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DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY

A REPORT

PREPARED BY THE

SUBCOMMITTEE ON
TERRORISM, NARCOTICS AND INTERNATIONAL
OPERATIONS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

DECEMBER 1988

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, April 13, 1989.

Hon. CLAIBORNE PELL,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Two years ago, you directed the Subcommittee on Narcotics, Terrorism and International Operations to conduct an investigation regarding the links between foreign policy, narcotics and law enforcement in connection with drug trafficking from the Caribbean and Central and South America to the United States. This Report is the final written product of that investigation in the 100th Congress.

Pursuant to your direction, the Subcommittee conducted fourteen days of open hearings, nine executive sessions, and received testimony from 27 witnesses. In addition, the staff deposed an additional 20 witnesses. Thirty subpoenas were issued, many calling for the production of extensive documentation.

The Subcommittee's investigations resulted in a wide-ranging review of past policies and practices in handling foreign policy and the war on drugs. It is our privilege to transmit the report containing findings and conclusions based on the investigation, a country-by-country analysis of the drug problem as it has affected U.S. foreign policy in Latin America, a review of drug links to the Contra movement and the Nicaraguan war, of money laundering, and of issues involving conflicts between law enforcement and national security. Appendices to the report detail allegations of how the Committee's initial investigation in 1986 may have been interfered with.

We very much appreciate the support and assistance you have given us throughout the course of this investigation. I would like to note our personal appreciation for the efforts of the personnel who handled this investigation: Special Counsel Jack A. Blum, Kathleen Smith, and Jonathan Litchman of the Committee Staff; and Richard McCall, Jonathan Winer, and David McKean of Senator Kerry's personal staff, along with Senator Kerry's former administrative assistant, Ron Rosenblith. This report would not have been possible without their dedicated work.

The Subcommittee believes that this investigation has demonstrated that the drug cartels pose a continuing threat to national security at home and abroad, and that the United States has too often in the past allowed other foreign policy objectives to interfere with the war on drugs. The Subcommittee hopes that this Report will contribute to better understanding by the Congress of this problem, and to constructive legislative proposals which may allow us to avoid repeating the mistakes of the past.

Sincerely yours,

JOHN KERRY, *Chairman.*
BROCK ADAMS.
DANIEL P. MOYNIHAN.

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EXECUTIVE SUMMARY AND CONCLUSIONS

"The American people must understand much better than they ever have in the past how (our) safety and that of our children is threatened by Latin drug conspiracies (which are) dramatically more successful at subversion in the United States than any that are centered in Moscow." [1]

That warning was delivered in Subcommittee testimony by General Paul C. Gorman, now retired and formerly head of U.S. Southern Command in Panama. Such a characterization, coming from an individual who served with such distinction in the United States Army, should not be taken lightly.

There should not be any doubt in anyone's mind that the United States is engaged in a war directed at our citizens—the old, the young, the rich, the poor. Each day, with what has become a numbing regularity, the American people are besieged with the news of the latest casualties in the drug war.

The Colombian drug cartels which control the cocaine industry constitute an unprecedented threat, in a non-traditional sense, to the national security of the United States. Well-armed and operating from secure foreign havens, the cartels are responsible for thousands of murders and drug-related deaths in the United States each year. They exact enormous costs in terms of violence, lower economic productivity, and misery across the nation.

The American criminal justice system has been overwhelmed by the drug war. To date, most of the U.S. law enforcement efforts have been directed at the domestic drug distribution network. The result is a criminal justice system swamped with cases which cannot be processed fast enough, jails that are overflowing with prisoners, a greater influx of cocaine than when the war on drugs was declared in 1983, and a cheaper, higher quality product.

As a recent study sponsored by the Criminal Justice Section of the American Bar Association noted:

> A major problem reported by all criminal justice participants is the inability of the criminal justice system to control the drug problem . . . through the enforcement of the criminal law. Police, prosecutors and judges told the Committee that they have been unsuccessful in making a significant impact on the importation, sale and use of illegal drugs, despite devoting much of their resources to the arrest, prosecution and trial of drug offenders.[2]

Attempts to interdict the flow of drugs at the border, while important, has experienced only marginal success. According to U.S. officials in the vanguard of the war on drugs, at best, interdiction

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[1] Subcommittee testimony of General Paul Gorman, Part 2, February 8, 1988, p. 27.

[2] *Criminal Justice in Crisis, A Report to the American People and the American Bar on Criminal Justice in the United States,* American Bar Association, Criminal Justice Section, Washington, DC, November 1988, p. 5.

results in the seizures of only 15 percent of the illegal narcotics coming into the country. For the drug cartels, whose production capabilities stagger the imagination, a 15 percent loss rate is more than acceptable.

Demand reduction through education and rehabilitation are critical elements in the war on drugs. But most experts acknowledge that even this strategy will require a considerable period of time before major inroads are made into significantly reducing cocaine usage in this country.

The narcotics problem is a national security and foreign policy issue of significant proportions. The drug cartels are so large and powerful that they have undermined some governments and taken over others in our hemisphere. They work with revolutionaries and terrorists. They have demonstrated the power to corrupt military and civilian institutions alike. Their objectives seriously jeopardize U.S. foreign policy interests and objectives throughout Latin America and the Caribbean.

The Subcommittee investigation has led to the following conclusions and recommendations.

Past Failures

—In the past, the United States government has either failed to acknowledge, or underestimated, the seriousness of the emerging threat to national security posed by the drug cartels. The reasons for this failure should be examined by the Senate Select Committee on Intelligence, in concert with the Senate Committee on Foreign Relations, to determine what corrective steps should be taken.

—In some instances, foreign policy considerations interfered with the U.S.'s ability to fight the war on drugs. Foreign policy priorities towards the Bahamas, Honduras, Nicaragua, and Panama at times delayed, halted, or interfered with U.S. law enforcement's efforts to keep narcotics out of the United States. In a few cases within the United States, drug traffickers sought to manipulate the U.S. judicial system by providing services in support of U.S. foreign policy, with varying results.

—U.S. officials involved in Central America failed to address the drug issue for fear of jeopardizing the war efforts against Nicaragua.

—The war against Nicaragua contributed to weakening an already inadequate law enforcement capability in the region which was exploited easily by a variety of mercenaries, pilots, and others involved in drug smuggling. The Subcommittee did not find that the Contra leaders personally were involved in drug trafficking. There was substantial evidence of drug smuggling through the war zones on the part of individual Contras, Contra suppliers, Contra pilots, mercenaries who worked with the Contras, and Contra supporters throughout the region.

—The saga of Panama's General Manuel Antonio Noriega represents one of the most serious foreign policy failures for the United States. Throughout the 1970's and 1980's, Noriega was able to manipulate U.S. policy toward his country, while skillfully accumulating near-absolute power in Panama. It is clear that each U.S. government agency which had a relationship with Noriega turned a blind eye to his corruption and drug dealing, even as he was emerging as a key player on behalf of the Medellin cartel.

Policy and Priorities

—International drug trafficking organizations are a threat to U.S. national security. Our government must first acknowledge that the activities of the drug cartels constitute a threat of such magnitude and then establish a more coherent and consistent strategy for dealing with the problem.

—The threat posed by the drug cartels should be given a major priority in the bilateral agenda of the U.S. with a number of countries, including the Bahamas, Haiti, Colombia, Bolivia and Paraguay. It should be among the most important issues with a number of other countries, including Mexico and Honduras.

—In order to signal to other countries the seriousness with which the United States regards the drug issue, the President should convene a summit meeting of Latin American leaders to begin developing a strategy to deal with this issue and related economic problems.

—Narcotics law enforcement has often taken a back seat to other diplomatic and national security priorities. The war on drugs must not in the future be sacrificed to other foreign policy considerations.

Administrative Recommendations

—The Treasury Department should begin negotiations on gathering information on large foreign U.S. dollar deposits, as authorized by the 1988 Omnibus Drug Bill.

—The State Department should make a special effort to control multiple entry visas from countries which are major drug transit countries or which harbor major drug organizations.

—The Federal Aviation Administration should undertake a major effort to inspect hundreds of substandard aircraft, many of which are used for smuggling illegal narcotics. These aircraft are located throughout the United States, and those which do not meet FAA specifications should be grounded immediately.

—Individuals who represent themselves as working for the CIA or other national security agencies of the United States Government, and who in fact do not, should be prosecuted promptly to the full extent of the law.

—All U.S. law enforcement agencies should devote significantly greater attention to counter-intelligence in order to prevent drug traffickers from penetrating their operations.

—The existing distrust among law enforcement agencies working on the drug problem and national security agencies must be resolved. Ways must be found to make it possible for law enforcement agencies to have access to national security intelligence information related to the drug threat.

—Federal salaries of senior prosecutors and investigators must be raised and special Senior Executive Service positions cre-

ated in order to encourage the most talented and experienced personnel to remain on the job.

Specific Legislative Recommendations

—The President should be given a series of optional sanctions to apply to major drug producing and drug-transit countries which have not fully cooperated with the U.S. in drug enforcement efforts. This would allow the President to certify a nation under the national security provision of 481(h)(2)(a)(i)(II), and thus avoid the mandatory sanctions contained in current law, while still giving him other optional sanctions. The proposed sanctions would include: prohibiting ships that have stopped at such a nation within 60 days from discharging passengers or cargo in the U.S.; denying landing rights in the U.S. to the national airlines of such a nation; subjecting goods and containers from any such nation to special inspections, quarantines, or other additional regulations to prevent them from being used to transport prohibited substances to the United States; denying or limiting non-immigrant visas to nationals of any such nation; eliminating Customs pre-clearance agreements with any such nation.

—No government employee or official with responsibility for narcotics issues in either the Executive or Legislative branches of government should be permitted to represent a foreign government on narcotics matters for a period of three years after they leave. The penalties for violating such a prohibition should be the same as for violations of the Federal Regulation of Lobbying Act of 1946.

—The Department of State should be required to notify the Congress within 10 days whenever it denies a request from law enforcement for reasons of national security or foreign policy. The notification should include a full description of the reasons for the refusal. Past decisions by the Department of State to end law enforcement operations on such grounds should have been subject to Congressional review; this provision would ensure that Congress remain in a position to exercise oversight over such decisions.

—The Department of State should be prohibited from entering into contracts with any individual or company under indictment or convicted of any narcotics-related offenses, including money laundering. The Department should be required to institute procedures by which it would routinely check with the FBI, Customs and DEA to determine whether a company or individual is under investigation before the Department enters into any contract with the company or individual.

—No U.S. intelligence agency should be permitted to make any payments to any person convicted of narcotics related offenses, except as authorized in writing by the Attorney General in connection with the investigation or prosecution of criminal activity.

—The Neutrality Act should be amended to apply only to actions which are not specifically authorized by the State Department. Each such authorization would require prompt notification by the State Department to the House and Senate Foreign Affairs and Foreign Relations Committees, and Select Committees on Intelligence.

—The annual drug certification report should be required to review links between international narcotics trafficking, money laundering and international terrorism (including guerrilla groups on the right and the left with regard to ideology.)

—The National Director of Narcotics Policy should be required to report to the Congress on current U.S. federal personnel practices affecting all persons engaged in the war on drugs to determine whether adequate resources are being devoted to hiring, training, promotion, and retention of federal employees responsible for narcotics matters.

INTRODUCTION

Origins and Methodology

In early 1986, Senator John Kerry began a staff investigation of allegations that elements of the supply network supporting the Nicaraguan contras were linked with drug traffickers. In April, 1986, Senator Kerry took information he had developed to the Chairman of the Foreign Relations Committee, Richard Lugar, who agreed to conduct a staff inquiry into those allegations.

In response to a request by Senator Kerry, Senator Lugar scheduled a closed session of the Committee on Foreign Relations on June 25, 1986, to discuss these allegations and to determine whether or not adequate attention and priority was being given to international narcotics law enforcement efforts generally. Senator Kerry was concerned that because of the preoccupation with other foreign policy priorities relating to several nations, the United States was not dealing adequately with the growing global drug problem.

At that meeting, Senator Kerry raised questions as to the willingness of the Administration to investigate allegations of drug trafficking involving the Contra supply network and the apparent reluctance to deal with Bahamian drug corruption for reasons of national security. Senator Kerry noted that witnesses who had brought this information to his attention had also allegations of drug-related corruption concerning Nicaraguan officials.

In response, the Committee, at the direction of the then-Chairman Senator Richard Lugar, decided that an investigation of drug allegations relating to the war in Nicaragua should be undertaken.

In February 1987, at the direction of Chairman Claiborne Pell, the Committee continued its investigative efforts, expanding the focus to include the impact of drug trafficking from the Caribbean, and Central and South America on U.S. foreign policy interests. In April, the responsibility for the investigation was given to the Subcommittee on Terrorism, Narcotics and International Operations chaired by Senator Kerry, with Senator McConnell serving as the ranking member.

The Subcommittee conducted fourteen days of open hearings, nine executive sessions, and received testimony from 27 witnesses. In addition, the staff deposed an additional 20 witnesses. Thirty

subpoenas were issued, many calling for the production of extensive documentation.

The Committee sought, and received, documents from a large number of government agencies, including the Drug Enforcement Administration, the Federal Bureau of Investigation, the Department of Defense, the Department of the Army, the Central Intelligence Agency, the Defense Intelligence Agency, the U.S. Customs Service, the Department of State, the Department of the Treasury, the Overseas Private Investment Corporation and the National Security Council.

In addition, the full Foreign Relation Committee conducted extensive questioning of officials on the global narcotics problem in 1987 and 1988 in response to the annual International Narcotics Control Strategy Report. That report is an annual submission to the Congress mandated by the Anti-Drug Abuse Act of 1986. The law requires the President to certify that major illicit drug producing country or a major drug-transit country cooperated fully with the United States in the previous year, or took adequate steps on its own, with respect to illicit drug production, trafficking and money laundering.

One hearing was conducted jointly by the Subcommittee on Terrorism, Narcotics and International Operations and the Subcommittee on International Economic Policy.

In perparation for the hearings the staff interviewed dozens of people in and out of government. Many of these interviews were kept confidential to ensure candid discussions. The Subcommittee traveled to Costa Rica where depositions were taken and interviews conducted with present and former government officials.

By agreement with Chairman Daniel Inouye of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, the staff assigned to the investigation were cleared to review the documents provided to the Select Committee in the course of its investigation. The Committee staff reviewed thousands of Select Committees documents, including the classified version of notebooks maintained by Oliver North during the period he was at the National Security Council, the "North Diaries."

A number of witnesses and prospective witnesses were convicted felons, having been imprisoned for narcotics-related offenses. The Subcommittee made use of these witnesses in accordance with the practice of Federal and State prosecutors, who routinely rely on convicts as witnesses in criminal trials because they are the ones with the most intimate knowledge of the criminal activity.

