased Iver Johnson Arms Inc. through an intermediary in order to illegally build the key component in the M16 that makes it fully automatic, that is, these components would *not* be stamped with serial numbers (ibid, 55).

To understand the CIA's contra-related drug activities we must follow the trail of legendary drug smuggler, CIA, DIA, and later, DEA operative, Barry Seal, who in early 1982 shifted his base of operations from Louisiana to Mena, Arkansas. At this point Mena was a veritable hive of CIA activity - in fact it was the new 'Spook Heaven'. So, one has to ask: Why was a drug smuggler - who according to the Louisiana Attorney General, would eventually "smuggle... \$5 billion of drugs into the U.S." - allowed to setup shop in what was the CIA's southern base of covert operations in the U.S.? Completely unsurprisingly, because Seal had been a CIA agent since 1971 (Russell, 2000: 415-16), and at almost precisely the same time as his move to Mena, he was placed on the DIA's payroll (Hopsicker, 2006: 269).

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\*Clinton was recruited by the CIA sometime during 1969 whilst studying at Oxford University, England, on a Rhodes Scholarship. He was recruited under Operation Chaos, the CIA's project to discredit and disrupt the student anti-war movement by spinning it as a sign of communist subversion. Clinton was recruited in this capacity, eventually becoming a fully-fledged asset, receiving regular debriefings, and extensive help in deferring his Vietnam draft dates (Morris, 1996: 102-3).

Seal took over a company called Rich Mountain Aviation in 1982, turning it into his command center with two hangars large enough to hide his burgeoning aircraft fleet. His fleet contained half-a-dozen sets of externally identical cargo planes with different tail numbers, including two Fairchild C-123 twin engine military transports, restricted aircraft that are officially designated "weapons of war". But perhaps most importantly, just as DCI Casey was frantically trying to ward off the impending Boland Amendment, Seal suddenly acquired "two brand new King Air 200's" that according to Hopsicker's superb FAA research, were owned by a Phoenix, Arizona company, Finova, headquartered in Canada, which owned the majority interest in CIA proprietary, SAT (ibid, 265-70). These planes were leased to CIA proprietary, Systems Marketing, Inc (a subsidiary of CIA proprietary, Military Electronics), who in turn leased them to another proprietary, Continental Desert Properties, who finally turned them over to Seal (ibid, 270-1). And in all probability, the money used to purchase these planes in the first place, was funneled through the brand new US chapter of the WACL started in early 1982 by General Singlaub with a 'loan' from Taiwan (ibid, 266) (All of Seal's planes were acquired through a complex stolen aircraft laundering system, in which government computers were used to access FAA registration records in order to locate the tail number of a clean plane of the same make and model as the stolen aircraft and based far from the stolen one, this process would be repeated frequently, making it difficult for the planes to be traced (ibid, 86)).

Taking advantage of Mena's sophisticated retrofitting capabilities, Seal had secret fuel bladders installed in the floors of his aircraft to extend their flight range; trap doors fitted so that payloads could be ejected mid-flight, allowing the planes to land empty; and finally, his planes were fitted with the latest electronic encryption and communications equipment, including GNS-500 navigational radios. As a CIA and DIA agent, Seal also had access to the SOD's Sea Spray technology described earlier (Hopsicker, 2006: 268-70; Reed & Cummings, 1994: 255, 215, 204-7). In short, Seal's CIA-sponsored fleet was perhaps the most advanced drug smuggling outfit in the world. But perhaps most interesting of all is who Seal's biggest customer was for a year prior to his move to Mena, and who continued to be for three years after: in "late 1981 Barry Seal had made direct contact with the Colombian cocaine cartels [and] over the next three years his fleet of aircraft would become the dominant smuggling conduit for the Medellin Cartel, which reportedly controlled 75 percent of all the cocaine exported from Colombia... Seal knew how to get through the defenses. He never lost a single shipment for the Cartel" (Evans-Pritchard, 1997: 318). When giving testimony at the President's Commission on Organized Crime, Seal stated that whilst employed by the Medellin Cartel, he had made over "one hundred smuggling flights without ever being intercepted by U.S. interdiction authorities... his average load was 300 kilograms,

with a top smuggling rate of \$5,000 a kilo” – this success is not surprising when one has access to Sea Spray (Evans-Pritchard, 1997: 320).

The significance of CIA and DIA agent Barry Seal cannot be overstated. Here we have a man on the payroll of multiple intelligence agencies, with access to some of the military’s most sophisticated satellite-jamming and navigational equipment, and who at the same time, is *the* chief importer of Medellin Cartel cocaine! This, in conjunction with the SAT stories, the fact that the NSC was issuing airlift contracts to companies known to be owned by the Medellin and Cali Cartels or their associates, and in light of the testimony concerning VP Bush’s arms-for-drugs deal with Medellin’s Pablo Escobar, it is very difficult to reach any conclusion other than that the Medellin and Cali Cartels, between approximately 1981 and 1986 (although for Cali, the relationship may go back to the early-70s), had secured a close working relationship with the U.S. Government in the form of the CIA, and later VP Bush in his capacity as head of the CPPG. In effect, the Cartels were paying the CIA/NSC a generous tithe, or an ‘operating tax’ if you will, which supplied not only the CIA’s proxy, the contras, with a generous flow of untraceable funds, but probably the CIA’s DO as well. And in all probability, it was Barry Seal who was VP Bush’s point-man or go-between in this agreement, particularly when we consider Seal always had the direct number to VP Bush’s office on his person or in his belongings (Russell, 2000: 415).

### **WATCHTOWER PHASE III**

Seal and his business partners were not the only CIA-sponsored networks operating out of Mena. It will be remembered that Colonel Corone stated in his Declaration that Mena was the entrepot for the cocaine transhipped from Central America to the U.S. as part of Phase III of Watchtower. Richard J. Brenneke was contracted by the CIA in 1968 whilst working for an offshore mutual fund company to furnish them with insider information relating to the financial movements and client investor identities involved in his employers firm, United Growth Fund, United Investment Fund (Brenneke, 1991: 5-6). Later, he specialized in three activities; handling and laundering CIA black funds, dealing with East Bloc weapons purchases primarily made in Yugoslavia and Czechoslovakia (ibid, 6), and as a CIA contract pilot from 1968-1984 (ibid, 8). In the latter capacity Brenneke flew approximately 12 C-130 missions into Mena, Arkansas beginning in April 1984. A typical mission involved taking Nicaraguan Contras trained in the area around Mena and Nella, from Mena Airport to a transshipment point in Tecuman Airport, Panama City; as well as the human cargo, weapons were also loaded onto the planes by people working for Freddie Hampton (the front-man for Seal in Rich Mountain Aviation) and flown to the same Panamanian location, where the shipments were met and unloaded by the PDF, who on occasion were accompanied by Mossad agent, Mike Harari or Jose Blandon, the Panamanian Minister of Intelligence (ibid,

13) (these weapons generally came from government stores or alternatively through Tamiami Gun Shop in Miami, Florida, a CIA-affiliated firm (ibid, 9)). On the return flights to Mena from Panama, unmarked boxes containing between 400-600 pounds of cocaine were loaded onto the plane by the PDF (ibid, 15). In Mena, under the direction of Freddie Hampton, the cocaine would be unloaded and stored in Rich Mountain Aviation hangars. Astonishingly, these return cocaine flights were often met by Salvatore Reale, Director of Security for Kennedy International in New York City, and also lieutenant to violent psychopath, John Gotti, head of the Gambino crime family and New York's Boss of Bosses since he organised the assassination of Castellano in December, 1985 (Raab, 2007: 372). Reale was tasked both with assuring the product was accounted for and overseeing the transfer of the product to planes bound for JFK Airport; obviously his unique position protected the drug shipments from customs inspections when they passed through JFK from Mena (Brenneke, 1991: 18-19). Confirming details of the Carone story, Brenneke states that this very close narcotics partnership with the mafia, specifically, the Genovese's and Gambino's, dated back to the late 60's, when on orders from his CIA handlers, Brenneke had begun assisting in the washing of mafia money and depositing it in Switzerland.

Within the brief timeframe Brenneke was based at Mena, Gotti's organization paid the CIA approximately \$50 million wholesale for the drugs they were to distribute (ibid, 25). Upon return flights to Panama, Brenneke or other Agency pilots would take the payment and deposit in an account set up by Brenneke in 1969 at the Banquo DePanama (and sometimes Banquo DeMexico) in the name of a shell company called IFMA. From here the money would be transferred to IFMA affiliate accounts in either Spain, Liechtenstein, Brussels or Monte Carlo (the banks included Bank Lambert, Credit Suisse, Bank Hoffman and BCCI) from where it would be transferred to accounts in Zurich or Geneva, again set up in the name of CIA shell corporations (Brenneke possesses the incorporation papers proving this) (ibid, 26); from Switzerland the Gotti payments were bought back into the US through an account set up in 1980 by Brenneke at Brown Brothers Harriman in New York. Brenneke and the CIA even incorporated a bank in Panama, the U.S. Investment Bank, to allow the CIA even tighter control of transfers (ibid, 33). Throughout much of this time Brenneke's handlers were CIA agent Robert Kerritt and Robert Ellis, but he also on occasion would receive instructions directly from DCI Casey. According to Brenneke the drug shipments and the contra training at Nella were one and the same operation – the former funded the latter.

## **SCREW WORM**

In March 1985, North's Enterprise set up a tool-manufacturing firm in Mexico to front for the CIA's expanding need for additional weapons warehouses and transshipment points. The operation was codenamed *Screw Worm* and was the last and largest of the Iran-Contra era guns-for-drugs operations. The plan was to duplicate and expand many of the elements associated with the Mena operations 'off-shore', "where top to bottom control and security [could] be bought for less in a more cost effective banana republic", building the guns from scratch using CIA proprietary machine tool companies (Reed & Cummings, 1994: 180, 195). The proprietary was a large established firm called Cortec S.A., headquartered outside Mexico City, with two additional investors to further legitimize the business front; CIA agent Terry Reed, the point-man for Screw Worm in Mexico, then set up an additional subsidiary, Maquinaria Internacional, to be run autonomously in Guadalajara, in order to specifically deal with the secret shipments of arms (ibid, 190). This operation was overseen by Felix Rodriguez (ibid, 187), and Robert Johnson, Chief Counsel for Southern Air Transport (SAT) (ibid, 228).

By late-1986 the facilities at Guadalajara airport began receiving and storing Screw Worm materiel, shipped by SAT C-130's and 707's under cover from the DFS and Mexican FAA (ibid, 311, 329-30). And of course 'war materiel' was not the only product passing through these facilities; Rodriguez was using Maquinaria Internacional's business license number to cover exports as they were transshipped through Maquinaria Internacional warehouses at Guadalajara airport. Massive Connex containers holding loads of cocaine, that according to Reed, "measured at least 10 feet by 20 feet and five feet deep stored in boxes labeled 'rifles'" (ibid, 343), would be temporarily deposited in the companies warehouse facilities before being loaded onto SAT C-130 (L-100) transport planes bound for the US (ibid, 331, 334, 337).

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\*The setup was as follows: A new company was incorporated in America called Machinery International Inc., as a holding company for its Mexican subsidiary, Maquinaria Internacional, S.A., a legitimate import-export machine tool trading company; "stock to be sold only in the name of Machinery International, would be issued as follows: SAT: 55%; Reed: 25%" and 20% from the legitimate investors (who were capitalizing their new stock with their existing Cortec facilities; Maquinaria Internacional initially operated as a franchise or satellite of Cortec, utilizing Cortec's storage facilities in Mexico City, later Reeds facilities in Guadalajara were capable of storing several months worth of Contra arms, these were protected by the DFS and flights were covered by the Mexican FAA, deliveries from Mexico to Central America were flown by SAT and covered by Sea Spray (ibid, 253, 254, 255)). Johnson instructed all investors to form new corporations to hold their Machinery International stock - this way, "if anyone was able to penetrate its corporate veil it would find only that its owners were other corporations" (ibid, 219). This detail has been shown because it is a rare example of how the CIA and North's Enterprise hid the ownership of their front companies.

## **IRAN-CONTRA**

In June 1986, a number of incidents finally awoke the press from their slumber: firstly, on May 31<sup>st</sup>, the Christic Institute filed its 'Secret Team' suit against the extra-official group facilitating contra operations on behalf of the Reagan Administration; on June the 8<sup>th</sup> and 10<sup>th</sup>, the Miami Herald and the Associated Press ran comprehensive articles naming North, his assistant Owen, and CIA agent John Hull, as participants in illicit contra operations (Kornbluh & Byrne, 1993: 399). Then on September 25<sup>th</sup>, the Costa Rican government, despite its heavy reliance on U.S. aid, held a press conference and disclosed that, contrary to Costa Rican law, the CIA maintained another airstrip in Santa Elana (created at the behest of North and Owen in August 1985 (Bradlee, 1988: 255)), that was used for re-supplying the contras and drug trafficking (Kornbluh & Byrne, 1993: 402); and finally, blowing the lid completely off, on October 5<sup>th</sup>, a contra supply plane flying out of Ilopango carrying 10,000 pounds of ammunition was shot down as it skirted Nicaraguan territory. Unfortunately for North, veteran CIA pilot Eugene Hasenfus survived; soon Hasenfus told his captors that his supposed employer, Udall Resources, Inc. was merely a CIA front, even worse, logbooks from the wreckage linked the plane to SAT (Johnson, 2003: 291-2). Almost immediately, on orders from DCI Casey, North began "cleaning things up" – he shredded tens of thousands of documents, and most importantly, "destroyed the ledger book in which he kept records of payments and disbursements of funds, including the names and addresses of 'everybody' involved" in the Enterprise (ibid, 295).

The ensuing reports 'investigating' the so-called Iran-Contra Scandal were a master class in misdirection; the CIA's new status as a cocaine cartel was buried so completely that the MSM would not get a whiff of it for nearly a decade. Instead both the Tower Commission and Inouye-Hamilton Committee in 1987, and later, the Report of the Independent Counsel for Iran/Contra Matters in 1993, all managed to confine their investigative activities to the

"possible criminal activity - ranging from violations of the Boland Amendment prohibition on aid to conspiracy to violate the tax laws - in Administration efforts to assist the military and paramilitary operations of the contras. The investigation centered on what officials knew about that assistance and what they offered when questioned about it. No effort was made to create a complete historical record of U.S. activities in the region, or even of American ties to the contras" (Walsh, 1993: 1).