All witnesses who appeared before the Subcommittee, did so under oath and the threat of prosecution for perjury. The Subcommittee did not and could not offer reduced sentences in exchange for testimony. Before using the testimony of convicted felons in a public session, the Subcommittee staff attempted to corroborate the witnesses' stories. Many of the witnesses were considered sufficiently credible to have been used by prosecutors in grand jury investigations and trials, including the major federal narcotics prosecutions of General Noriega, Medellin cartel leader Carlos Lehder, and officials in Haiti and the Bahamas.

Gaining access to convicted felons and making arrangements to have them testify required the cooperation of the Department of Justice and numerous U.S. Attorneys. In some cases the cooperation was excellent, while in others the Subcommittee confronted one difficulty after another which delayed the investigation and complicated the presentation of testimony in public hearings.

As this report is read, it should be kept in mind that the purpose of the investigation was to identify the nature of the threat posed by international drug trafficking and the adequacy of the U.S. government response to the threat. The Subcommittee was interested in the larger policy questions and was not seeking to develop specific cases against individuals.

The Scope of the Threat

When the Senate Committee on Foreign Relations began its investigation two years ago into drug trafficking, law enforcement and foreign policy, this issue was widely viewed as being primarily a law enforcement problem. While public debate over the drug problem focused on improving international and domestic law enforcement efforts, the size, capability and activities of the cartels were rapidly expanding.

There are probably few issues which have caused greater strains in our relations with other nations, particularly with our Latin American neighbors, than that of international drug trafficking. The problem has given rise to a growing frustration in the Congress over the seeming inability of many nations in the hemisphere to eliminate or curtail the production or transshipment of cocaine and marijuana destined for marketing in the United States. On the other hand, there are valid concerns on the part of our Latin American allies that were it not for the demand problem in the United States, the drug issue would be of more manageable proportions.

After two years of investigation carried out under the auspices of the Subcommittee on Narcotics, Terrorism and International Operations, it is apparent that the United States is facing a significant national security problem. It is a problem serious enough for us to re-examine our perception as to what constitutes national security threats to ourselves and our friends around the world.

In the post-World War II era, the national security focus of the United States was framed by our predominant concern with East-West competition around the globe. This concern with Marxist expansionism in general, and Soviet expansionism in particular, led us to take a series of extraordinary steps to respond to the threat. These steps ranged from implementing the Marshall Plan for Western Europe, to establishing NATO and other military alliances around the world, to fighting conventional wars in both Korea and Vietnam.

As the United States enters the decade of the 1990's, it is clear that the operations of the international drug organizations also constitute a threat of serious national security dimensions. In Latin America, these organizations, known as cartels, have become a powerful supra-national political force with economic resources of a magnitude to shape developments in Central and South America, and throughout the Caribbean.

The most powerful of the Latin American drug cartels are located in Colombia. The Colombian cartels constitute an international underworld so extensive, so wealthy, and so powerful, that today they operate virtually unchallenged. They have organized themselves into elaborate conglomerates for the purposes of growing, harvesting, processing, transporting, selling and repatriating their profits from cocaine and marijuana. Men like Pablo Escobar, Jorge Ochoa, Jaime Guillot-Lara, and Carlos Lehder, formed ocean-spanning, mafia-like organizations capable of very large and very complex undertakings.

They have built coca processing centers in the nearly impenetrable rain forests of the Amazon River Basin in Colombia—factory complexes capable, in a week's time, of converting tons of coca paste flown in from Peru and Bolivia into crystalline cocaine. The finished product is then flown across the Caribbean and Central America to the United States. It is estimated that there are five dollars of profit for each dollar the cartels invest in the farm-to-market process.

The magnitude of the profits associated with the international drug trade is staggering. The June 20, 1988 edition of *Fortune Magazine* reported that the global drug trade may run up to $500 billion a year, more than twice the value of all U.S. currency in circulation.

As witness after witness stressed to the Subcommittee, the cartels are driven by financial rather than ideological motives. They are willing to do business with anyone as long as it helps further their narcotics interests. Their power threatens to undermine regional stability, and they have already demonstrated the capacity to destabilize democratic governments. These developments are deeply inimical to the national security interests of the United States.

Domestic Effects of International Drug Trafficking

To appreciate the degree to which the international drug traffickers have affected the lives of the American people, one needs only to analyze the statistics. Polls show that about 50% of all Americans say they have had a relative or close friend who has had a problem with illegal drugs and one out of every three says that illicit drugs can be purchased within a mile of their home.

In addition:

—Sixty percent of all illegal drugs produced in the world are consumed here in the United States;

—some twenty million Americans smoke marijuana, nearly six million regularly use cocaine, and half a million are addicted to heroin;

—the National Institute for Drug Abuse reports that cocaine related hospital emergencies have risen nearly 600 percent between 1983 and 1987. Cocaine-related deaths have risen from under 400 in 1983, to nearly 1,400 in 1987, the last year for which such statistics are available;

—it is estimated that 70 percent of all violent crime in the United States is drug-related;

—the street price for a kilo of cocaine in the United States has plummeted from $60,000 in 1980, to approximately $9,000 a kilo today. This has put cocaine within the means of the vast majority of Americans, and shows how ineffective interdiction efforts have been;

—between 1982 and 1985, the amount of cocaine seized coming into the United States more than doubled from 31 metric tons to 72.3 metric tons. The problem has reached such crisis proportions that various federal agencies involved in the war on drugs cannot come up with a reasonable estimate as to how much cocaine reaches the streets of our country today;

—it is estimated that cocaine usage among the work force costs the United States $100 billion a year in lost productivity;

—the American market for drugs produces annual revenues of well over $100 billion at retail prices. This is twice what U.S. consumers spend for oil each year.

Effects on Foreign Countries

It is not only the people of the United States who are victimized by the operations of the cartels. The cartels, utilizing corruption and violence, have literally bought governments and destabilized others.

In Colombia, the cocaine lords have coopted an entire nation and its government. Beginning in 1984, efforts by the Colombian government to crack down and dismantle the cartels since 1984 have led to unprecedented violence. In the past two years, 57 judges, including half of the Supreme Court, and two cabinet officials have been assassinated. A year ago, Colombia's attorney general was murdered by cartel assassins.

While Colombia's democracy has been threatened, Panama's has been stolen. The relationship established in the 1970's between drug traffickers and a little-known officer in the Panamanian intelligence—Manuel Antonio Noriega—has grown as Noriega's power has increased. As a result, Panama has become a safe haven and critical base of operations for the cartels, particularly as a money-laundering center. The trend toward democratization was reversed in Panama, and Noriega now presides over the hemisphere's first "narcokleptocracy."[1]

The corrupting influence of the cartels has now been felt throughout Latin America and the Caribbean. The Subcommittee received testimony that remote islands in the Bahamas chain could be rented for use as transit sites for cocaine and marijuana destined for the United States. Despite the expenditure of significant sums of money devoted to joint interdiction efforts with the Government of the Bahamas, the International Narcotics Control Strategy Report of March 1988 estimated that 60 percent of the cocaine and 50 percent of the marijuana coming into the United States continued to transit that country. U.S. officials attribute the problem to the continuation of drug-related corruption at all levels of government.

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[1] See Subcommittee testimony of Ramon Milian Rodriguez, Part 2, p. 255.

In 1987, the Colombian cartels established a major, and secure base of operations in Haiti, turning that country into another significant transit point for cocaine coming into the United States. The cartels bought protection from the upper ranks of the Haitian military which, in turn established a distribution network in the United States. This network is characterized by a high level of violence associated with its operations.

The cartels now pose a serious threat to Costa Rica, having established themselves in the northern war zones used by the Nicaraguan insurgents. Costa Rica, the most free, stable and longest-standing democracy in the region, continues to be ill-equipped to deal with this threat despite the fact that it has the toughest drug laws in all of Latin America.

In Peru, there are reports that drug money funds the Sendero Luminoso's efforts to topple the democratically-elected government of that country.

In Bolivia, democratically-elected governments face an almost insurmountable task in destroying coca production and cocaine labs operating with near impunity in that nation.

They have corrupted local officials, including police and military, in Mexico, and there are allegations that the corruption has spread to higher-level officials. This development may be making an already serious situation worse, as Mexico continues to remain a major producer of opium poppy and cannabis and continues to be a primary source of heroin and marijuana entering the United States.

Elements of the military in Honduras are involved in drug-related corruption, undermining the fledgling attempts to establish a truly democratic, civilian-based government in that country. Because of the pervasive influence of the Honduran military on every aspect of life in that country, there is concern that the experience in Panama could be replicated in Honduras.

In Paraguay, drug corruption within the military also has been a serious problem for some time. Despite the fact that Latin America's longest-standing dictator, General Alfredo Stroessner, was ousted recently in a military coup, U.S. drug enforcement officials are concerned that the narcotics trade through Paraguay will continue unabated. As the State Department has acknowledged, there are "frequent allegations that Paraguayan officials are involved in narcotics trafficking."[2] General Andreas Rodriguez, the mastermind of the coup, has been linked in press reports as a major figure in the drug trade.

The National Security Implications of the Drug Trade

The cartels want stable governments in Latin America, but week institutions which they can control. They want a climate in which they can do business freely, without government interference. In many countries of Latin America and the Caribbean, they have succeeded in accomplishing this goal.

[2] International Narcotics Control Strategy Report, US Department of State, Bureau of International Narcotics Matters, March 1988, p. 100.

In many instances, the cartels have allied themselves with organizations which are engaged in illicit movements of arms and ammunition, for whatever purpose or whatever ideology—on the right or the left. General Paul Gorman, in his testimony before the Subcommittee, described the problem very succinctly when he observed:

"If you want to move arms or munitions in Latin America, the established networks are owned by the cartels. It has lent itself to the purposes of terrorists, of saboteurs, of spies, of insurgents, and of subversives."

Such alliances have been established with left-wing insurgent groups such as M–19 in Colombia, and the Sendero Luminoso in Peru. General Noriega in Panama has been a major figure in the clandestine arms trade, selling weapons to anyone or group who would buy them, including the FMLN in El Salvador.

As the Subcommittee found, even the Nicaraguan Contras fighting to overthrow the Sandinistas were not immune from exploitation by narcotics traffickers.

If allowed to continue unchallenged, the operations of the cartels will have even more serious implications for U.S. foreign policy interests thoughout the hemisphere. If there has been one area of foreign policy in which the Congress and the Reagan Administration found agreement during the last eight years, it was the desirability of promoting and reinforcing the democratization process which has swept Latin America over the course of the last decade. This consensus was achieved despite the fractious debate over aid to the contras.

Other than the international debt issue, the operations of the drug cartels pose the most serious threat to the consolidation of democracy throughout Latin America.—The basic foundation upon which democracy rests is respect for the rule of law and the guarantees it provides for individual rights and liberties. The cartels respect neither law, nor the rights of individuals, nor the institutions created to uphold the former and guarantee the latter. They have demonstrated the ruthless capability to undermine and destroy any institution or individual standing in their way.

Unfortunately, the international narcotics trade, historically, has been relegated to the backwaters of U.S. foreign policy concerns. It was not until recent years, when domestic cocaine usage reached epidemic proportions and drug-related violence on the streets of the United States reached crisis levels, that serious attention has been paid to this problem. However, the issue is still not given attention commensurate with the seriousness of the problem within most agencies of the federal government. To date, the U.S. has been unable to achieve effective coordination regarding the problem. The Congress mandated the creation of a new position, the "National Director of Narcotics Policy," informally known as the "drug czar," in response to this concern. The drug czar will need to focus attention on ensuring that the U.S. develops a strategy and allocates the resources necessary to wage effectively a war on drugs.

Synopsis of the Report

In preparing this report, the Subcommittee has attempted to define the nature of the problems associated with the operations of the cocaine cartels. There are individual chapters devoted to Colombia, Panama, the Bahamas, Haiti, Honduras, and Cuba and Nicaragua. The Subcommittee had neither the time nor the resources to address other major problem countries such as Mexico, Paraguay, Peru, and Bolivia, or the emerging problems in Brazil. Nevertheless, the problems and the patterns of corruption are similar in these countries as to those addressed by the Subcommittee.

A separate chapter is devoted to the allegations of involvement of drug traffickers with the Contra movement and their supply operations.

There is also a separate chapter devoted to the issue of money laundering, which is the key to the effective operations of the cartels. The phenomenal profit associated with the narcotics trade is the foundation upon which the cartels' power is based. The Subcommittee members believe that a concerted attack on the cartels' money-laundering operations may be one of the most effective means to strike at their most vulnerable point.

A separate chapter is devoted to an examination of the conflicts between law enforcement agencies and the foreign policy and intelligence agencies of the U.S. government. For example, the DEA still maintains that it is receiving cooperation from Panama in U.S. drug enforcement efforts. Yet William Von Rabb, the Commissioner for U.S. Customs, has testified before the Committee that by 1983, U.S. agencies had more than enough evidence of General Noriega's involvement in the narcotics trade. This, according to Von Rabb, rendered any cooperation Panama was giving the U.S. in drug seizures and arrests virtually meaningless.

The Report also includes appendices concerning the notebooks maintained by Lt. Col. Oliver North, and their relation to the Subcommittee investigation, and on allegations concerning interference by government officials in the initial stages of the Subcommittee investigation.

The members of the Subcommittee are hopeful that, if nothing else, this report will stimulate significant debate and reflection both within and outside our government. The stakes are very high for us and for our friends throughout the hemisphere. This entails understanding all the dimensions of the problem and the events and circumstances that contributed to the development of the cartels. After all, violence and corruption associated with the narcotics trade is not just a problem from Latin America and the Caribbean. Both seriously affect the quality of life in the United States as well.

Open Issues and Subjects Requiring Further Investigation

This report should be considered a first step toward a fuller understanding of the international scope of the narcotics problem. Many issues arose during the course of the investigation which could not be pursued in the 100th Congress because of the time and staff limitations. There are open issues and questions which call for further study.

1. The Subcommitte investigations of money laundering allegations involving the Bank of Credit and Commerce International should be completed. Developing an effective strategy against money laundering will require a more complete understanding of the way drug traffickers move, hide, and invest the profits from the profits from their illicit activities.

The Subcommittee's work thus far suggests that if the banking system can be closed to drug money and if assets owned by the drug cartels can be seized, large scale trafficking can be more easily controlled.

2. Serious questions abut the adequacy of the Neutrality Act in controlling the activities of mercenaries and soldiers of fortune arose during the hearings. The Subcommittee should examine the problems the Department of Justice has had using the Act and consider its revision.

3. The Subcommittee has received allegations that various factions in the Lebanese civil war are supporting their efforts with drug money and that they have started to work with the Colombian cartels. These allegations require thorough examination.