In short, once the Iran arms sales diversion was fed to the press, practically the only question on journalist's lips was: "Had the President approved the diversion of Iran arms sale funds to the contras?" (Johnson, 2003: 333). Even when the Senate Subcommittee on Terrorism, Narcotics and International Relations released its report in December 1988 (popularly known as the Kerry Report) - perhaps the most incriminating report ever released

by a government body, and in itself proving beyond any doubt the CIA's involvement in the cocaine trade - the press responded with a resounding silence. Perhaps though the MSM can be forgiven; according to the excellent *Memory Hole*, the four volume report containing 1800 pages of testimony was given a miniscule printing run, in practice limiting its availability to the public to *one week* (<http://www.thememoryhole.org/kerry/>).

## CONCLUSIONS

We have seen how the profoundly undemocratic creations of the National Security Act of 1947, the CIA and the NSC, had by 1982 become the closest of bedfellows, seamlessly implementing the Imperial designs of the United States behind a cloak of secrecy. From the very beginning it was understood that these organizations were to be the means of conducting clandestine warfare. A secret study commission conducted under former President Hoover, and compiled during the lobbying for the National Security Act, made this crystal clear. Couched within the rhetoric of the Cold War it stated:

"It is now clear we are facing an implacable enemy whose avowed objective is world domination by whatever means and at whatever cost. There are no rules in such a game. Hitherto acceptable longstanding American concepts of 'fair play' must be reconsidered. We must develop effective espionage and counterespionage services and must learn to subvert, sabotage, and destroy our enemies by more clever, more sophisticated, and more effective methods than those used against us" (Marks, 1991: 30).

The freshly anointed CIA certainly took these words to heart; under the aegis of fighting 'the Red Menace' the CIA has backed dictators ('friendly authoritarians'), staged literally dozens of coups (usually in support of their 'friendly authoritarians'), and subverted the democratic process in *at least* 50 countries since its inception. In enforcing an economic order in which the U.S. would continue to be the hegemonic power, the CIA has been the Praetorian Guard, assuring that any governments that fail to provide a sufficiently welcoming climate to U.S. capital, or who fail to offer their natural resources in a suitably generous manner are promptly removed (having been indistinguishably referred to as 'Communists' or 'Leftists'), and replaced with a 'democratic' alternative (up until the 80s this translated as Military-Oligarchies), and all without sending in the Marines. When rule by secrecy becomes the norm, the resort to ugly, underhanded methods to achieve foreign policy objectives becomes second nature, and as has been amply documented in this piece, the narcotics trade was a wonderfully convenient - and lucrative - tool in helping the United States forcibly impose its unique interpretation of 'democracy' in the Third World.

Let it be restated, this was not meant to be a theoretical dissection, but rather an historical corrective; after all, theorizing about inaccurate information inevitably results in unsound theory, baring no resemblance to the real world. And herein lies the central point: only when the above pattern of events is integrated into the 'historical record' pertaining to U.S. narcotics related foreign policy, U.S. domestic narcotics interdiction efforts, and the activities and motivations of the CIA in approximately a dozen countries, in both Latin America and Southeast Asia, only then, can the debate really begin.

This would be an appropriate time to weigh the implications of covert power run awry, or the subversion of the U.S. constitution and the sovereign powers instilled in the U.S. Congress, or even frame the above crimes in terms of the expediencies of the Cold War. Yet such an analysis somehow seems wholly inappropriate, shallow even. For the real tragedy of all this is a human one. In the last 50 years many hundreds of thousands – more likely millions - of people have died in countries like Peru, Bolivia, Colombia, Mexico, Burma, Laos, and Thailand, in an attempt to raise their quality of life by growing illegal cash crops (coca, Poppy), simply because addictive substances under prohibition fetch anywhere between 500% to 1000% more at market, than say, wheat or soy beans. In desperately poor nations, everyone wants a piece of the illicit narcotics pie: campesinos, who grow the crop; guerilla movements such as the FARC and AUC, who tax the campesinos, grow it themselves and offer protection for the cartels operations from the military; the drug cartels, who refine, package and sell the product overseas; and finally, the nation's elites, their militaries, and most importantly, their intelligence agencies, all of whom can be involved in any and *all* of the above capacities. Add into the mix a steady stream (sometimes a torrent) of U.S. 'aid' in the name of fighting the 'War on Drugs' (and previously in the name of 'anti-communism') - money that flows to the very same military forces and ruling elites that themselves profit from the drugs trade - and one has all the ingredients for a real Drug War, a war for market share in the drug trade, *never* its elimination. Such wars rip apart the fabric of nations, spawning Narco-States in which the main cash crop and export is cocaine or heroin, where U.S. trained and funded 'counter-insurgency forces' enforce a bloody martial law in the name of fighting 'narco-guerillas'; where the Cartels form shifting alliance's with the countries' ruling elites, 'counter-insurgency forces', and even the 'narco-guerillas'; where every relationship and alliance is lubricated by drug money; and behind the scenes, in nearly every case, the U.S. Military-Industrial-Complex makes a tidy sum supplying the machinery and weapons in the real War for drug market share. Worst of all, the civilians trapped in this madness cannot escape, for to survive, they must grow the crop that keeps their country divided and in stasis, for without its prohibition-inflated profits, they will starve. Most importantly of all, the situation described above, is arguably dependant in a large part, on the continued prohibition of these very same substances in the U.S. and Europe, for it is prohibition that makes the cultivation and distribution of these products so profitable, and worth fighting and dying for.

Inevitably, in a milieu with so many shades of grey, and such huge quantities of money, it was only a matter of time before the cancer of drug corruption, initially confined to the CIA's proxies, spread to their handlers in the CIA's Directorate of Operations, and eventually metastasized, enveloping its mother organization, the NSC. In short order, Congress's

control over the budgetary purse strings was rendered entirely superfluous; conservatively, the CIA/NSC could raise at least twice as much again than the small slice of the intelligence budget allotted to the CIA by tapping the narcotics trade. So from approximately 1950 (and definitely by 1960), a schizophrenic split, so characteristic of a parapolitical system, was induced through the protection by the CIA of its drug-fuelled proxies. That is, on the one hand, agencies such as the FBN/FBDD/DEA, Customs, ATF, FBI, and domestic narcotics police, are tirelessly attempting to stem the flow of illicit narcotics into the U.S., whilst on the other hand, the CIA is using all its powers to assist its proxies in evading the counter-narcotics efforts of its domestic counterparts, because the CIA's pursuit of U.S. foreign policy objectives is dependant on them being able to extract additional funds from this illicit trade. As we have seen, by the 70s, the CIA's Clandestine Services were importing narcotics *directly* themselves, without the buffer of a proxy, just as cliques within the NSC/Executive Branch would do in the 80s.