4. The Subcommittee has received allegations that heroin dealers used the war in Afghanistan as cover for their operations. There are reports of guns for drugs exchanges and significant drug related corruption. The 1988 International Drug Control Strategy Report prepared by the State Department obliquely acknowledged the problem, stating "individual resistance elements reportedly engage in opium production and trafficking as a source of income to provide staples for populations under their control and to fund weapons purchases." [3] Further it has been alleged that weapons for the resistance were diverted to the international arms market.

5. The March, 1989 International Narcotics Control Strategy Report again raised concern that drug-related corruption has continued to undermine narcotics law enforcement in Mexico. The Report described the emergence in 1988 of "an increasing number of Colombian traffickers, within Mexico, involved primarily with facilitating the transshipment of cocaine to the United States." [4] The level of drug related corruption in Mexico continues to be a priority concern of the Subcommittee. While there was neither the time nor the resources to investigate thoroughly the situation in Mexico, this will be a continuing focus of the Subcommittee's work in the future.

Other pending business includes the effort by the Foreign Relations Committee to obtain access to an unexpurgated version of Oliver North's notebooks. The notebooks contain numerous references to the drug issue but could not be deciphered because key sections had been deleted by North and his attorneys. On April 6, 1989, those notebooks were turned over by North to the Independent Counsel in connection with his trial, when North waived his Fifth Amendment rights and choose to testify. The Subcommittee will continue to seek to obtain those notebooks. A detailed discus-

[3] International Narcotics Control Strategy Report, U.S. Department of State, Bureau of International Narcotics Matters, March, 1988 p. 178.

[4] International Narcotics Control Strategy Report, U.S. Department of State, Bureau of International Narcotics Matters, March 1989, p. 108.

sion of the North notebook problem has been included as an appendix to this report.

THE BAHAMAS

Introduction

Because of its geography, smuggling has been part of the Bahamian economy throughout its history. The Bahamas is a chain of 700 coral islands of which just 29 are inhabited. The Bahamian archipelago stretches 750 miles, from Cuba and Hispaniola to just 40 miles off the southeast coast of Florida.

In the years after World War II, the development of the Bahamian economy focused on tourism, while a group of British businessmen known locally as the "Bay Street Boys" controlled most aspects of the local economy. The Bay Street Boys represented gambling interests, as well as the merchant class. In 1967, a more broadly-based Bahamian Party, the Progressive Liberals Party (PLP), led by Lynden Pindling, took power.

Within a year of its 1973 independence from Britain, Bahamian law enforcement authorities were warning that drug trafficking was a "serious problem," and by 1979, that problem was a crisis.[1]

In the late 1970's, both the narcotics smuggling and government corruption in the Bahamas grew at an extraordinary rate. Initially, marijuana was the principal narcotic smuggled through the Bahamas, but cocaine became an increasingly significant factor in the early 1980's. As of 1988, the Bahamas remained a major transit country for both drugs, with 50 to 60 percent of all the cocaine and marijuana entering the U.S. transiting through Bahamian territory.[2]

Witness after witness appearing before the Subcommittee testified to using one or another Bahamian island to drop drugs for transfer to fast boats or small planes.[3]

Luis "Kojak" Garcia, a former smuggler who gave up this vocation voluntarily to become a DEA informant, testified that by dividing a load of drugs among ten fast boats coming from the Bahamas he could limit the risk of interdiction to a fraction of the total load. Customs, he said, would be forced to choose which of the ten boats to intercept. They simply lacked the men and equipment to stop all ten.[4] The witnesses agreed that the U.S. Customs Service and the Coast Guard could not possibly check the thousands of boats and planes traveling regularly between the Bahamas and the United States.[5]

While the geography of the Bahamas is ideal for smuggling, and inadequate law enforcement resources assure traffickers of being able to move significant quantities of drugs to the United States, cooperation from Bahamian officials to protect their operations

[1] "Paradise Lost," *The London Sunday Times Magazine*, Sept. 29, 1985, p. 34.
[2] *International Narcotics Control Strategy Report*, U.S. Department of State, March 1988, p. 150.
[3] Subcommittee testimony of Gart Betzner, Part 3, April 7, 1988, p. 252 and Subcommittee testimony of George Morales, Part 1, July 15, 1987, p. 60 and Part 3, April 7, 1988, p. 306; also see generally subcommittee testimony of Luis Garcia, Part 1, May 27, 1987 pp. 5-21.
[4] May 26, 1987, prehearing interview with Luis Garcia.
[5] Subcommittee testimony of Luis Garcia, Part 1, May 27, 1987, p. 12.

from interference has been essential. Typically, traffickers have bribed local Bahamian Customs officials and police, and have hired locals to unload and reload drug cargoes. When their operations grew in size, the payoffs demanded from Bahamian officials grew larger, and involved higher-ranking members of government.[6]

Luis Garcia, a major smuggler of marijuana who became a DEA informant in 1983, testified:

> I was heavily involved in smuggling drugs into the United States for almost 4 years beginning in early 1979. At that time, I supervised an operation which smuggled tons of drugs mainly from Colombia and Jamaica by way of the Bahamas with complete impunity. That was accomplished by paying for protection to the Bahamian authorities from the lowest ranking officer to the highest politicians and officers. It is believed that if it was not for this fact, my smuggling activities and those of many others like me would not have been so successful.[7]

Garcia said payoffs were essential. Corruption, he said, began with airport and Customs inspectors, but continued to higher-level appointed Bahamian officials. Garcia said he had never paid bribes to Bahamian elected officials.[8]

According to Garcia, a typical shipment of 6,000 to 8,000 pounds of marijuana cost $130–150,000 in bribes to Bahamian officials. Most of that went to police, immigration and custom officials. Among those bribed were the chief of the Bahamian drug task force, whom Garcia said he had on his payroll, and a former chairman of the PLP, the ruling party in the Bahamas. Official payoffs, Garcia estimated were about 15 percent of the total cost of a marijuana shipment.[9]

In the early 1980's, the bribes ensured the smugglers a sanctuary from U.S. patrols. As Garcia testified:

> . . . if somebody is chasing you up there 30 miles out in the ocean and you see them coming, you can turn around and head back into the islands, and of course you are paying for protection. They are going to protect you . . . if you pay, you won't get arrested.[10]

Growth of Official Corruption with Vesco and Bannister

In 1972, Robert Vesco fled the United States having been accused by law enforcement authorities of looting $240 million from the Overseas Investors Services mutual fund. Upon leaving the U.S., Vesco established operations in the Bahamas, developing a relationship with a political "fixer" named Everett Bannister who was close to Prime Minister Pindling. In time, Vesco gave Bannister "carte blanche" at the Bahamas Commonwealth Bank. Bannister and Pindling in return provided Vesco protection from extradition. In part, as a result of his dual relationship with Vesco and Pin-

[6] Betzner testimony, Part 2, pp. 252-253; Morales testimony, Part 3, p. 293, Part 1, p. 61 and Garcia testimony, Part 1, p. 10.
[7] Garcia testimony, Part 1, p. 5.
[8] Ibid, pp. 6–11.
[9] Ibid, pp. 7–10.
[10] Ibid, pp. 13–14.

dling, Bannister became increasingly influential in the Bahamas, and became known to many narcotics traffickers as a man who could provide protection to them "from the top." [11]

Bannister had left the Bahamas in the 1940's and lived for a number of years in New York, before returning as a consultant when the Pindling government came to power in 1967. Bannister then devoted his attention to providing assistance to clients as diverse as Resorts International, one of the Bahamas' principal gambling operations, and to Anastasio Somoza when he was a fugitive from Nicaragua. In the latter case, Bannister reportedly received $320,000 in cash from Somoza to buy him a safe haven. According to his son, Gorman Bannister, his father said most of the money was paid to "the man." Gorman understood that to mean the money went to Prime Minister Pindling.[12]

Everett Bannister assisted drug traffickers in a number of ways. He had them removed from the official "stop" lists, making it possible for traffickers to enter and leave the country without official interference, and warned them of impending drug raids.[13]

Use of Norman's Cay for Smuggling

Beyond his influence with high government officials through the involvement in the Bahamas Commonwealth Bank, a second consequence of Robert Vesco's activities in the Bahamas was the arrival of Colombian cocaine traffickers. Vesco had left the Bahamas in 1972, after the bank failed and U.S. pressure to extradite him grew. But he returned in 1978, after establishing a relationship with the Colombian drug dealer Carlos Lehder. Lehder and Vesco became regular companions on the islands, and Lehder decided to use the Bahamas as his base for smuggling cocaine to the United States.[14]

In 1978, Lehder bought most of Norman's Cay, one of the Exuma Islands, fifty miles from Nassau. By the end of the year, Norman's Cay was home to a group of some forty Lehder employees who drove the other residents and itinerant visitors away from the island at gunpoint. Lehder built a large hangar which had cocaine storage facilities inside and was using the island as a transshipment and distribution point for cocaine coming into the United States.[15]

Lehder's behavior led a number of U.S. property owners on the island to protest the confiscation of their property to the U.S. Embassy in Nassau. In July 1979, one of the Americans, Professor Richard Novak, delivered records of the drug flights—supported by photographs and movies—to the then American Charge d'Affaires, Andrew Antippas. After meeting with Antippas and the DEA officers stationed in Nassau, Novak returned to the island by small plane, accompanied by his son, to collect his belongings. Without Novak's knowledge, Lehder had learned of his visit to the Embassy and his complaints about the cocaine operation. Lehder's associates surrounded the plane when it returned, smashed the radios,

[11] Subcommittee testimony of Gorman Bannister, Part 1, May 27, 1987, p. 25.
[12] Bannister testimony, pp. 26–28.
[13] Garcia testimony, p. 15; Bannister testimony, pp. 34, 36.
[14] "Cocaine Islands," NBC Nightly News, April 30, 1987.
[15] "Bahamas: Smugglers' Paradise," NBC Nightly News, March 18, 1987.

drained most of the fuel and then forced Novak and his son to reboard and take off at night. Novak and his son survived the resulting crash.[16]

At the end of August 1979, under intense pressure from the U.S. Embassy, a police raid on Norman's Cay was scheduled. For reasons never fully explained by the Bahamians, it was postponed for fifteen days. When the raid finally took place, it was apparent that during the intervening fifteen days Lehder had been warned and the island had been cleaned up. As the police raid began, Lehder managed to destroy what little cocaine was left on the island and although he was arrested, he was released immediately. The major victims of the raid was a competitor of Lehder's, a smuggler named Ward, who was also using Norman's Cay. As a result of the raid, Ward was arrested, put on the Bahamian Government stop list and forced to move his smuggling operation to Haiti.[17]

Despite two more "raids" on the island, about which Lehder also received advance warning, the smuggling operation on Norman's Cay continued without interference and in fact became even more outrageous. Lehder then began a public campaign against "police harassment" and "U.S. imperialism." During the 1982 celebration of Bahamian independence, Lehder flew his light plane over the Nassau park where the festivities were taking place and dropped leaflets saying "DEA Go Home." Many of the leaflets had $100 bills stapled to them. These leaflets showered on the heads of the Prime Minister and U.S. Charge d'Affaires Antippas.[18]

The Subcommittee received testimony from Gorman Bannister that his father Everett Bannister was the person who had tipped Lehder off to the impending drug raids. As Bannister testified:

> Senator Kerry. Did your father warn Carlos Lehder of the police raid on Norman's Cay?
> Mr. Bannister. Yes.
> Senator Kerry. Do you want to describe that?
> Mr. Bannister. Well, as I recall, he just made a phone call to Carlos letting him know, well, police are going to——
> Senator Kerry. You heard the phone call?
> Mr. Bannister. Oh, yes, yes, yes yes . . . I know my father did call him one time and told him, "Listen, the police are going to raid Norman's Cay on a certain day, clean it up." And when they went there, they didn't find . . . anything." [19]

When an opposition member of the Bahamian parliament, Norman Soloman, began to complain to Bahamian and U.S. authorities about the situation involving Lehder's use of Norman's Cay for narcotics trafficking, his house and car were blown up. According to Gorman Bannister, Lehder boasted to him and to his father that he was behind the bombing because he didn't like Soloman depicting Lehder's Colombian employees in the drug trade as

[16] "Paradise Lost," *The London Sunday Times Magazine*, September 29, 1985, p. 37.
[17] Ibid.
[18] Ibid.
[19] Bannister testimony, p. 34.

"animals." Bannister testified that his father viewed Lehder's decision to bomb Soloman as appropriate.[20]

Everett Bannister was indicted in the Southern District of Florida in March, 1989, on narcotics charges, following testimony before the Grand Jury by his son Gorman.

Response by United States to Lehder Problem

A Subcommittee staff review of the pertinent cable traffic from the Embassy during the relevant period shows that the U.S. Embassy continuously protested to the Bahamian government about the Norman's Cay problem and routinely cabled Washington about the scope of the problem in the early 1980's.

These cables led to a 1982 meeting between Vice President Bush, Admiral Daniel Murphy and Bahamian Prime Minister Pindling, at which the Norman's Cay problem was raised. The Vice President chastised the Prime Minister for what was taking place. During the meeting, Prime Minister Pindling was shown a computer printout of C5A surveillance of Norman's Cay and was told that the island resembled O'Hare Airport because of its activity.[21]

Despite this confrontation, there was no follow-up by the United States. Instead, with the appointment of a new Ambassador, United States-Bahamian relations focused on base rights negotiations, and the drug issue was relegated to a much lower priority. The new Ambassador, Lev Dobriansky, stated publicly that in his view the most important issue in United States-Bahamian relations was the negotiation of base rights for the United States.[22]

Law enforcement agencies and prosecutors in south Florida noted the policy shift. These officials were attempting to obtain State Department cooperation for sting operations aimed at Bahamian officials, and for their efforts to extradite traffickers from the Bahamas. These actions were met with indifference and in some cases hostility from the Ambassador.[23]

On September 5, 1983, NBC "Nightly News" exposed the Norman's Cay scandal and directly accused the Bahamian government of complicity in allowing Lehder's operations to continue. The NBC broadcast and the resulting outcry in the Bahamas led to the establishment of a Royal Commission of Inquiry to probe drug trafficking and drug-related corruption in the Bahamas. The Inquiry report led to the resignation of two cabinet officials and the prosecution, but later acquittal, of some police officials. The operation on Norman's Cay came to an end and Lehder returned to Colombia. None of these events changed the role of the Bahamas as a major transit point for cocaine traffickers or diminished the corruption within the Bahamian government.

Subcommittee hearings on the issue and a debate on decertification of the Bahamas for failure fully to cooperate with the United States on drug enforcement issues generated renewed concern, and narcotics again became a major priority of the Embassy.

[20] Ibid, p. 36.
[21] Subcommittee testimony of Admiral Daniel Murphy, July 14, 1988, Part 4, pp. 259–260.
[22] NBC, Broadcast, March 18, 1987.
[23] Subcommittee testimony of Richard Gregorie, July 12, 1988, Part 4, pp. 160–161.

Extent of Bahamian Corruption Today

The State Department's annual report on international narcotics control details the degree to which corruption remains today an essential element of the Bahamas' status as a major drug transit country.

According to the 1988 report, the Bahamas still is experiencing "systematic corruption, which continues to make the Bahamas attractive to drug traffickers." [24] The report notes that investigations into official corruption appear to be limited to low-level enforcement officers and fail to deal at all with higher-level corruption. Even when corruption is found, suspected law enforcement or military personnel are not normally charged or tried in court for their offenses. Instead, they are merely forced to retire.[25]

Other evidence of the continuing problem with official corruption in the Bahamas is the re-nomination of George Smith and Kendall Nottage for parliamentary seats by the Progressive Liberal Party. Both won their seats despite the fact that they were identified in the 1984 Commission of Inquiry Report as being involved in narcotics-related corruption.[26] Nottage was indicted March 29, 1989 by a Boston federal grand jury on narcotics money laundering charges.

Although the Bahamian government passed a comprehensive drug law in January 1987, which includes a provision for the "retroactive confiscation of narcotics derived assets," no arrests or prosecutions under the new act took place in the year following its enactment.[27] In 1988, only one person, a Bahamian policeman, was convicted under this provision.[28] The March 1989 report stated that "narcotics related corruption continues to be a problem, making the country attractive to drug traffickers." [29]

Similarly, extradition of drug traffickers remains a serious problem. The United States has for more than three years sought extradition of Nigel Bowe, a Bahamian lawyer with strong ties to the PLP and the Bahamian government. To date, the Bahamians continue to stall his extradition.[30]

The Bahamian response to the U.S. on the Bowe extradition issue has been inadequate at best. Bahamian officials argue that Bowe is a rich man and using the best legal talent in the country to delay extradition. What that explanation fails to address is the question of why the Bahamians themselves have not investigated Bowe's activities. U.S. law enforcement authorities believe Bowe has played a key role in organizing smuggling throughout the Caribbean—a matter which should be of some interest to the Bahamian authorities if they are indeed concerned with cooperating with the U.S. in the war on drugs.

Nevertheless, the United States has continued to certify the Bahamas as providing "full cooperation" in fighting the war on drugs. The United States has done so on the ground that the Bahamas

[24] International Narcotics Control Strategy Report.
[25] Department of State, March 1988 p. 151.
[26] Ibid.
[27] Ibid.
[28] Ibid.
[29] Ibid, pp. 154–155.
[30] INCSR, Department of State, March 1989, p. 123.

has taken adequate steps on its own to control drug production, trafficking and money laundering.

Assistant Secretary of State for Narcotics Matters Barbara Ann Wrobleski testified that the "baseline issue" in determining whether to certify a country was whether there is "corruption to such an extent that it has gotten in the way of cooperation." [31]

The record developed by the Subcomittee, as well as the State Department's own *International Narcotics Control Strategy Report,* document that corruption in the Bahamas continues to be the major obstacle to cooperation.

Bahamas Seeks to Influence U.S. Policymakers

In 1985, the increased public attention to the role of the Bahamas as a base for drug smuggling led that government to seek the advice of a U.S. public relations firm. The firm, Black, Manafort, and Stone, submitted a memorandum to the Bahamian officials suggesting that it could sell the United States government on the importance of the Bahamas to U.S. security. In that memorandum, Black, Manafort suggested that public attention be focused on the demand side of the drug issue, thus diverting attention from the narcotics-related problems on the islands. The Black-Manafort principal assigned to the matter, Matthew Freedman, was a former senior State Department official who had handled narcotics issues.[32]

Shortly after the 1984 U.S. election, Black-Manafort advised the Bahamian government that "perception by 'Official' Washington will frequently drive the realities which will affect . . . policy decisions. In this regard, the Government of the Bahamas is operating in a negatively charged atmosphere." [33]

According to Black-Manafort, the Department of State and the Department of Defense wished to maintain a "solid relationship" with the Pindling Administration, but the DEA and the Department of the Treasury were "active critics." According to the memorandum, political critics of the Pindling government had been "sowing the seeds that the Government of the Bahamas is a nation for sale, inviting drug czars to use the banking system, that government officials are participating in the drug trafficking, that the Pindling Administration is about to collapse and much more." [34]

Black-Manafort advised the Bahamian government that it needed to lobby both the Executive and Congressional branches of the United States government, beginning with the National Security Council to mobilize political support for the Bahamas and to focus the Departments of Defense and State so as to "affect Treasury and Justice policy." The memo went on to suggest that the personal relationships between then Secretary of Defense Weinberger and then Attorney General Meese could be used to redefine the priorities of the U.S. in its dealings with the Bahamas.[35] Black-Manafort was to charge the Bahamas $800,000 per year for representing them on these matters, and the firm was ultimately retained by the Bahamian government.[36]

[31] Ibid, p. 122.
[32] Security and Development Assistance, S. Hrg. 100-361, Part 2, March 16, 1987, p. 48.
[33] Ibid, p. 44.
[34] Memorandum, Black, Manafort & Stone to Government of Bahamas, November, 1984.
[35] Ibid.

In addition, a former coordinator of the South Florida Drug Task Force, Admiral Daniel Murphy, who participated in the previously mentioned 1982 meeting with Prime Minister Pindling, testified that he solicited the Bahamas as a client for his consulting firm, Gray and Company. He was unsuccessful.[37]

The role of the U.S. consultants raises troubling questions about conflict of interest. Narcotics issues are indeed "national security issues." The Subcommittee believes it is not in the interest of the United States to have former government officials, whether from the Congress or the Executive Branch, who held policy positions dealing with narcotics law enforcement, to use the knowledge they have obtained to work for a foreign government whose officials are implicated, either directly, or indirectly, in the drug trade.

Bahamian "Cooperation"

Shortly after the Bahamian government retained U.S. public relations consultants, it suddenly began cooperating on some drug issues on the advice of its consultants. For instance, the government allowed the installation of an aerostat radar, set up joint air and naval operations and allowed U.S. authorities to enter Bahamian territory in hot pursuit of drug traffickers. Yet the cooperation remained far from complete. For example, the government continued to allow foreign nationals arrested for drug smuggling leave the country after posting bail, and continued to make it difficult for U.S. authorities to participate in the destruction of seized drugs.[38]

The Bahamian willingness to cooperate with interdiction efforts has created a pro-Bahamian constituency in interdiction-related agencies such as the Customs Service. But the increased level of interdiction cooperation has neither cut the amount of cocaine coming into the United States from the Bahamas, nor has it led to the destruction of the major smuggling organizations. Indeed, as Deputy Assistant Secretary of State for Inter-U.S. Affairs Richard Holwill noted, ". . . notwithstanding the cooperation, there has been an increase in trafficking." [39] The Assistant Secretary of State for International Narcotics Matters and the Administrator of the DEA acknowledged that the Bahamas remains a significant transshipment point.[40]

Conclusions

The case of the Bahamas illustrates many of the failings of United States foreign policy as it relates to narcotics:

1. Policy was made at the Embassy level with little apparent interagency coordination. When ambassadors changed, and U.S. anti-drug efforts in connection with the Bahamas diminished, the

[36] Ibid.
[37] Ibid.
[38] Foreign Agent Registrations maintained by Secretary of the Senate, 1985-1988.
[39] Murphy testimony, pp. 263-264.
[40] Subcommittee testimony of Richard Holwill, July 11, 1988, Part 4, p. 61.

decreased attention to the problem went largely unnoticed in Washington.

2. There was not any coordinated follow-up to strong initiatives. The Vice President's meeting with Prime Minister Pindling was followed by a four-year hiatus before significant pressure was exerted on the Bahamian Government relative to the drug issue.

3. The Administration did not regard the Embassy in the Bahamas as an important post because of the country's location, size and political system. Mr. George Antippas remained as the Charge for more than two years before a new Ambassador was appointed. His replacement had little experience in Caribbean affairs and did not exhibit any feeling for the importance of the drug issue. The current Ambassador has demonstrated an understanding of the drug issue, and has elevated this issue to the top of the U.S.-Bahamian bilateral agenda.

4. There was little or no direct coordination between the U.S. Attorneys in Florida and the Embassy in Nassau. The lack of coordination led law enforcement officials to believe that there was little point in pursuing cases against Bahamian citizens or government officials because they would get little support from the State Department on extradition or operational matters.

Today, some of these factors have changed. The U.S. government appears to have recognized the significance of the threat posed by the continued use of the Bahamas as the most significant transit point for illegal drugs coming into the United States. There are some areas, such as in the arrest and deportation of drug traffickers found smuggling through pre-clearance procedures, in which the Bahamian government is now cooperating with the U.S.

Yet the Bahamas continues to be the major transit point for cocaine and marijuana coming into the U.S. Even though laws have been enacted to allow seizure of drug-related assets, no such seizures have taken place. Few, if any, drug traffickers arrested in the Bahamas are convicted and jailed. The result suggests to many that the Government of the Bahamas is not sincere, but engaged in a rather cynical exercise to placate the United States.

For this reason, one of the most important issues in United States-Bahamian drug cooperation is extradition, especially of persons indicted in the United States who have alleged ties to Bahamian government officials.

In the past, the U.S. Customs Service has expressed some concern over the granting of pre-clearance privileges to other countries. Customs' officials have argued that the United States stands to lose control over the disposition of individuals charged with crimes and arrested in a foreign country with which we have such agreements, particularly if there have been historical problems associated with extradition. Customs has expressed the concern that some individuals who otherwise would have been arrested upon reaching the U.S. may escape punishment following an arrest in such a country.

The State Department has argued, however, that pre-clearance can serve the useful purpose of alerting U.S. law enforcement authorities that an individual charged with crimes will be entering the U.S. on a specific date, time and place. This advance intelligence can be used to ensure that arrests are made once the individual reaches his or her destination in the United States.

The pre-clearance agreement with the United States is very important to the Bahamian tourist industry. The Subcommittee believes that a thorough review needs to be undertaken regarding this agreement, to determine whether on the whole it has reduced the flow of narcotics to the United States from the Bahamas, or has allowed narcotics traffickers to escape punishment. If the benefits do not outweigh the costs, the U.S. should announce our intent to terminate this agreement within one year unless substantial progress is made in resolving these problems. In addition, the Subcommittee believes the President should retain, as an optional sanction, the ability to terminate any nation that has customs pre-clearance if it is determined the nation does not fully cooperate with the U.S. in the war on drugs.

Appendix: Denial of Request for Declassification

In this Chapter, there are five references to news media reports on the Bahamas which are used to document the role of the Bahamas in the narcotics trade. On December 1, 1988, Senator Claiborne Pell, Chairman of the Committee on Foreign Relations, wrote the Department of State requesting the declassification of 11 U.S. Government documents which corroborate these news accounts. On December 27, 1988, Chairman Pell was notified in writing by the Department of State that the declassification request had been denied. The one document which the State Department did not obejct to declassifying was a September 5, 1983, transcript found in their files of an NBC Nightly News program entitled "The Navy and the Bahamas." The Subcommittee believes strongly that disclosure of all 11 documents is in the public interest to facilitate public understanding of official responses to the war on drugs. The State Department response of December 27, 1988, and the September 5, 1983, NBC transcript are included as appendixes at the end of this section.

U.S. Department of State,
Washington, DC, December 27, 1988.

Hon. Claiborne Pell,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: I am replying to the request to the Department of December 1, 1988, that it review for declassification 11 documents which were transmitted at that time. Concurrently, the Department was requested to retrieve on additional document from its files and to review it also for declassification.

After careful review and consideration, we find that we have no objection to the declassification and release of document No. 1.

We have no objection to the release in part of documents Nos. 7, 10 and 11. Those portions that must be withheld are bracketed in ink. In all cases where material has been excised, the relevant subsections of Executive Order 12356, Section 1.3(a)(3) and (5) are noted in the margin. We believe that despite the passage of time, the premature disclosure of this material would have an adverse effect on sensitive issues in United States relations with The Bahamas. It contains foreign government information provided in confidence and confidential US Government assessment and recommendations.

Documents Nos. 2, 3, 4, 5, 6 and 8 must be withheld in full. Documents Nos. 2, 4, 5, 6, and 8 are essentially comprised of sensitive material, the disclosure of which could adversely affect our bilateral relations with the Government of the Bahamas. These documents contain foreign government information provided in confidence as

well as confidential US assessment and recommendations. In addition, document No. 3 wholly and documents. Nos. 5 and 6 concurrently, are comprised of deliberative material which must be withheld under Section (b)(5) of the Freedom of Information Act (Title 5 USC Section 552) as comprising inter-agency or intra-agency communications exempt from disclosure under the deliberative process or similar privilege.

We believe that the Department of Justice has significant equities in two documents, Nos. 9 and 12, which we believe contain sensitive material, the disclosure of which could be injurious to our relations with the Bahamas. As above, these documents contain foreign government information provided in confidence as well as confidential US government assessment. Therefore, the Department of Justice should be asked to review this material. We have written the relevant subsections of E.O. 12356, Section 1.3(a)(3) and (5) in the margin adjacent to the sensitive material.

I understand that officers of the Department are in direct contact with your staff concerning this review. Alternatively, if you have any further questions, please contact Mr. Frederick Smith, Jr. of our Bureau of Administration on 647-2207.

With best wishes,

Sincerely,

J. EDWARD FOX,
Assistant Secretary Legislative Affairs.

Enclosures: Documents Nos. 1 through 12

[Memorandum]

To: Department of Defense: Attention: Ms. Helen Young.
Program: NBC Nightly News, WRC-TV NBC Network.
Date: September 5, 1983, 7 p.m., Washington, DC.
Subject: The Navy and Bahamas.

TOM BROKAW. Robert Vesco is American's most notorious fugitive. For years law enforcement officials have been trying to nail him on a variety of charges, most of them related to the disappearance of millions of dollars from a company that Vesco controlled.

Tonight in this Special Segment, Brian Ross describes how Vesco continues to live his life on the lam in luxury, now in the Bahamas, where the Vesco connection is powerful and illegal.

BRIAN ROSS. For more than four years now, this beautiful, seldom visited island in the Bahamas, just 200 miles from the Florida coast has been the base for one of the biggest drug smuggling operations in the world.

The island is called Norman's Cay, and here, in the middle of nowhere, a smuggler's dream. Refrigerated hangars store tons and tons of cocaine and a million dollar paved runway long enough to handle jet planes.

This is the man who dreamed the smuggler's dream, the man at the top of the Norman's Cay smuggling operation: Robert Vesco, the accused Wall Street master swindler who fled the United States ten years ago and is now said to have made millions of dollars in the drug business in the Bahamas since the late seventies, when these pictures were taken.

MAN. He roams the streets freely, usually with not more than two bodyguards.

ROSS. This Florida drug agent worked undercover in the Bahamas.