And herein lies the crux of the matter; it is the strict enforcement of prohibition that maintains the profitability of narcotics, allowing for X amount of coca sold by a farmer in Latin America for say \$1000, to sell for \$100,000 on the streets of New York after refining. As the evidence above shows, an additional, unseen force has been perpetuating the madness of the 'Drug War' behind the scenes in the form of the CIA, and dozens of other intelligence agencies, who require the illusion of selective enforcement to maintain the high prices of narcotics - otherwise they lose a source of funds that, in the case of the CIA, *conservatively*, doubles, or even trebles their Clandestine Activities budget. But for this to occur, someone has to shoulder the consequences of prohibition; that is, the U.S. government must imprison its citizens for ingesting substances it has made illegal, U.S. citizens must watch as many tens of billions of their tax dollars are spent each year enforcing prohibition at the state and federal level, paying for prisoners' incarceration, and the rehabilitation of addicts; yet at the same time, the highly lucrative prohibited substances responsible for this social and economic catastrophe, are being directly imported in vast quantities by cliques within the U.S. Government itself!

It is difficult to find a suitable metaphor to encapsulate the gravity of the error made in omitting the role of the CIA in the expansion of the drugs trade between 1950 and the late 80s. Suffice to say, the importance and protection provided of the U.S. intelligence apparatus has been, and almost certainly still is, immense, and if anything, this dissertation has far from conveyed the true breadth of their involvement. In the introduction the following four reasons were given for why governments support the narcotics trade:

- 5) The enormous profits earned by the drug trade not only maintain the financial systems of countries where liquidity has become a problem but also expand the economic influence of those nations
- 6) The drug trade supports both a nation's agriculture and its commerce
- 7) States embrace drug trafficking as a means to secure intelligence and to financially support intelligence agencies. Drug income, precisely because it is illegal, remains anonymous and is a source of autonomy and independence for intelligence agencies. In addition, it provides access to criminal elements who can furnish the intelligence agencies with services" they may wish to keep at arms length
- 8) Governments support trafficking for strategic reasons.

(Jordan, 1999: 69-70)

Here, we have briefly scratched the surface of point 3, with cursory references to points 2 and 4. Obviously one can see how having a controlling interest in the narcotics trade grants access to all manner of underground channels and intelligence sources as point 4 suggests, but perhaps the most important, and least understood, is point 1. The annual \$500 billion of drug proceeds have to reside somewhere; imagine if this vast, yearly infusion of liquid cash was suddenly removed from the global financial system, proceeds larger than the individual GDP's of 88% of the countries in the World (UN World Drug Report, 2005: 127).

In closing, we shall let the words of DCI Casey - laced as they are with a chilling arrogance - illustrate the mentality that drives the U.S. elite to carry out such draw-dropping acts of hypocrisy in the name of 'Democracy':

"My actions may be recorded as criminal condemning countless American's to drug dependency. I don't care. All wars produce casualties. Generally the more violent the war, the shorter the length. My choice was either to stare down a protracted cold war guerilla insurgency in Latin America or use the mean's available to finance and wage a violent war of short duration for democracy. I stand by my decision. The tool is cocaine. The trick is to understand that the drug user had the freedom to make a choice. They chose the drug. I chose to use their habit to finance the democracy that all American's enjoy. To keep those American's safe from the communist threat knocking on our back door in Latin America. For a change the drug user will contribute to society."

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## **APPENDIX 1: THE LEGACY OF PAUL HELLIWELL**

In 1973, an IRS investigation called Operation Trade Winds accidentally exposed the CIA's connections to Paul Helliwell's Mercantile and Castle Banks. In one fell swoop, the CIA had a central node of its money laundering and arbitrage network compromised. To pick up the slack, Colby and Shackley selected two more old SEA veterans to start another Banking network capable of shuffling and laundering money around the world for CIA covert ops (Trento, 2005: 59). The first was Bernard Houghton, an incredibly secretive and well-connected CIA operative, who had worked as a private contract pilot in Bangkok under a front called the Alkema Company during the Vietnam War (Kwitny, 1987: 61). In 1967 his base of operations was relocated to Sydney, Australia where he operated under the aegis of a bar proprietor, in Sydney's Red Light District, and cultivated excellent relations with the ASIO, and Australia's business and criminal elites (ibid, 63-66) (Houghton apparently fulfilled in Bangkok some of duties under Helliwell's remit after he was assigned to Operations Zapata and Mongoose in Miami (Trento, 2005: 36)). The other man was ex-Green Beret and CIA agent since 1966, Michael Hand, who had cut his teeth helping Hmong tribesmen in the Golden Triangle prepare their opium for shipment via Air America; by 1967, with the knowledge of Shackley and Colby, Hand was using Air America pilots to move drugs and the proceeds in conjunction with Houghton and the Royal Thai Military Bank (a creation of Helliwell) as a laundering outfit (ibid, 36). In 1969, "Hand formed Australasian and Pacific Holdings Ltd., a real estate company whose seventy-one shareholders included nineteen people then employed by the CIA's contract airlines in Indochina, Air America and Continental Air Services" (McCoy, 2003b).

The Nugan Hand Bank was officially chartered in 1973 in Sydney by Hand and an Australian, Frank Nugan (Kwitny, 1987: 26). By the time of its collapse in 1980, Nugan Hand had offices in dozens of countries including Hong Kong, Singapore, Taiwan, the Philippines, Bangkok and Chiang Mai, Thailand, Hawaii and Washington DC; was operating with the direct protection and complicity of the Australian & New Zealand Banking Group Ltd, the Wing-On Bank of Hong Kong, Chase Manhattan Bank, the Fidelity Bank of Philadelphia, the Bank of Nova Scotia and dozens more; had created and liquidated hundreds of front companies at an incredibly suspicious rate (many of these companies were involved in pump and dump stock scams, a defrauding method the CIA would use on a gigantic scale in the US in what was labeled the S & L scandal), others were created for the purpose of laundering and tax dodging for a wide array of Australian customers, with the Bank taking a 22% fee (ibid, 166)). Nugan Hand, Sydney, maintained business connections with Abe Saffron, Australia's biggest crime lord, Lebanese-born heroin kingpin George Shaw, and even *employed* Andrew Lowe, Australia's leading heroin importer, as a 'commodities dealer' (at

least nine other Australian drug dealers maintained accounts with the bank (ibid, 230, 231-6). Indeed, *four* Australian investigative bodies (the Woodward Commission, the Australian Joint Task Force on Narcotics Trafficking and the Moffitt and Stewart Royal Commission on Organized Crime) suspected that Nugan Hand was directly financing some of these smugglers wholesale purchases; incriminatingly, Hand was also known to socialize with them (ibid, 236).

Clearly, by far, Nugan Hand's biggest business was drug money laundering; for definitive evidence, we need only look to the existence of the Chiang Mai branch, where unbelievably the office was situated in the same suite as the US DEA Chiang Mai office! On occasion, Nugan Hand's phone would even be answered by the DEA secretary! The Nugan Hand representative in Chiang Mai was Neil Evans, who, after the Bank's collapse, admitted on the CBS evening news that "There is nothing there [in Chiang Mai] but drug money" (ibid, 216), and that Nugan Hand's chief purpose there was to serve as an intermediary between the CIA and regional drug rings, and then move the proceeds, sometimes \$50-60 million at a time, to overseas accounts in places like Panama (ibid, 207-8). Evans also employed 'ex'-CIA agent William Young, and KMT-associated Ernest Wong who allegedly maintained connections with Burmese opium lord, Khun Sa (ibid, 228).

By 1976, Nugan and Hand had established its first offshore bank in the Cayman Islands called Swiss Pacific Asia Ltd.; in 1977 they incorporated the Nugan Hand Bank Ltd. in the Cayman Islands, where the prestigious Price Waterhouse & Company accountancy firm signed off on Nugan Hand's accounts no matter how badly cooked they became (ibid, 161). A brief list of some of the military and intelligence luminaries who worked for Nugan Hand and its affiliates is revealing:

**General Leroy J. Manor**, a former Pentagon counterinsurgency specialist in the 60s; Chief of Staff of the U.S. Pacific Command – this placed him in charge of managing and coordinating air force, navy, army and marine corps operations from the West Coast of the US to the East Coast of Africa; he was the manager of the Nugan Hand's Manila branch (ibid, 34).

**General Edwin F. Black**, former OSS commander in Berlin; Administrative Aid to DCI Dulles and NSC staffer under Eisenhower; Commander of U.S. forces in Thailand during Vietnam War; Assistant Chief of Staff for the Pacific, president of Nugan Hand, Inc., Hawaii (ibid, 42).

**Dale Holmgren**, former manager of flight services for CIA proprietary, Civil Air Transport, manager of the bank's Taiwan branch (ibid, 185).

**General Erle Cocke Jnr.**, WW II hero, executive for Delta and Peruvian Airlines, Director of International Bank for Reconstruction and Development, National Commander of the American

Legion, manager of Nugan Hand's Washington office (ibid, 40).

**Admiral Earl P. Yates**, former Commander of the USS John F. Kennedy, Chief of Staff for plans and policy of the US Pacific Command, President of Nugan Hand Bank (ibid, 33).

And finally, the icing on the cake, ex-DCI William Colby, then running a law firm called Reid & Priest, was Nugan Hand's legal counsel (ibid, 71).

## **APPENDIX 2: OPERATION WATCHTOWER – FURTHER DETAILS AND SUPPORTING DOCUMENTATION**

### **THE DECLARATIONS**

The Casey and Carone Declarations “appeared anonymously, via the U.S. Mail in the hands of Dee Ferdinand, daughter of deceased CIA operative Albert Carone who had been trying to recapture personal funds, pensions and benefits due [to] her... after her father's 1990 murder” (Ruppert, 1999). Having previously been placed in contact with Theodore Shackley (former Associate Deputy Director of Operations at the CIA) through a mutual acquaintance, Ferdinand contacted Shackley, read him the contents of the documents and asked what should be done with them. After expressing outrage that these documents had been leaked, Shackley told Ferdinand to “call the CIA and the FBI and tell them that you have this letter. Ask them to come pick it up because you are not supposed to have it” (Ruppert, 1999). Recognizing the significance of the documentation, Ferdinand gave the documents to her attorney, Ray Kohlman of Massachusetts, who also represented former Green Beret William Tyree. Kohlman immediately forwarded the letter to both Agencies, retaining a copy for his records. The Casey affidavit was filed in US District Court for the District of Columbia in November, 1999 as Civil Action No. 99cv2709, William M Tyree, Plaintiff v. Department of the US Army, Defendant (Dowbenko, 2003: 99), as part of a federal action seeking to have a court receive evidence of government drug trafficking and also seeking Tyree’s release (Stich, 2005: 21). “On November 8<sup>th</sup>, United States District Court Judge Colleen Kollar-Kotelly, who [was] presiding in the Army suit, *unilaterally, and without any request by either... the Army, or the CIA*, ordered the Casey letter sealed. Concerning this literally unprecedented action, Attorney Kohlman stated that “in all the cases involving classified material I have ever seen or been involved with, I have never seen a judge seal a document without being asked to do unless there was something in it, even in cases like this. It is a clear indication that the judge believes that the letter is... the real thing” (Ruppert, 1999). With Ferdinand’s permission, the respected investigative journal, *From the Wilderness*, also sent copies of the Casey document to the House permanent Select Committee on Intelligence. The second and arguably more important Carone affidavit, upon which Mr. Shackley was also consulted, was sent by Mr. Kohlman to both the US Senate Intelligence Committee and the US House Intelligence Committee in 2000 (Ruppert, 1999). Both of these documents were stamped: “TOP SECRET, Excluded from automatic downgrade and declassification. Date of declassification indefinite”.

## **OPERATION ORWELL**

In 1978, Colonel Cutolo was assigned command of the 10th Special Forces Group (Airborne) at Fort. Devens. Soon after assuming this command Colonel Cutolo received another visit from CIA agent Edwin Wilson who explained that the well-known and popular Archbishop Romero in El Salvador had in his possession highly compromising information regarding the Watchtower missions and operations being partially supported from Watchtower cash flows in Honduras, Costa Rica, El Salvador, and Panama. The fear was that Romero might supply the information to US politicians, judicial figures, police or religious entities, compromising Watchtower and "similar operations being implemented in the Golden Triangle of Southeast Asia and Pakistan". Cutolo explains that "based on that possibility, intense surveillance was undertaken by my office to ensure if Watch Tower became known of, the U.S. government and the Army would have advance warning and could prepare a defense. The surveillance was unofficially dubbed Operation George Orwell" and consisted of the implementation of 12 separate SATS. "Their mission was to implement Army Regulation 340-18-5 (file number 503-05)... [A]uthority for this action came directly from FORSCOM through Edwin Wilson... This action was taken to develop surveillance of politicians, judicial figures, law enforcement agencies at the state level, and of religious figures." Cutolo recruited from the 441st Military Intelligence Detachment and 402 Army Security Agency Detachment assigned to the 10th Special Forces Group (including William Tyree). Amongst others, Cutolo instituted "surveillance against Ted Kennedy, John Kerry, Edward King, Michael Dukakis, Levin H. Campbell, Andrew A. Caffey, Fred Johnston, Kenneth A. Chandler, Thomas P. O'Neill... [and] the Governors' residences of Massachusetts, Maine, New York, and New Hampshire". Authority for Orwell "came directly from FORSCOM through Edwin Wilson who appeared before me in my office at 10th Special Forces Group Headquarters" (Cutolo, 1980).

Soon after participating in the above mission in 1976, Colonel Cutolo, being a man with a conscience, began a discreet, private investigation into the legality of Operation Watchtower in an attempt to bring it to a halt. On Cutolo's behalf, a Colonel George Bayard, then in the employ of the CIA, made discreet enquiries through his CIA contacts regarding the legality of Watchtower – unsurprisingly, he was informed categorically that Watchtower "was not a sanctioned US Congressional Operation" (Dowbenko, 2003: 92). Throughout Operation Orwell, Cutolo continued his enquiries; On 7 March 1980 Cutolo was contacted by his trusted friend, Colonel James Rowe who explained that his initial inquiries with CIA contacts "confirmed that Edwin Wilson was working for Thomas Clines" who in turn appeared to be working in some capacity with Robert Gates and William J. Casey (Cutolo, 1980). Being fully cognizant that compromising missions with this degree of sensitivity may result in more than just a court marshal and a prison sentence, Cutolo wrote the aforementioned affidavit on

March 11<sup>th</sup> 1980 and distributed it to his previous commanding officer Colonel Baker, and friends, Chief Warrant Officer, USAF, Hugh Pierce and Paul Neri, an employee of the NSA, with instructions to release the affidavit if he was killed or died under suspicious circumstances. As Cutolo suspected these enquiries did not go unnoticed; two months later Cutolo died on May 26<sup>th</sup> 1980 in a car accident whilst on military training exercises in England (coroners noted that Cutolo had sustained severe, multiple skull fractures inconsistent with the accident) (Stich, 2005: 14).