MAN. Mr. Vesco was involved very heavily in the cocaine traffic, he was a major financier, he provided some of the muscle, protection for different groups of smugglers and that his—the majority of his empire was being held together by money that he was making from narcotics smuggling.

ROSS. Federal agents have been following the Vesco drug business for at least two years. This seized freighter is just one of dozens of boats and airplanes that agents say Vesco has used to smuggle cocaine and marijuana into the United States.

Authorities say Vesco's Colombian cocaine supplier is this man, Carlos Lehder, like Vesco a fugitive from American justice.

But Federal authorities say that even with all they know about Vesco's drug business, the ships, his Colombian connection, his island drug bust; even knowing all that, they haven't been able to stop him.

SECOND MAN. Law abiding Christians——

[Crowd reaction.]

ROSS. American authorities say Vesco is just too well protected in the Bahamas by some of the leaders of the ruling party, the PLP, the Progressive Liberal Party.

A Justice Department intelligence report says a Vesco associate has been, "allegedly paying approximately $100,000 per month in Bahamian officials, including Prime Minister."

Mr. Prime Minister, can we talk to you?

Prime Minister Lynden Pindling declined to be interviewed by NBC News about allegations of corruption in his government.

In public, as at this rally last week, some of the very Bahamian officials suspected of being involved in drug corruption with Vesco and others, speak boldly against drugs.

THIRD MAN. I say crime and drugs is frustrating our positive image in the country.

ROSS. This is Kendal Nottage a member of the Bahamian parliament and a cabinet minister. NBC News has learned that this summer, the FBI was actually making plans to try to arrested Nottage as part of a big Federal effort to crack down on the drug business.

The plan was like ABSCAM. To get Nottage on a private yacht just outside Bahamian waters; to get him to take a bribe with hidden cameras rolling. But the plan was blocked at the American embassy in Nassau.

Ambassador LEV E. DOBRIANSKY. I've stopped it.

ROSS. United States Ambassador Lev Dobriansky says one of the reasons he stopped the FBI investigation was that it might upset delicate negotiations with the Bahamians over a US Navy submarine testing base in the Bahamas.

Ambassador DOBRIANSKY. This could be very embarrassing—it could—naturally would be—and it could be very destabilizing. When you look at the total picture: I mean our relations with the Bahamas is not solely in the drug area, there are many other things which, over the long pull will be more important than the drug.

ROSS. Federal authorities say 70 percent of the cocaine and marijuana coming into this country is coming through the Bahamas.

FOURTH MAN. South Florida is not rid of all of it yet, not as long as we have the Bahamas over there.

ROSS. Police in Florida are making dozens of drug arrests every day but the supply of cocaine hasn't gone down, it's gone up. And it's gone up because of the wide open operation of drug bases like this one on Norman's Cay, run by American fugitive Robert Vesco, said to be protected by Bahamian officials and tolerated by American diplomats more concerned with the Navy bases in the Bahamas than drug bases in the Bahamas.

Brian Ross, NBC News, in the Bahamas.

COLOMBIA

INTRODUCTION

Colombia is the oldest democracy in Latin America and, until recently, has enjoyed one of the continent's most buoyant economies. However, as previously noted, Colombia's economic and political future is being threatened by narcotics trafficking organizations known as cartels.

General Gorman aptly characterized the state of affairs in Colombia today when in testimony before the Subcommittee he stated, "the narcotrafficking organizations . . . through bribery, extortion, and intimidation, . . . became better informed and more politically powerful . . . than the government." [1]

While there are dozens of drug trafficking organizations in Colombia, two cartels, the Medellin and the Cali, dominate the illegal narcotics trade. They have transformed the cultivation, processing and distribution of cocaine from a small business into a powerful, vertically integrated, multinational industry. Their political and economic influence is felt not only in Colombia, but throughout Latin America. What they cannot buy, they take, often using violent means to achieve their goals.

The Subcommittee received testimony from several witnesses who stated that the cartels are not driven by any ideology, but view themselves as nothing more than businessmen. They favor po-

[1] Subcommittee testimony of General Paul Gorman, Part 2 Feb. 8, 1988, p. 31.

litical stability, but in the context of a government over which they exercise control. In Colombia, democracy still exists, but many of its institutions have been reduced to near impotency. The Colombian judicial system, for instance, has been effectively neutralized as the government has proven incapable of arresting or prosecuting the major traffickers, much less extraditing them to the United States.

In many respects, Colombia is the country that holds a key to the future of cocaine trafficking in this hemisphere. As Colombian narcotics trafficking has increased, and the violence and corruption in that country have worsened, there have been differences in the U.S. government as to the appropriate strategy to pursue. These differences have undermined anti-narcotics policy in that country.

Testifying before the Subcommittee, General Paul Gorman, the former head of the U.S. Southern Command, detailed shortcomings in U.S. narcotics policy as it related to Colombia. Gorman made four points:

> First, we have been promising the Colombians material help since 1983. We have simply not delivered. Whether that help is radars or modern helicopters or actionable intelligence, the rhetoric of the United States has consistently outrun its performance.
>
> Second, we have reached for short-term measures, in effect, apply Band-Aids to what is a massive social trauma. We have not sought to devise with the Colombians a long-term comprehensive strategy for dealing with the narco-traffickers, one which would draw upon the respective strengths of both countries.
>
> Third, we have failed to bring American technology to bear, either for short-term tactical advantage or for longer range developments which might promise a decisive strategic defeat for the narcotraficantes.
>
> And four, the U.S. has failed to engage the capabilities of the Colombian Armed Forces.[2]

Gorman characterized U.S. efforts in dealing with the Colombians on this problem as having been "half-hearted." [3]

Origins of Narcotics Trafficking in Colombia

During this decade Colombia has gained the infamous reputation as the preeminent country in Latin America associated with cocaine trafficking. Ironically, however, Colombia became a center for global drug trafficking as a result of the trade in marijuana.

The cultivation of marijuana was introduced to Colombia by Panamanian growers around the turn of the century. However, it was not grown in any significant quantities until demand in the United States mushroomed during the 1960's. By the middle of the 1970's Colombia had emerged as a major marijuana supplier to the United States and by the end of the decade had actually supplanted Mexico as the chief source for marijuana worldwide.[4]

[2] Subcommittee testimony of General Paul Gorman, Part 2, Feb. 8, 1988, pp. 33-34.
[3] Ibid p. 33.
[4] *Bagley, Foreign Affairs,* Vol. 67, No. 1, p. 73.

With the marijuana trade came two important developments: the Colombian narcotics trade became a multimillion dollar industry and a criminal narcotics infrastructure was established in both Colombia and the United States. The Subcommittee received testimony from convicted marijuana smuggler Leigh Ritch that clearly illustrated both of these developments.[5]

Leigh Ritch began his criminal career in 1969 by unloading bales of marijuana from Colombian drug boats that docked in west Florida. He was nineteen years old and making between "five and ten thousand dollars, only"—a night. By the late 1970's Ritch employed dozens of people and was using his own sailboat to smuggle marijuana valued at some $40 million a shipment. At the time he was arrested in 1986, Ritch had a barge ready to leave Colombia that was loaded with more than one million pounds of marijuana and valued at between "$300 and $400 million." [6] Ritch had profited enormously from the marijuana trade, but his profits never approached those made by major Colombian criminals in the cocaine industry.

Coca, the base for cocaine, traditionally was grown and used by Colombian natives for generations, but was not produced for export until the late 1960's when a small Cuban-American criminal organization in Miami began to smuggle the drug into the United States. The cocaine was transported from Colombia to Florida by individuals known as "mules" who carried a few kilograms at a time with their personal belongings on commercial airlines.

This small scale smuggling of cocaine into the United States became a major enterprise in the 1970's when a group of Colombians including, Pablo Escobar, Jorge Luis Ochoa Vasquez and Carlos Lehder, seized control of the existing cocaine distribution networks during a period of violent confrontation known as the "Cocaine Wars." [7] The Colombians organized their own distribution system and began to ship cocaine in bulk to the United States. By the late 1970's they had established criminal organizations in both Colombia and the United States. However, it was not until 1982, when faced with a threat from Colombia's most powerful terrorist organization, the M-19, that the various Colombian cocaine organizations banded together to from the world's most powerful drug trafficking organization, the Medellin Cartel.

Origin of the Cartels

In 1980, the M-19, which began as a fiercely Marxist revolutionary and terrorist movement inside Colombia, undertook a series of kidnappings of wealthy individuals who were them held for ransom. Two years later M-19 kidnapped a member of the Ochoa family, one of the leading criminal families in Colombia.[8]

In response to the kidnapping, Jorge Ochoa, the family leader, called a meeting of the drug kingpins at his restaurant on the outskirts of Medellin, Colombia. Each drug kingpin who attended the

[5] Ritch is serving a 30 year sentence without parole in a Federal prison for directing a criminal enterprise.
[6] Leigh Ritch testimony, Feb. 8, 1988, p. 63.
[7] *Foreign Affairs,* Vol. 67, No. 1, p. 74.
[8] Subcommittee testimony of Ramon Millian Rodriguez, Part 2, Feb. 11, 1988 p. 248.

meeting reportedly contributed $7 million to create an organization called "Death to Kidnappers" or MAS, which was dedicated to ending left-wing kidnappings and extortion. As described by Milian Rodriguez, the cartel wanted to "get rid of a threat both politically and economically. You must remember M–19 is Marxist Leninist in ideology and the cartel is a capitalist enterprise." [9]

The newly formed drug trafficking organization, which came to be called the Medellin Cartel, raised a 2,000 man army and equipped it with automatic weapons. This army subsequently engaged the revolutionaries in a bloody war, and won a decisive victory.[10] Milian Rodriguez testified that "not only were the M–19 killed brutally, but the brutality was made public . . . the victims were hung up from trees, they were disembowled, with signs on them to discourage the population from cooperating with them." [11]

When the violence subsided, the victorious cartel forged an alliance with the defeated remnants of the M–19. As a result, the M–19 had become an enforcement mechanism for the Cartel, using its soldiers to protect narcotics shipments and intimidate the Colombian government. In return for providing these services, the M–19 receives money and weapons from the Cartel.[12]

The war with M–19 also resulted in a loose alliance of the key leaders of the drug trade in Colombia. After the war, when problems arose for the drug industry, the individual traffickers met to work out solutions. For example, one witness described a meeting of the trafficking organizations to discuss the problem of extradition to the United States. According to the witness, the leaders of the drug trade discussed the possibility of approaching officials in the U.S. Government to negotiate the issue.[13]

Cooperation among the trafficking organizations has even been extended to risk-sharing associated with drug shipments sent to the United States. As the International Narcotics Control Strategy Report says, "shipments appear to belong to several organizations. This avoids sending half empty planes or boats; and, more importantly, immunizes individuals in the event of seizure. It is reportedly now possible to insure a load against seizure."[14]

As cooperation among the Colombian drug organizations increased, so did the production of cocaine. For example, in Florida, in the spring of 1982, Customs officials at Miami International Airport discovered 3,906 pounds of cocaine—more than four times the previous record seizure. That seizure, despite its size, did not drive up the price of cocaine on the streets, suggesting that the flow had not been interrupted in any meaningful way.

Organization and Wealth

The cartels became in essence, vertically integrated businesses, controlling anywhere from 60% to 80% of all the cocaine coming into the United States. The Medellin Cartel, in particular, perfected the cocaine smuggling business into a high-tech trade based on specialization, cooperation and mass-production. Escobar was responsible for the production side of the business, the Ochoas handled processing and transportation, and Lehder, prior to his arrest, handled the distribution end. General Gorman characterized the organizations as "mafia-like rings capable of very large, very complex undertakings demanding significant discipline and very tight management." [15]

One witness described how the Cartel leaders are served by an array of "underbosses" who handle specific contract assignments.[16] Many of the underbosses made arrangements with North American "transportation organizations" which flew Cartel drugs to the U.S. where the cocaine was then turned over to the Colombian distribution network in this country. Altogether, law enforcement sources estimate that the organizations have more than 8,000 members.[17]

This complex and elaborate organization earns an estimated $8 billion for the cartels each year. *Forbes Magazine* has listed Ochoa and Escobar as among the richest men in the world.[18]

The cartels have invested these profits in vast real estate holdings in both Colombia and the United States. The *Miami Herald* described Hacienda Veracruz, the Ochoa family ranch in northwest Colombia, as "so huge it encompasses several towns inside its borders between Barranquilla and Cartagena.[19]

In testimony before the subcommittee, a Miami lawyer who met cartel members in Colombia described an enormous ranch with many thousand head of cattle, a palatial farm house and swimming pool.[20]

Ramon Milian Rodriguez, who claimed to have been to the homes and ranches of all the major cartel members, described the ranches as "effectively pretty self-sufficient entities . . . that generate their own electricity, . . . the only thing they need is a source of fuel. Everything else is either grown or there are substantial supplies." Rodriguez testified that he had been tasked with buying animals for a private zoo on one of the ranches. He said, 'I've imported rhinoceros and other weird animals that you wouldn't believe." [21]

Rather than being perceived as outlaws and outsiders in Colombian society, the drug lords increasingly are acknowledged as the single most powerful economic entity in Colombia. They own newspapers and broadcasting companies, and one-third of their income is invested in Colombian industry, real estate, and agriculture. There is cartel involvement in over one-half of the Colombian soccer league. Cartel leaders have passed out money to poor farmers and supported Colombian charities. Where they have not been able to buy political influence, the cartels have resorted to violence.

[9] Ibid, p. 248.
[10] *Foreign Affairs*, Vol. 67, No. 1, p. 76.
[11] Subcommittee testimony of Ramon Milian-Rodriguez, Part 2, Feb. 11, 1988 p. 249.
[12] Subcommittee testimony of Richard Gregorie, July 12, 1988, pg. 130.
[13] Closed Subcommittee testimony of Miami Lawyer, April 6, 1988, p. 34.
[14] International Narcotics Control Strategy Report, U.S. Department of State, March 1987, p. 91.

[15] Gorman, Part 2, p. 30.
[16] Closed deposition of Carlton, December 4, 1987, pp. 146–147.
[17] "America's Cocaine Connection," *The Miami Herald*, November 29, 1987, p. 28A
[18] *Forbes Magazine*, July 25, 1988, p. 64.
[19] "America's Cocaine Connection," *The Miami Herald*, December 2, 1987, p. 6A.
[20] Testimony of Miami Attorney, ibid, pp. 27–28.
[21] Milian Rodriguez, Part 2, p. 183.

The Cartel's War Against the Colombian Government

In 1983, the cartels established large scale processing facilities in the Amazon region of Colombia at a location called Tranquilandia. The facilities, which were discovered and dismantled by the Colombian authorities in early 1984, were producing between two and three tons of cocaine a week. Astonishingly, the destruction of the Tranquilandia labs did little to disrupt the cocaine trade.