## **AFTERMATH**

As instructed, NSA agent, Neri contacted Colonel Baker, who in turn enlisted Colonel Rowe; together they set out to prove that senior Mossad agent, Michael Harari –whom Col. Cutolo was to meet just prior to his death- was responsible for Cutolo’s murder (Neri, 1990). Colonel Baker died soon after while trying to determine if Harari had assassinated Col. Cutolo (Stich, 2005:13). Soon after, Rowe and Neri enlisted the help of Officer Pierce who suggested they contact a Congressman Larkin Smith of Mississippi; both Col. Rowe and Officer Pearce agreed to go public, after meeting with Congressman Smith (in 1987 Col. Rowe met with representatives of CBS’s *60 Minutes* – unsurprisingly they refused to proceed with the matter); but this was not to be: Col. Rowe was assassinated in the Philippines in April 1989, and Congressman Smith died in an airplane accident in August 1989. NSA agent Neri was also killed in April 1990; he in turn left instructions for his and Cutolo’s affidavit to be mailed to New York Times, The Washington Post, and the Boston Globe (Colonel Bayard, who initially aided Cutolo in his enquiries was also murdered on his way to a meeting with Mossad agent Harari in 1977; yet another death associated with Watchtower, was that of Colonel Richard Malvesti, the recipient of Colonel Rowe’s Cutolo files, and a contact of William Tyree) (Stich, 2005: 16, 13, 18; Neri, 1990).

The details of Watchtower were further investigated and verified by retired US Army Green Beret and Military Intelligence Officer (previously assigned to the Office of the U.S. Army Inspector General), Colonel William Wilson, and a US Army Criminal Investigator, William McCoy (Stacy, 2006: B-1). Together they interviewed nearly 200 witnesses (including 27 Special Forces soldiers who served on Watchtower or associated missions (ibid, B-19)) regarding Watchtower between 1990 and 1995. Suffice to say they found overwhelming corroborative evidence for Watchtower; they even found out they were not the only ones interested in these murky events – none other than General Noriega, or, more specifically, his legal counsel, had requested records on Watchtower from the CIA, presumably as material to bribe the Bush Administration with, since his incarceration after the U.S. invasion of Panama in December 1989 (ibid, B-3). In addition, Wilson and McCoy amassed a huge

body of evidence documenting the drug smuggling-related activities of YELLOW FRUIT, SEA SPRAY, JADE BRIDGE, and TASK FORCE BRAVO, even securing an interview with ex-DCI Colby, who not only acknowledged WATCHTOWER, but also informed Wilson that he had personally “requested and attained a waiver be given to soldiers in Watchtower and SANDMAN” so they could receive the decorations owed them for these highly classified missions; even more, Colby also acknowledged that almost all files pertaining to SANDMAN and WATCHTOWER had been ‘sterilized’ (Stacy, 2006: B-21-22; Dowbenko, 2003: 101).

NSA agent Neri also arranged for the Cutolo affidavit to be sent to a Colonel James Gritz upon his death in 1990. Gritz, one of America’s most highly decorated Green Berets, served as a Green Beret commander in Southeast Asia from 1964-69, eventually becoming the Intelligence Officer and Reconnaissance Chief for Delta Force. Later he was assigned to the Pentagon General Staff as Chief of Special Activities (1972-73); soon after he was selected to command Special Forces in Latin America (1975-77), where he was based at the Fort Gulick Special Forces Headquarters in the Panama Canal Zone. Colonel Gritz was close friends with Colonel Baker, having been his CO in 1965. Baker made contact with his old CO in late 1975 and informed him of his misgivings about the Watchtower missions, inducing Gritz to make his own private enquiries regarding the details and legitimacy of Watchtower – suffice to say, Gritz confirmed the illegal nature of Watchtower and importantly also verified the presence of senior Mossad agent Mike Harari (Gritz, 1991: 182-184).

### **APPENDIX 3. THE 1980s: THE CIA IN BURMA – THE KHUN SA CONNECTION**

By 1967, the militia of Khun Sa in Burma had reached 2000 men and controlled approximately 7% of Burma's opium exports from the Shan states to Chiang Mai in Thailand. This made him a threat to the KMT's opium operations in northern Thailand (McCoy, 2003: 348); so when in June Khun Sa's opium convoy met with the buyer, Laotian General Ouane, in the small Laotian lumber village of Ban Khwan on the Mekong River, the KMT forces attacked on July 29<sup>th</sup> (ibid, 356-7). After the dust had settled General Ouane had decimated the KMT forces and in the process, most of the Shan rebels, making the opium his for free (ibid, 359-60). However Khun Sa regrouped his men and doggedly pursued his aim of controlling opium production and the Yunnanese trade caravans that transport the opium to the Thai-Burma border (ibid, 388-9). By the late-70s Khun Sa's 3500 man Shan United Army (SUA) was protecting and shipping an opium harvest large enough to supply all of America's illicit demand for a year (ibid, 388). This rise to power was owed in no small part to Thai General Kriangsak who had aided the most powerful opium warlords due to their role in securing the frontier with Burma (ibid, 421). By the early 80's, with the KMT weakened and the Burmese communist party shattered, Khun Sa filled the political vacuum, becoming the undisputed master of the Shan Plateau opium empire (ibid, 422). And as we shall see, just as the CIA dealt with every major opium baron in the Golden Triangle between 1950 and 1975, Khun Sa was no exception. Below is the story of how this information was accidentally exposed.

The SOD's ISA was not only active in Latin America - it also ran missions in SEA. Beginning in October 1978, Colonel James 'Bo' Gritz was given the go-ahead by the Deputy Director of the DIA, Lt. Gen. Harold R. Aaron, to begin a series of search and rescue missions aimed at retrieving U.S. prisoners of war still thought to be held by Communist forces in SEA. Using intelligence supplied by their old Laotian drug-lord ally, Vang Pao (who then lived comfortably in Florida), Operation Velvet Hammer was initiated... and failed; then came Operation Grand Eagle, instead based upon the ISA's intelligence networks in SEA; however, DDCI, Admiral Inman cut-off the operation for a simple, yet repugnant reason: "Too many bureaucrats in Washington didn't want to see live Americans returned!" (Gritz, 1992). Two further successive missions failed to yield results (Operations Lazarus and Brokenwing), but then finally in late-1986 NSC staffer Tom Harvey told Gritz that "VP Bush had received information that a most infamous drug lord in Burma has U.S. POWs!" (Gritz, 1992); with the direct backing of President Reagan, and using the Chinese Mafia as intermediaries, Operation Emerald City was initiated and within a month contact was made with Khun Sa. Unfortunately the POW claims were false, but before Gritz' departure, Khun Sa dropped a

veritable bombshell: He requested that Gritz take an offer back to President Reagan: "Khun Sa was willing to eliminate all the Golden Triangle opiates and disclose the U.S. government officials who were his best customers for more than 20 years! According to Khun Sa, elements within the US government had been buying a substantial chunk of his entire opium crop! In return Khun Sa wanted a trade agreement which would allow free world exploitation of the Shan State natural resources". Thinking this would be an immense triumph for VP Bush's Drug War, Gritz was stunned to find that there was absolutely no interest whatsoever from the NSC or VP Bush concerning Khun Sa's offer (Gritz, 1992).

In early 1987 Gritz returned to Thailand and Burma under Operation Red Bull to follow up further POW leads, and again, Washington bureaucrats assured that no POW's returned. On the journey to visit Khun Sa for the second time, Gritz learned why the drug lord's business went from strength to strength; both the Thai and Burmese governments thoroughly supported Khun Sa's opium empire, indeed, these governments even pooled their funds to build a cement road connecting Khun Sa's isolated hill fortress with Mae Hong Son Air Port just over the Thai border; Khun Sa even implied that the road was built with US aid the Thai and Burmese governments received under the aegis of the drug war! Inevitably, just as Air America's services had encouraged an expansion of the opium crop in the 60s, this 'heroin highway' did the same:

Official heroin statistics record that in 1986 Khun Sa shipped 600 tons of opiates out of his Golden Triangle. The amount went up to 900 in 1987 (per highway), then 1,200 tons in 1988 and 3,050 tons in 1989! The road became so visible that Khun Sa had to alter the direction of flow and means of transportation, but not the volume.

Then Khun Sa revealed his aces – "the names of the U.S. officials he had dealt with since winning the Burma-Laos Opium War in 1967": He named Theodore Shackley, former ADDO, as the point-man in charge of US involvement in the opium trade in SEA from 1965-1975; Santos Trafficante, as the 'civilian' in overseeing distribution in the US during the same period; Richard Armitage as chief overseer of the associated financial transactions in conjunction with banks in Australia (presumably Nugan Hand); Daniel Arnold (former CIA Station Chief in Thailand and former station chief in Laos (Weiner, 2007: 344)) and CIA agent Jerry Daniels (the former case officer and close friend of Vang Pao! (Weiner, 2007: 343)) as Armitage's replacements (Gritz, 1991: 370). Along with this information Khun Sa restated his offer, this time offering VP Bush one metric ton of #4 pure Asian 'China White' heroin with a street value of well over \$200,000,000 as a gesture of good faith... again, he was refused. Gritz was told by State Department officials on his return, that if he pushed

these matters, unspecified charges would be brought against him and he would serve 15 years in prison.

Could these astonishing charges be true? We know that Shackley, in conjunction with his mentor Paul Helliwell, had worked closely with the mafia (of whom Trafficante was the boss and the Syndicates' point-man for its heroin operations) in Miami when he was station chief of JM/WAVE; we know that Shackley had been station chief in Laos and Saigon where he had worked hand in hand with opium lords Vang Pao and General Rattikone and afterwards, he was the ADDO, from where he had practically *run* the Clandestine Services. But did Trafficante have direct contact with the opium lords of the Golden Triangle that could have lasted 20 years? Quite possibly: It is known that Trafficante went on a Southeast Asian tour, visiting Hong Kong, Singapore, and most importantly Saigon, where he attended a meeting at the Continental Palace with many senior members of the Corsican heroin Syndicate, presumably to arrange a secure and reliable source of heroin since the crisis in the Mediterranean drug traffic and the major shift in production to Asia (McCoy, 2003: 74, 250-1, 253). So at the very least Trafficante was in direct contact with Corsicans in SEA who in turn were in direct contact with all the biggest opium and heroin producers in Laos, Burma, Vietnam and Thailand. An additional interesting fact that arguably supports such a setup is a breakdown of SEA's share of the New York City heroin market. By 1986, Khun Sa was responsible for refining 80% of Burma's opium, over 50% of the World's supply; by the late-80s, a large majority of Khun Sa's product ended up in New York (ibid, 432), and as it has been amply documented in previous sections, the City's heroin and cocaine distribution has been dominated by CIA assets, the Genovese and Gambino crime families.

And what of Armitage, the supposed 'bursar' for these drug operations? To answer this question, a brief examination of one more CIA-banking proprietary is required. After the collapse of Nugan Hand in 1980, a considerable number of its CIA/military-connected staff transferred their services to a CIA proprietary started in 1979 called Bishop, Baldwin, Rewald, Dillingham & Wong (BBRDW) in Honolulu, Hawaii, which ostensibly, was an international investment bank (Stich, 2005a: 93, 96). This operation was run by an old CIA-asset called Ronald Rewald, a veteran of the CIA's Operation MH Chaos, a domestic spying program targeting dissident students (ibid, 96a). Within a year it had replaced Nugan Hand's offices in Hong Kong, Taiwan, Indonesia, Singapore and Australia, with additional offices in New Zealand, London, Paris, Stockholm, Switzerland, India, Chile and Brazil; all told, there were 120 employees, 30 of whom were CIA agents; regular customers included the Sultan of Brunei, Ferdinand and Imelda Marcos and the Mujahedin (Stich, 2005: 96a). In mid-1983 BBRDW's cover was blown, and the CIA station chief in Honolulu abandoned Rewald, framing

him as their scapegoat (Stich, 2005: 279b). But fortuitously, Rewald had retained copies of some of the banks most sensitive records and refused to divulge their whereabouts even after torture, intimidation and a failed assassination from fellow CIA agents Angelo Cancel and Richard Allen (ibid, 280b).\*

In 1996 researcher, Rodney Stich, acquired - through one of his many intelligence contacts - dozens of boxes of files pertaining to BBRDW's operations (ibid, 289b). Within these files Stich found documents listing a number of coded *CIA-funded* bank accounts; In light of his treatment at the hands of the CIA, Rewald was only too happy to supply the names. Amongst others they were:

Irwin M. Peach = George Bush  
Mr Bramble = George Bush  
Mr. Denile = William Casey  
Slimey Affirm = Stanley Sporkin  
Mr. Branch = Richard Armitage

It must be emphasized: these accounts were receiving money from what Rewald described as 'Agency funding mechanisms', and the CIA was generous – Rewald states that these accounts were at any one time, collectively holding "hundreds of millions of dollars" (ibid, 292b). As we know from both the CIA's Castle Bank and Nugan Hand Bank, narcotics proceeds were such a 'funding mechanism'; so it no surprise to find out that none other than CIA agent extraordinaire, Bernard Houghton, had debriefed Rewald on the operations BBRDW had taken over after Nugan Hand's demise, paying particular attention to the necessity of BBRDW handling drug transactions and the laundering of drug money (Rewald was largely out of the loop on the drug transactions, which were handled predominantly through the Cayman Islands and Swiss accounts) (ibid, 293). Precisely what Armitage was using the CIA funds flowing through his accounts for is difficult to say. But considering no less than four Australian investigative committees accused the Nugan Hand bank of being a *financer* of large drug purchases, putting two and two together, it is not unreasonable to assume that these accounts could have been used to facilitate the purchase of Khun Sa's opium crops.