The 1984 Tranquilandia raid was a direct Colombian government challenge to the cartels' power. In the months that followed the raid, the government tried to shut down the cartels with an agressive search and seizure campaign.

Instead of retrenching, the cartels launched an open war against the Colombian government. The cartels employed the tactics they had used in their war against the M–19; a highly visible campaign of violence was directed at prominent Colombian officials and critics. For example, on April 30, 1984, 50 days after the Tranquilandia raid, assassins killed Colombian Justice Minister Rodriguez Lara Bonilla in Bogota. Drug pilot Floyd Carlton described in detail how the Ochoa brothers contracted for Bonilla's death: ". . . before they killed this Minister of Justice in Colombia, there was, like, a kind of blackboard, where there was a photograph of Minister Bonilla, and everyone talked about the fact that the son-of-bitch, that guy have to be killed, that son-of-a bitch." [22]

The Minister of Justice is not the only Colombian to have been brutally killed by the cartels. In 1986 Colonel Jaime Ramierez Gomez, head of the Colombian National Police's Anti-Narcotics Command and the man responsible for the seizure of some 27 metric tons of cocaine during a three year period, was assassinated. He was shot twenty-eight times in front of his wife and children. On December 17, 1986 Guillermo Canu Isaaca, the crusading anti-narcotics editor of the Bogota daily newspaper, *El Espertador,* was assassinated on his way home from work.

The killings were carried out by hired organizations from the Medellin slums. Yet, none of the leading cartel members have ever been directly implicated in any of the murders, and as one U.S. Drug Enforcement Administration official bemoaned: "There isn't a cop that will arrest them; there isn't a judge that will try them; there isn't a jail that will hold them." [23]

Adequacy of Legal and Law Enforcement Measures

The power the cartels have exhibited and their ability to operate safely in Colombia raises the question of whether the Colombian government has the capacity to challenge seriously the drug trade. On the one hand, the casualties among Colombian law enforcement officials, judges and government officials speak eloquently about the sincerity of the Colombian effort. John Lawn told the Committee that he felt the Colombian police and military authorities had been "active in the interdiction of cocaine and marijuana, as well as cocaine essential chemical shipments." [24]

[22] Carlton, Part 2, p. 147.
[23] *INCSR,* Department of State, 1987 p. 93 and "America's Cocaine Connection," *The Miami Herald,* December 3, 1987 p. 20A.
[24] Lawn, p. 6.

At the same time, the fact that the cocaine trade has grown steadily in size and scope, and that the cocaine organizations continue to operate with impunity, suggest that the campaign of corruption and violence has taken their toll on the Colombian government.

The U.S. Department of State in its 1988 International Narcotics Control Strategy report concluded that Colombia "does not yet have a coordinated strategy to combat the traffickers, and the judiciary, in particular, is virtually paralyzed." [25] That paralysis is exemplified by the problems associated with extradition of Colombian narcotics traffickers to the United States.

What the members of the cartels fear most is extradition to the United States. When the extradition treaty between the United States and Colombia entered into force in 1982, the cartels reacted swiftly. First, they launched a public campaign to have its constitutionality tested in the courts. Second, a terrorist unit broke into the Colombian Supreme Court building and murdered eleven sitting judges. The attack, which occurred on November 6, 1985 at the Palace of Justice in Bogota, resulted in more than 100 fatalities. Although the attack was attributed to M–19, it was clearly related to narcotics trafficking since those involved in the assault burned all of the files relating to pending extradition cases.

The United States has nevertheless twice tried to extradite Jorge Ochoa from Colombia to the United States. Ochoa was indicted for narcotics smuggling in 1984. U.S. Drug Enforcement Administration officials estimate that Ochoa has moved nearly sixty tons of cocaine into the U.S. between 1982 and 1987.

The first extradition effort was undertaken when Ochoa was arrested in Spain in 1985 on drug trafficking charges. The United States requested extradition from Spain, but Ochoa's lawyers persuaded the Colombian government to file for his extradition to his home country on the same charges. The Spanish judge decided to send Ochoa to Colombia where a judge released him on short order.

However, the extradition request was not pursued very aggressively by the U.S. government. Assistant U.S. Attorney Richard Gregorie complained about the Department of State's attitude regarding the extradition of Ochoa from Spain. He described his meeting with U.S. embassy officials in Madrid, noting that, "I dealt with a very nice secretary, but she was the most knowledgeable person in the embassy as to what was going on with the extradition. . . . here is the most significant dope dealer in history, and they've got this nice little old secretary who is the only one who knows everything there is to know about this guy getting extradited." [26]

Gregorie went on to say that when Attorney General Meese became involved in the case he (the Attorney General) did not request a briefing by the federal prosecutors directly involved in the case. In addition, Meese did not debrief federal prosecutors handling the case on his discussions with Spanish government officials.[27]

[25] INCRS, 1988, p. 86.
[26] Subcommittee testimony of Richard Gregorie, Part 4, pp. 144–145.
[27] Ibid.

In November 1987, Ochoa was arrested by the Colombia police and held in custody in Colombia on a charge of illegally importing bulls into the country. The U.S. then sought to have Ochoa extradited without relying on the extradition treaty between the two countries which had been declared unconstitutional by the Colombian Supreme Court. The Colombians repeatedly assured U.S. officials that they wanted to extradite Ochoa to the United States but had to find a legally and politically acceptable way to do it.

After weeks of frustrating discussions in which one legal technically after another was raised, a Colombian judge released Ochoa, saying that he had served enough time in jail on the charges for which he was arrested. The United States protested the release and the Colombian government began an investigation of the judge responsible for Ochoa's release. However, the damage was done and Ochoa was free again.

On the U.S. side, the second attempt to extradite Ochoa from Colombia was handled at the desk and regional officer level of the State Department for the first several weeks. The only indication of high level interest in the matter was a letter from Attorney General Meese to the Colombians. It was only after Ochoa was released from prison that President Reagan raised the issue directly with the President of Colombia.

The only major trafficker to have been extradited from Colombia is Carlos Lehder, who was expelled in February, 1987. He was convicted on federal racketeering charges in August of 1988 and is currently serving a life sentence in federal prison. The State Department attributed the Lehder extradition to the fact that all legal proceedings in the case were completed before the Colombian Supreme Court ruled the extradition treaty was unconstitutional. Throughout the drug world, however, it is widely believed that Lehder was extradited because his fellow drug dealers viewed him as a liability, and wanted him out of the business. Lehder's colleagues felt he was talking too much, using cocaine heavily, and that his actions were attracting too much public attention.[28] According to these sources, the cartels let the Colombian government know they would not object to his extradition.

The extradition problems in Colombia have pointed up the significant and more generic problems of government corruption in that country. John Lawn, DEA Administrator, testified that "individuals who cannot be corrupted are given the option of silver or lead and judges in Colombia are given that particular option—that is, take the money or be killed—even those good individuals in today's environment find themselves corrupted." [29]

Indeed, the Subcommittee was told that many Colombian officials had sold out to the cartels. For example, Leigh Ritch found the Colombian law enforcement non-existent. ". . . you could load right at the dock in certain cities where the loading would take place, you know a city, or pay terminal . . ." [30]

Floyd Carlton described how the murder of Justice Minister Bonilla was actually coordinated with individuals inside the ministry:

[28] Closed session testimony of Roman Milian Rodriguez, June 25, 1987, p. 84.
[29] Lawn, Part 4, p. 42.
[30] Ritch, Part 2, p. 63.

"I'm there with Jorge, Fabio [Ochoa brothers], both of them. . . . and suddenly, I heard a conversation in which right—apparently right from the ministry, offices of these people, information was being given to them. Apparently, they knew that this gentleman was going to leave the position of ambassador, and he was going to go somewhere else." [31]

Conclusions

The Colombian drug cartels have succeeded, at least for the time being, in securing their havens of operations against government attempts to crush their activities. Using violence and bribery, they have made it all but impossible for the Colombian government to arrest and prosecute them.

The United States has not devoted the necessary resources to law enforcement intelligence gathering. The cartel, as General Gorman has pointed out, has better equipment than the U.S. Air Force. General Gorman testified that "they use satellite radios. They have encryption devices and voice privacy mechanisms." [32]

Perhaps the most effective weapon that the United States had against the cartel was the extradition treaty with Colombia. Extradition to the United States might cause serious damage to the cocaine trade, but the cartels have been most effective in preventing serious consideration of that solution within Colombia.

Moreover, extraditing major narcotics traffickers from Colombia and most other countries may well have become further complicated by the death penalty provision in the 1988 omnibus drug bill. According to Assistant United States Attorney Richard Gregorie, most countries, including Colombia, will not extradite one of their citizens if that individual might face the death penalty in the requesting country. Gregorie testified before the Subcommittee that for this reason he thought the death penalty was "counterproductive" to bringing the drug lords to justice.[33]

There is contradictory evidence over the amount of narcotics assistance that the United States has provided to Colombia. The State Department claims to have given Colombia substantial assistance with which to wage the war on drugs.

However, according to General Gorman: "We have been promising the Colombians material help since 1983. We simply have not delivered. Whether that help is radars or modern helicopters or actionable intelligence, the rhetoric of the United States has consistently outrun its performance." [34]

Based on testimony, there are areas in which the United States can help Colombia fight against the cartels. These include an increase in specialized assistance in communications and training for anti-narcotics police. General Gorman suggested that the United States should strengthen efforts to work with the elements of the Colombian military and the police who have shown that they are willing to take on the drug traffickers.

[31] Carlton Deposition, ibid., p. 147.
[32] Gorman, Part 2, p. 31.
[33] Gregorie, Part 4, p. 169.
[34] Gorman, Part 2, p. 33.

Finally, economic conditions in Colombia demand U.S. government attention. The cartels' stature and power has been strengthened by their offer to pay off the government's $10 billion external debt, and by pumping billions of dollars into the depressed Colombian economy. U.S. efforts could offset the cartel's position by working with members of the Colombian government on debt relief solutions and long term economic development schemes. As in so many Central and South American nations, deteriorating economic conditions foster opportunities for subversion of democratic institutions and policies.

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NARCOTICS TRAFFICKERS AND THE CONTRAS

I. Introduction

The initial Committee investigation into the international drug trade, which began in April, 1986, focused on allegations that Senator John F. Kerry had received of illegal gun-running and narcotics trafficking associated with the Contra war against Nicaragua.

As the Committee proceeded with its investigation, significant information began surfacing concerning the operations of international narcotics traffickers, particularly relating to the Colombian-based cocaine cartels. As a result, the decision was made to incorporate the Contra-related allegations into a broader investigation concerning the relationship between foreign policy, narcotics trafficking and law enforcement.

While the contra/drug question was not the primary focus of the investigation, the Subcommittee uncovered considerable evidence relating to the Contra network which substantiated many of the initial allegations laid out before the Committee in the Spring of 1986. On the basis of this evidence, it is clear that individuals who provided support for the Contras were involved in drug trafficking, the supply network of the Contras was used by drug trafficking organizations, and elements of the Contras themselves knowingly received financial and material assistance from drug traffickers. In each case, one or another agency of the U.S. government had information regarding the involvement either while it was occurring, or immediately thereafter.

The Subcommittee found that the Contra drug links included:

—Involvement in narcotics trafficking by individuals associated with the Contra movement.

—Participation of narcotics traffickers in Contra supply operations through business relationships with Contra organizations.

—Provision of assistance to the Contras by narcotics traffickers, including cash, weapons, planes, pilots, air supply services and other materials, on a voluntary basis by the traffickers.

—Payments to drug traffickers by the U.S. State Department of funds authorized by the Congress for humanitarian assistance to the Contras, in some cases after the traffickers had been indicted by federal law enforcement agencies on drug charges, in others while traffickers were under active investigation by these same agencies.

These activities were carried out in connection with Contra activities in both Costa Rica and Honduras.

The Subcommittee found that the links that were forged between the Contras and the drug traffickers were primarily pragmatic, rather than ideological. The drug traffickers, who had significant financial and material resources, needed the cover of legitimate activity for their criminal enterprises. A trafficker like George Morales hoped to have his drug indictment dropped in return for his financial and material support of the Contras. Others, in the words of Marcos Aguado, Eden Pastora's air force chief:

> . . . took advantage of the anti-communist sentiment which existed in Central America . . . and they undoubtedly used it for drug trafficking.[1]

While for some Contras, it was a matter of survival, for the traffickers it was just another business deal to promote and protect their own operations.

II. The Executive Branch Response to Contra/Drug Charges

In the wake of press accounts concerning links between the Contras and drug traffickers, beginning December, 1985 with a story by the Associated Press, both Houses of the Congress began to raise questions about the drug-related allegations associated with the Contras, causing a review in the spring of 1986 of the allegations by the State Department, in conjunction with the Justice Department and relevant U.S. intelligence agencies.

Following that review, the State Department told the Congress in April, 1986 that it had at that time "evidence of a limited number of incidents in which known drug traffickers tried to establish connections with Nicaraguan resistance groups."

According to the Department, ". . . these attempts for the most part took place during the period when the resistance was receiving no U.S. funding and was particularly hard pressed for financial support." The report acknowledged that, ". . . drug traffickers were attempting to exploit the desperate conditions," in which the Contras found themselves.[2] The Department had suggested that while "individual members" of the Contra movement might have been involved, their drug trafficking was ". . . without the authorization of resistance leaders." [3]

Following further press reports linking contra supply operations to narcotics, and inquiries from the Foreign Relations Committee to the State Department concerning these links, the State Department issued a second statement to the Congress concerning the allegations on July 24, 1986.

In this report, the State Department said, ". . . the available evidence points to involvement with drug traffickers by a limited number of persons having various kinds of affiliations with, or political sympathies for, the resistance groups." [4]

A year later, in August 1987, the CIA's Central American Task Force Chief became the first U.S. official to revise that assessment to suggest instead that the links between Contras on the Southern Front in Costa Rica to narcotics trafficking was in fact far broader than that acknowledged by the State Department in 1986.

Appearings before the Iran-Contra Committees, the CIA Central American Task Force chief testified:

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[1] Subcommittee deposition of Marcos Aguado, Part 3, p. 285.

[2] "Allegations of Misconduct by the Nicaraguan Democratic Resistance," State Department document #3079c, April 16, 1986.

[3] State Department document 3079c.

[4] "Allegations of Drug trafficking and the Nicaraguan Democratic Resistance, State Department document #5136c, July 26, 1986."

> With respect to (drug trafficking by) the Resistance Forces . . . it is not a couple of people. It is a lot of people.[5]

The CIA's Chief of the Central American Task Force went on to say:

> We knew that everybody around Pastora was involved in cocaine . . . His staff and friends (redacted) they were drug smugglers or involved in drug smuggling.[6]

The Justice Department was slow to respond to the allegations regarding links between drug traffickers and the Contras. In the spring of 1986, even after the State Department was acknowledging there were problems with drug trafficking in association with Contra activities on the Southern Front, the Justice Department was adamantly denying that there was any substance to the narcotics allegations. At the time, the FBI had significant information regarding the involvement of narcotics traffickers in Contra operations and Neutrality Act violations.[7]

The failure of U.S. law enforcement and intelligence agencies to respond properly to allegations concerning criminal activity relating to the Contras was demonstrated by the handling of the Committee's own investigation by the Justice Department and the CIA in the spring of 1986.