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\*With the complicity of the DOJ, Rewald was charged with over 100 counts of defrauding investors and sentenced to 80 years in prison. (286). Even then the CIA was not happy; in conjunction with the ONI, the CIA attempted to infiltrate an agent called Scott Barnes into the prison housing Rewald in order to assassinate this uncontrollable liability: Barnes refused (287). With the help of researcher like Rodney Stich, Rewald was finally released in 1995.

The question is, what was Armitage doing that would have placed him in a position to fulfill this role throughout the late-70s and early-80s? Armitage, a former Navy SEAL (Ruppert, 2001), became a counterinsurgency instructor in 1969 where he taught interrogation and ambush techniques, after serving 3 tours in Vietnam. In 1971, he volunteered for another one-year period in Vietnam, where he served as an advisor in Cambodia. By 1972 he was working as an advisor to an ambush group operating along the Vietnamese coastline; during this period Armitage was recruited by the CIA and participated in the Phoenix program, the CIA assassination program aimed at members of the civilian infrastructure of the Vietnamese National Liberation Front (Voltaire.net.org, 2004: At: <http://www.voltairenet.org/article30073.html>). By 1975 Armitage was working for the DIA, in Tehran, Iran, under orders from ex-DCI Schlesinger and then Secretary of Defense, in an effort to help coordinate the Shah's weapons purchases, to the end of turning "Iran into a regional stabilizing, pro-western and heavily armed power" (ibid). "At the end of 1975... Armitage took the post of a 'Special Consultant' to the U.S. Department of Defense regarding American military personnel missing in action (MIAs) in SEA... [based] in the U.S. Embassy in Bangkok"; his associate regarding these matters was none other than CIA agent, Jerry Daniels (Simkin, 2006). At the same time, Armitage was running the mysterious Far East Trading Company with offices only in Bangkok and in Washington, D.C.

It is alleged by Daniel Sheehan, Chief Counsel for the Christic Institute, in their ongoing civil lawsuit against what they call 'The Secret Team'\*, that from 1975-79 Armitage's 'Special Consultant' role and his Far East Trading Company, was in fact, merely a front for Armitage's drug related activities; specifically, Sheehan asserts that Armitage was overseeing the transportation of Vang Pao's opium proceeds from Laos to the Nugan Hand Bank in Australia, and that Jerry O. Daniels was the 'bag-man', physically transporting out of Thailand millions of dollars of Vang Pao's opium profits (Simkin, 2006).

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\*The "Affidavit of Daniel P. Sheehan" filed on December 12, 1986 and revised on January 31, 1987. In a June 1988, Daniel Sheehan, Chief Counsel for the Christic Institute filed a civil law suit filed in a Miami Federal court against twenty-nine alleged members of the "Secret Team" Christic believes to be behind the Iran Contra Affair. "The lawsuit held out the possibility of forcing key figures of the Iran/Contra affair to answer tough questions that had not even been asked by the mainstream press, by the Tower Commission, by the Congressional Iran/Contra Committees, or by Special Prosecutor Lawrence Walsh" (Guthey, 1988: 5).

## APPENDIX 4: THE SOCIAL COST OF PROHIBITION

By 2003, the U.S. government was spending well over \$50 billion dollars at the state and federal level combined, to combat the tide of drugs that decimates America's inner cities (Drug Sense: Drug War Clock, At: <http://www.drugsense.org/wodclock.htm>). For taking these prohibited substances that directly fund U.S. covert operations and enforce U.S. foreign policy, 1,678,192 were arrested for drug law violations in 2003 (FBI, Crime in the U.S., 2003: 270. At: [http://www.fbi.gov/filelink.html?file=/ucr/cius\\_03/pdf/03sec4.pdf](http://www.fbi.gov/filelink.html?file=/ucr/cius_03/pdf/03sec4.pdf)) and approximately 1,800,000 in 2005; for cannabis violations alone, police arrested an estimated 786,545 people (FBI, Crime in the U.S., 2005. <http://www.fbi.gov/ucr/05cius/arrests/index.html>). Between 1985 and 1995, over 80% of the increase in the federal prison population was due to drug convictions (US Department of Justice, 1997). "In 1995, 23% of state prisoners were incarcerated for drug offenses in contrast to 9%... in 1986", whilst for federal prisoners, the proportion held for drug violations nearly doubled between 1985 and 1995, from 34% to 60% (Haney & Zimbardo, 1998: 715).

Even worse, if a person is caught selling or buying narcotics, imported into the U.S. quite possibly by the taxpayer-funded military or intelligence apparatus, they will probably get a stiffer sentence than if they had committed a violent crime.

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The table below shows the average sentence (mean and median) imposed on Federal prisoners for various offenses in 2000.

<b>Average Federal Sentence</b>		
Offense	Mean	Median
All Offenses	56.8 months	33.0 months
All Felonies	58.0 months	36.0 months
Violent Felonies	63.0 months	
<b>Drug Felonies</b>	<b>75.6 months</b>	<b>55.0 months</b>
Property Felony - Fraud	22.5 months	14.0 months
Property Felony - Other	33.4 months	18.0 months
Public Order Felony - Regulatory	28.0 months	15.0 months
Public Order Felony - Other	46.5 months	30.0 months
Misdemeanors	10.3 months	6.0 months

US Department of Justice, Bureau of Justice Statistics, Federal Criminal Case Processing, 2000, With Trends 1982-2000 (Washington, DC: US Department of Justice, November 2001), p. 12, Table 6.

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But nothing more clearly illustrates the effect of CIA sponsorship of the drugs trade better than the price trends of cocaine and heroin. "According to the US Office of National Drug Control Policy [2004], the cost of [pure] heroin at the *retail* level declined from an average estimated at \$1,974.49 per gram in 1981 to \$361.95 per gram in 2003 [550% reduction!]. At the *wholesale* level, the drop went from \$1,007.60 per gram in 1981 to \$139.22 per gram in 2003 [700% reduction!]. The average purity of heroin on the US market increased in that time as well, going at the retail level from an average of 11% in 1981 to an average 32% in 2003, and at the wholesale level from an average 12% in 1981 to an average 46% in 2003" (Office of National Drug Control Policy, 2004: 62, Table 5; 63, Table 6; see Appendix 3 for CIA culpability in the 80s heroin trade).

"According to the US Office of National Drug Control Policy, the cost of cocaine at the *retail* level declined from an average estimated \$544.59 per gram in 1981 to \$106.54 per gram in 2003. At the wholesale level, the drop went from \$201.18 per gram in 1981 to \$37.96 per gram in 2003" (Office of National Drug Control Policy, 2006: 58, Table 1; 59, Table 2). Significantly, approximately 80% of this price drop occurred between 1982 and 1988 (Clawson & Lee, 1998: 9), just as the Watchtower cocaine was entering the U.S., and the contra drug operations were expanding in conjunction with both the CIA/NSC-protected Medellin and Cali Cartel pipelines. Mirroring this, "the purity of cocaine also went up during that time. At the retail level, it averaged 40% purity in 1981 and 70% purity in 2003, while at the wholesale level cocaine averaged 56% purity in 1981 and 63% purity in 2003" (ibid, 58, Table 1; 59, Table 2).