On May 6, 1986, a bipartisan group of Committee staff met with representatives of the Justice Department, FBI, DEA, CIA and State Department to discuss the allegations that Senator Kerry had received information of Neutrality Act violations, gun running and drug trafficking in association with Contra organizations based on the Southern Front in Costa Rica.

In the days leading up to the meeting, Justice Department spokesmen were stating publicly that "the FBI had conducted an inquiry into all of these charges and none of them have any substance.[8] At that meeting, Justice Department officials privately contradicted the numerous public statements from the Department that these allegations had been investigated thoroughly and were determined to be without foundation. The Justice Department officials at the meeting said the public statements by Justice were "inaccurate." [9] The Justice officials confirmed there were ongoing Neutrality Act investigations in connection with the allegations raised by Senator Kerry.

At the same meeting, representatives of the CIA categorically denied that the Neutrality Act violations raised by the Committee staff had in fact taken place, citing classified documents which the CIA did not make available to the Committee. In fact, at the time, the FBI had already assembled substantial information confirming

[5] Iran-Contra testimony of Central American Task Force Chief, August 5, 1987, 100-11, pp. 182-183.

[6] Iran-Contra deposition of Central American Task Force Chief, Appendix B, Vol. 3 pp. 1121, 1230. Also North Diary page Q1704, March 26, 1984, "Pastora revealed as drug dealer."

[7] See extensive FBI investigative materials released in discovery in *U.S.* v. *Corbo* and *U.S.* v. *Calero*, SD Florida, 1988; documenting information the FBI had collected regarding these matters from 1984-1986.

[8] National Public Radio, All Things Considered, May 5, 1986, Bill Buzenberg; *New York Times, May 6, 1986, p. A-6.*

[9] Memcoms of May 6, 1986 meeting, Subcommittee files.

the Neutrality Act violations, including admissions by some of the persons involved indicating that crimes had taken place.[10]

In August 1986, Senator Richard Lugar, then-Chairman of the Committee and the ranking member, Senator Claiborne Pell, wrote the Justice Department requesting information on 27 individuals and organizations associated with the contras concerning allegations of their involvement in narcotics trafficking and illegal gunrunning. The Justice Department refused to provide any information in response to this request, on the grounds that the information remained under active investigation, and that the Committee's "rambling through open investigations gravely risks compromising those efforts."[11]

On October 5, 1988, the Subcommittee received sworn testimony from the Miami prosecutor handling the Neutrality and gun-running cases that he had been advised that some officials in the Justice Department had met in 1986 to discuss how "to undermine" Senator Kerry's attempts to have hearings regarding the allegations.[12]

The Subcommittee took a number of depositions of Justice Department personnel involved in responding to the Committee investigation or in prosecuting allegations stemming from the Committee's investigation. Each denied participating in any agreement to obstruct or interfere with a Congressional investigation. In order to place in their proper perspective the attempts to interfere with, or undermine, the Committee investigation, a lengthy chronology has been prepared which appears at appendix A of this report.

III. The Guns and Drug Smuggling Infrastructure Develops

Covert war, insurgency and drug trafficking frequently go hand-in-hand without regard to ideology or sponsorship. General Paul Gorman, testified that the use of narcotics profits by armed resistance groups was commmonplace. Gorman stated further that: "If you want to move arms or munitions in Latin America, the established networks are owned by the cartels. It has lent itself to the purposes of terrorists, of saboteurs, of spies, of insurgents and subversions." [13]

DEA Assistant Administrator David Westrate said of the Nicaraguan war:

> It is true that people on both sides of the equation (in the Nicaraguan war) were drug traffickers, and a couple of them were pretty signficant.[14]

Drug trafficking associated with revolution in Nicaragua began during the late 1970's with the Sandinistas attempt to overthrow the regime of Anastasio Somoza Debayle. At the time, the Sandinistas were supported by most governments in the region. Those

[10] Winer MemCom, 5/6/86; Messick MemCom, 5/6/86; Marum Memcom; 5/6/86, Committee Files; see Iran/Contra Deposition of FBI Agent Kevin Currier, Appendix B, Vol. 8 pp. 205-206.

[11] Foreign Relations Committee-Justice Department correspondence, August 10, 1985.

[12] Subcommittee testimony of Jeffery B. Feldman, October 5, 1988, p. 24; Feldman MemCom, November 17, 1987.

[13] Subcommittee testimony of General Paul Gorman, Part 2, February 8, 1988 p. 44.

[14] Subcommittee testimony of David Westratem, Part 4, July 12, 1988, p. 144.

governments helped provide the FSLN with the money, weapons, and the sanctuary they needed to overthrow Somoza.[15]

Costa Rica, which has dozens of unsupervised airstrips near the Nicaraguan border, became an important supply and staging area for the Sandinistas. These air strips were used by Noriega and others for shipments of weapons to the Sandinistas.[16]

Former senior Costa Rican Law enforcement officials told the Subcommittee they were instructed to keep their narcotics investigators away from the Nicaraguan border during the Sandinista revolution. Even when they had received hard information about drugs on the aircraft delivering weapons, the officials, in effort to avoid controvery regarding the war, ignored the tips and let the flights go.[17]

A number of Costa Ricans became suppliers for the Sandinistas. These included Jaime "Pillique" Guerra, who owned a crop dusting service and a related aircraft support business in northern Costa Rica. Guerra refueled and repaired the planes which came from Panama loaded with Cuban weapons for the Sandinistas.[18] Guerra's crop dusting business was excellent cover for the movement of aviation fuel to the dozens of remote airstrips they used without arousing the suspicions of Costa Rican authorities.

When the Sandinista insurgency succeeded in 1979, smuggling activity in northern Costa Rica did not stop. Surplus weapons originally stored in Costa Rica for use by the Sandinistas were sold on the black market in the region.[19] some of these weapons were shipped to the Salvadoran rebels from the same airstrips in the same planes, flown by the same pilots who had previously worked for the Sandinistas.[20]

Costa Rican law enforcement authorizes said that the drug trafficking through northern Costa Rica continued as well. They said that their police units lacked the men, the communications equipment and the transport to close down the airstrips and seize weapons and drugs.[21]

Werner Lotz, a Costa Rican pilot serving sentence for drug smuggling, testified that there was little the Costa Rican government could do to deal with the continuing drug trafficking:

> "Costa Rica has got only civil guards, underpaid and easily bought . . . To be very clear . . . our guard down there is barefoot, and you're talking about 50 men to cover 400 kilometers maybe."[22]

[15] Interviews conducted by Senator John F. Kerry with current and former Costa Rican law enforcement officials, San Jose, Costa Rica, October 31, 1987.
[16] Subcommittee testimony of Jose Blandon, Part 2, February 9, 1988 pp. 138–139.
[17] Kerry interviews in Costa Rica, op. cit.
[18] Subcommittee closed session with Werner Lotz, Part 4, April 8, 1988, p. 673; Blandon testimony, Part 2, p. 86; see also Carlton, Part 2, p. 196.
[19] Lotz testimony, Part 4, p. 674 and Subcommittee testimony of Frances J. McNeil, Part 3, April 4, 1988, p. 58.
[20] Blandon testimony, Part 2, p. 86 and McNeil, Part 3, p. 55, and Subcommittee testimony of Floyd Carlton, Part 2, February 10, p. 196.
[21] Kerry interviews in Costa Rica, ibid.
[22] Lotz testimony, op. cit., p. 690.

IV. Drug Trafficking and the Covert War

When the Southern Front against the Sandinista Government in Nicaragua was established in 1983, Costa Rica remained ill-equipped to deal with the threat posed by the Colombian drug cartels. Then, as now, the country does not have a military, its law enforcement resources remain limited, and its radar system still so poor that Contra supply planes could fly in and out of the clandestine strips without being detected.[23]

Following their work on behalf of the Sandinistas and the Salvadoran rebels, the Colombian and Panamanian drug operatives were well positioned to exploit the infrastructure now serving and supplying the Contra Southern Front. This infrastructure was increasingly important to the drug traffickers, as this was the very period in which the cocaine trade to the U.S. from Latin America was growing exponentially.

In the words of Karol Prado, an officer of the ARDE Contra organization of Eden Pastora on the Southern Front, "drug traffickers . . . approaches political groups like ARDE trying to make deals that would somehow camouflage or cover up their activities."

The head of the Costa Rican "air force" and personal pilot to two Costa Rican presidents, Werner Lotz, explained the involvement of drug traffickers with the Contras in the early days of the establishment of the Southern Front as a consequence of the Contras lack of resources:

"There was no money. There were too many leaders and too few people to follow them, and everybody was trying to make money as best they could."[24]

The logic of having drug money pay for the pressing needs of the Contras appealed to a number of people who became involved in the covert war. Indeed, senior U.S. policy makers were not immune to the idea that drug money was a perfect solution to the Contra's funding problems.

As DEA officials testified last July before the House Judiciary Subcommittee on Crime, Lt. Col. Oliver North suggested to the DEA in June 1985 that $1.5 million in drug money carried aboard a plane piloted by DEA informant Barry Seal and generated in a sting of the Medellin Cartel and Sandinista officials, be provided to the Contras.[25] While the suggestion was rejected by the DEA, the fact that it was made highlights the potential appeal of drug profits for persons engaged in covert activity.

Lotz said that Contra operations on the Southern Front were in fact funded by drug operations. He testified that weapons for the Contras came from Panama on small planes carrying mixed loads which included drugs. The pilots unloaded the weapons, refueled, and headed north toward the U.S. with drugs.[26] The pilots included Americans, Panamanians, and Colombians, and occasionally, uniformed members of the Panamanian Defense Forces.[27] Drug

[23] Lotz, Part 4, p. 690.
[24] Lotz, Part 4, p. 678.
[25] DEA Testimony before House Subcommittee on Crime, July 28, 1988.
[26] Ibid., pp. 683–684.
[27] Ibid., pp. 680, 682.

pilots soon began to use the Contra airstrips to refuel even when there were no weapons to unload. They knew that the authorities would not check the airstrips because the war was "protected".[28]

The problem of drug traffickers using the airstrips also used to supply the Contras persisted through 1985 and 1986. By the summer of 1986, it became of significant concern to the U.S. Government officials who were involved in the covert Contra supply operations undertaken during the Boland Amendment period. As then-CIA Station Chief, "Thomas Castillo" testified to the Iran/Contra Committees, U.S. Ambassador to Costa Rica Lewis Tambs wanted to place guards on the secret Contra supply airstrip at Santa Elena in Costa Rica, to avoid:

> having drug traffickers use that site, and this was a continuing concern during the period of June, July and August.[29]

The concern highlights the degree to which the infrastructure used by the Contras and that used by drug traffickers was potentially interchangable, even in a situation in which the U.S. government had itself established and maintained the airstrip involved.

V. The Pilots

Pilots who made combined Contra weapons/drug flights through the Southern Front included:

—Gerardo Duran, a Costa Rican pilot in the airplane parts supply business. Duran flew for a variety of Contra organizations on the Southern Front, including those affiliated with Alfonso Robelo, Fernando "El Negro" Chamorro, and Eden Pastora, before U.S. officials insisted that the Contras sever their ties from Duran because of his involvement with drugs.[30] Duran was convicted of narcotics trafficking in Costa Rica in 1987 and jailed.

—Gary Wayne Betzner, drug pilot who worked for convicted smuggler George Morales. Betzner testified that twice in 1984 he flew weapons for the Contras from the U.S. to northern Costa Rica and returned to the United States with loads of cocaine. Betzner is presently serving a lengthy prison term for drug smuggling.[31]

—Jose "Chepon" Robelo, the head of UDN-FARN air force on the Southern front. Robelo turned to narcotics trafficking and reselling goods provided to the Contras by the U.S.[32]

VI. U.S. Government Funds and Companies with Drug Connections

The State Department selected four companies owned and operated by narcotics traffickers to supply humanitarian assistance to the Contras. The companies were:

[28] Kerry interviews in Costa Rica, ibid.
[29] Castillo deposition, ibid., p. 483.
[30] Lotz, Part 4, p. 681; Letter of Eden Pastora to David Sullivan and Assistant Secretary of State Elliot Abrams, April 10, 1986.
[31] Subcommittee testimony of Gary Betzner, Part 3, April 7, 1988, pp. 262–265.
[32] Robert W. Owen, Iran-Contra testimony, May 14, 1987, p. 7; see also memo from Owen to Oliver North, April 1, 1985, pp. 1, 3.

—SETCO Air, a company established by Honduran drug trafficker Ramon Matta Ballesteros;

—DIACSA, a Miami-based air company operated as the headquarters of a drug trafficker enterprise for convicted drug traffickers Floyd Carlton and Alfredo Caballero;

—Frigorificos de Puntaremas, a firm owned and operated by Cuban-American drug traffickers;

—Vortex, an air service and supply company partly owned by admitted drug trafficker Michael Palmer.

In each case, prior to the time that the State Department entered into contracts with the company, federal law enforcement had received information that the individuals controlling these companies were involved in narcotics.

Officials at NHAO told GAO investigators that all the supply contractors were to have been screened by U.S. intelligence and law enforcement agencies prior to their receiving funds from State Department on behalf of the Contras to insure that they were not involved with criminal activity.[33] Neither the GAO nor the NHAO were certain whether or not that had actually been done.[34]

The payments made by the State Department to these four companies between January and August 1986, were as follows:

SETCO, for air transport services	$185,924.25
DIACSA, for airplane engine parts	41,120.90
Frigorificos De Punatarenas, as a broker/supplier for various services to Contras on the Southern Front	261,932.00
VORTEX, for air transport services	317,425.17
Total [35]	806,401.20

A number of questions arise as a result of the selection of these four companies by the State Department for the provision of humanitarian assistance to the contras, to which the Subcommittee has been unable to obtain clear answers:

—Who selected these firms to provide services to the Contras, paid for with public funds, and what criteria were used for selecting them?

—Were any U.S. officials in the CIA, NSC, or State Department aware of the narcotics allegations associated with any of these companies? If so, why were these firms permitted to receive public funds on behalf of the Contras?

—Why were Contra suppliers not checked against federal law enforcement records that would have shown them to be either under active investigation as drug traffickers, or in the case of DIASCA, actually under indictment?

Ambassador Robert Duemling, Director of the Nicaraguan Humanitarian Assistance Organization (NHAO), who was responsible for the operation of the program, was unable to recall how these companies were selected, when questioned by Senator Kerry in April, 1988.[36] Ambassador Duemling also could not recall whether

[33] Subcommittee interviews with GAO analysts, September 28, 1988.
[34] Subcommittee interviews with GAO analysts, ibid.; interviews with Ambassador Duemling, April 6, 1988.
[35] Source for Payments to Suppliers: GAO Analysis of NHAO Accounts; final figures provided by Department of State to the Subcommittee on Narcotics, Terrorism and International Operations, January 4, 1989.
[36] Duemling statement to Senator Kerry, April 6, 1988.

or not the contractors had in fact been checked against law enforcement records prior to receiving funds from the State Department. In previous testimony before the Iran/Contra Committees, Ambassador Duemling had recalled that NHAO had been directed by Lt. Col. Oliver North to continue "the existing arrangements of the resistance movement" in choosing contractors.[37]

At best, these incidents represent negligence on the part of U.S. government officials responsible for providing support to the Contras. At worst it was a matter of turning a blind eye to the activities of companies who use legitimate activities as a cover for their narcotics trafficking.

A. SETCO/HONDU CARIB

Before being chosen by the State Department to transport goods on behalf of the Contras from late 1985 through mid-1986, SETCO had a long-standing relationship with the largest of the Contra groups, the Honduras-based FDN. Beginning in 1984, SETCO was the principal company used by the Contras in Honduras to transport supplies and personnel for the FDN, carrying at least a million rounds of ammunition, food, uniforms and other military supplies for the Contras from 1983 through 1985. According to testimony before the Iran/Contra Committees by FDN leader Adolfo Calero, SETCO received funds for Contra supply operations from the contra accounts established by Oliver North.[38]

U.S. law enforcement records state that SETCO was established by Honduran cocaine trafficker Juan Matta Ballesteros, whose April 1988 extradition from Honduras to the United States in connection with drug trafficking charges caused riots outside the U.S. Embassy in Tegucigalpa.

For example, a 1983 Customs Investigative Report states that "SETCO stands for Services Ejectutivos Turistas Commander and is headed by Juan Ramon Mata Ballestros, a class I DEA violator." The same report states that according to the Drug Enforcement Agency, "SETCO aviation is a corporation formed by American businessmen who are dealing with Matta and are smuggling narcotics into the United States." [39]

One of the pilots selected to fly Contra supply missions for the FDN for SETCO was Frank Moss, who has been under investigation as an alleged drug trafficker since 1979. Moss has been investigated, although never indicted, for narcotics offenses by ten different law enforcement agencies.[40]

In addition to flying Contra supply missions through SETCO, Moss formed his own company in 1985, Hondu Carib, which also flew supplies to the Contras, including weapons and ammunition purchased from R.M. Equipment, an arms company controlled by Ronald Martin and James McCoy.[41]

[37] Iran-Contra deposition of Robert Duemling, Appendix B, Volume 9, pp. 47–78.
[38] See Iran-Contra testimony of Adolfo Calero, Appendix B, Volume 3, p. 176.
[39] U.S. Customs Service investigative report, "Guy Penilton Owen, et al., N90201," file # NOGGBDO30036, New Orleans, May 18, 1983, pp. 6–8.
[40] Subcommittee interview with Sheriff of Port Charlotte County, Florida, May 1987.
[41] See Commerce Department's Shipper's Export Declaration for R/M Equipment, Inc., file # 0003688, Miami, Florida, February 28, 1985, re shipments for "Armed Forces of Honduras."

The FDN's arrangement with Moss and Hondu Carib was pursuant to a commercial agreement between the FDN's chief supply officer, Mario Calero, and Moss, under which Calero was to receive an ownership interest in Moss' company. The Subcommittee received documentation that one Moss plane, a DC–4, N90201, was used to move Contra goods from the United States to Honduras.[42] On the basis of information alleging that the plane was being used for drug smuggling, the Customs Service obtained a court order to place a concealed transponder on the plane.[43]

A second DC–4 controlled by Moss was chased off the west coast of Florida by the Customs Service while it was dumping what appeared to be a load of drugs, according to law enforcement personnel. When the plane landed at Port Charlotte no drugs were found on board, but the plane's registration was not in order and its last known owners were drug traffickers. Law enforcement personnel also found an address book aboard the plane, containing among other references the telephone numbers of some Contra officials and the Virginia telephone number of Robert Owen, Oliver North's courier.[44] A law enforcement inspection of the plane revealed the presence of significant marijuana residue.[45] DEA seized the aircraft on March 16, 1987.

B. FRIGORIFICOS DE PUNTERENNAS

Frigorificos de Punterennas is a Costa Rican seafood company which was created as a cover for the laundering of drug money, according to grand jury testimony by one of its partners, and testimony by Ramon Milian Rodriguez, the convicted money launderer who established the company.[46]

From its creation, it was operated and owned by Luis Rodriguez of Miami, Florida, and Carlos Soto and Ubaldo Fernandez, two convicted drug traffickers, to launder drug money.[47] Luis Rodriguez, who according to Massachusetts law enforcement officials directed the largest marijuana smuggling ring in the history of the state, was indicted on drug trafficking charges by the federal government on September 30, 1987 and on tax evasion in connection with the laundering of money through Ocean Hunter on April 5, 1988.[48]

Luis Rodriguez controlled the bank account held in the name of Frigorificos which received $261,937 in humanitarian assistance funds from the State Department in 1986. Rodriguez signed most of the orders to transfer the funds for the Contras out of that ac-

[42] Commerce Department's Shipper's Export Declaration for R/M Equipment, Inc., file # 0003688, Miami, Florida, February 28, 1985.
[43] Customs report, NOGGGGGBDO300036, ibid., p. 13.
[44] Address book siezed by Customs, Port Charlotte, Florida, N2551, March 16, 1987.
[45] Subcommittee staff interview with Sheriff's investigators, Port Charlotte County, Florida, May, 1987.
[46] Grand jury statements of Carlos Soto on file in *U.S.* v. *Rodriguez*, 99–0222, USDC, Northern District of Florida, September 29, 1987, and Subcommittee testimony of Ramon Milian-Rodriguez, Part 2, February 11, 1988, pp. 260–261; documents seized in *U.S.* v. *Milian Rodriguez*, SD Florida 1988.
[47] Ibid.
[48] *U.S.* v. *Luis Rodriguez*, 87–01044, US District Court for the Northern District of Florida; *U.S.* v. *Luis Rodriguez*, 88–0222 CR-King, U.S. District Court for the Southern District of Florida.

count.[49] Rodriguez was also president of Ocean Hunter, an American seafood company created for him by Ramon Milian Rodriguez.[50] Ocean Hunter imported seafood it bought from Frigorificos and used the intercompany transactions to launder drug money.[51]

In statements before a Florida federal grand jury in connection with a narcotics trafficking prosecution of Luis Rodriguez, Soto testified that he knew Luis Rodriguez as a narcotics trafficker who had been smuggling drugs into the U.S. since 1979. Soto also testified that they were partners in the shipment of 35,000 pounds of marijuana to Massachusetts in 1982.[52]

Milian-Rodriguez told Federal authorities about Luis Rodriguez' narcotics trafficking prior to Milian-Rodriguez' arrest in May 1983. In March and April 1984, IRS agents interviewed Luis Rodriguez regarding Ocean Hunter, drug trafficking and money laundering, and he took the Fifth Amendment in response to every question.[53] In September, 1984, Miami police officials advised the FBI of information they had received that Ocean Hunter was funding contra activities through "narcotics transactions," and nothing that Luis Rodriguez was its president. This information confirmed previous accounts the FBI had received concerning the involvement of Ocean Hunter and its officers in Contra supply operations involving the Cuban American community.[54]

Despite the information possessed by the FBI, Customs and other law enforcement agencies documenting Luis Rodriguez' involvement in narcotics trafficking and money laundering, the State Department used Frigorificos, which he owned and operated, to deliver humanitarian assistance funds to the Contras in late 1985. Official funds for the Contras from the United States began to be deposited into the Frigorificos account in early 1986, and continued until mid-1986.[55]

In May 1986, Senator Kerry advised the Justice Department, Drug Enforcement Agency, State Department, NHAO and CIA of allegations he had received involving Luis Rodriguez and his companies in drug trafficking and money laundering. In August 1986, the Foreign Relations Committee asked Justice whether the allegations about Luis Rodriguez were true, and requested documents to determine whether the State Department might have in fact provided funds to a company controlled by drug traffickers. Justice refused to answer the inquiry.

The indictment of Luis Rodriguez on drug charges 18 months later demonstrated that the concerns raised by Senator Kerry to the Justice Department and other agencies in May 1986 concerning his companies were well founded, as the State Department had in

[49] Banking records of Frigorificos de Puntarenas subpoenaed by House Foreign Affairs Subcommittee on the Western Hemisphere, May 1986; GAO Analysis NHAO Expenditures, May 1986.

[50] Corporate Records, Florida Secretary of State, Ocean Hunter, Inc.

[51] Grand jury statements of Soto, ibid., Ramon Milian-Rodriguez, ibid.

[52] Documents on file in *U.S. v. Rodriguez*, 99-0222, USDC, Northern District of Florida, 1988, from grand jury statements of Carlos Soto.

[53] Documents on file in *U.S. v. Luis Rodriguez*, ibid., Northern District of Florida.

[54] FBI 302, Continental Bank Bombing, FBI Agent George Kiszynski, MM174A-1298, released in *U.S. v. Corbo*, Southern District of Florida, 1988.

[55] GAO Analysis of NHAO Payments, Western Hemisphere Subcommittee of House Foreign Affairs Committee, May 1986; banking records subpoenaed by Western Hemisphere Subcommittee.

fact chosen companies operated by drug traffickers to supply the Contras.[56]

C. DIACSA

DIACSA was an aircraft dealership and parts supply company partly owned by the Guerra family of Costa Rica. DIACSA's president, Alfredo Caballero, was under DEA investigation for cocaine trafficking and money laundering when the State Department chose the company to be an NHAO supplier. Caballero was at that time a business associate of Floyd Carlton—the pilot who flew cocaine for Panama's General Noriega.

In an affidavit filed in federal court in January, 1985, DEA Special Agent Daniel E. Moritz described working as an undercover money launderer "for the purpose of introducing myself into a criminal organization involved in importing substantial quantities of cocaine into the United States from South America.[57] That organization was the Carlton/Caballaro partnership. According to Agent Moritz, the cocaine traffickers used DIACSA offices "as a location for planning smuggling ventures, for assembling and distributing large cash proceeds of narcotics transactions, and for placing telephone calls in furtherance of the smuggling ventures." [58]

From March 1985 until January 1986, Moritz received approximately $3.8 million in U.S. currency from members of this organization "to be distributed, primarily in the form of wire transfers around the world." Most of the $3.8 million was delivered in DIACSA's offices.

Moritz met both Alfredo Caballero and Floyd Carlton in March of 1985. Moritz had previously learned from a confidential informant that Carlton was a "major cocaine trafficker from Panama who frequented DIACSA and was a close associate of Alfredo Caballero." The informant added that "Caballero provided aircraft for Floyd Carlton Caceres' cocaine smuggling ventures" and that Caballero allowed Carlton and "members of his organization to use DIACSA offices as a location for planning smuggling ventures, for assembling and distributing large cash proceeds of narcotics transactions and for placing telephone calls in furtherance of the smuggling ventures." Alfredo Caballero was described by the informant "as the man in charge of operations for Floyd Carlton Caceres' cocaine transportation organization." [59]

Other members of the group were Miguel Alemany-Soto, who recruited pilots and selected aircraft and landing strips, and Cecilia Saenz-Barria. The confidential informant said that Saenz was a Panamanian "in charge of supervising the landing and refueling of the organization's aircraft at airstrips on the Panama/Costa Rica border" and that he "arranges for bribe payments for certain Costa Rican officials to ensure the protection of these aircraft as they head north loaded with cocaine." [60]

[56] *U.S. v. Luis Rodriguez*, ibid., Northern District of Florida; GAO analysis of NHAO payments.

[57] Affidavit of Daniel E. Moritz, Special Agent for the DEA January 1985, *U.S.* v. *Carleton et al.*, SD Florida, 85-70.

[58] Ibid.

[59] Moritz Affidavit, pp. 3-4, ibid.

[60] Ibid.

During 1984 and 1985, the principal Contra organization, the FDN, chose DIACSA for "intra-account transfers." The laundering of money through DIACSA concealed the fact that some funds for the Contras were through deposits arranged by Lt. Col. Oliver North.[61]

The indictments of Carlton, Caballero and five other defendants, including Alfred Caballero's son Luis, were handed down on January 23, 1985. The indictment charged the defendants with bringing into the United States on or about September 23, 1985, 900 pounds of cocaine. In addition, the indictment charged the defendants with laundering $2.6 million between March 25, 1985 and January 13, 1986.[62]

Despite the indictments, the State Department made payments on May 14, 1986 and September 3, 1986, totaling $41,120.90 to DIACSA to provide services to the Contras.[63]

In addition, the State Department was still doing business with DIACSA on its own behalf six months after the company's principals had been indicted. Court papers filed in the case in July 1986, show that the U.S. Embassies of Panama and Costa Rica were clients of DIACSA. While DIACSA and its principals were engaged in plea bargaining negotiations with the Justice Department regarding the cocaine trafficking and money laundering charges, U.S. Embassy personnel in Panama and Costa Rica were meeting with one of the defendants to discuss purchasing Cessna planes from the company.[64]

Each of the defendants in the DIACSA case was ultimately convicted on charges of importing cocaine into the United States. The sentences they received ranged from ten years for one non-cooperating defendant, to nine years for Floyd Carlton, to three years probation for Luis Caballero and five years probation for his father, DIACSA's owner, Alfredo Caballero, as a consequence of their cooperation with the government.[65]

D. VORTEX

When the State Department signed a contract with Vortex to handle Contra supplies, Michael B. Palmer, then the company's Executive Vice-President signed for Vortex. At the time, Palmer was under active investigation by the FBI in three jurisdictions in connection with his decade-long activity as a drug smuggler, and a federal grand jury was preparing to indict him in Detroit.[66]

The contract required Vortex to receive goods for the Contras, store, pack and inventory them. At the time the contract was signed, Vortex's principal assets were two airplanes which Palmer previously used for drug smuggling.[67]

[61] See Iran-Contra testimony of Adolfo Calero, Appendix B, Volume 3, p. 176.
[62] *U.S.* v. *Carlton,* et al., U.S. District Court, Southern District of Florida, January 23, 1986.
[63] GAO Analysis, NHAO Accounts, provided to Subcommittee, September, 1988.
[64] Motion For Permission to Travel, *U.S.* v. *Caballero,* SD Florida, 86-70-CR, July 16, 1986.
[65] Court record, *U.S.* v. *Carlton-Caceres,* et al. SD Florida 86-070.
[66] Indictment, *U.S.* v. *Palmer,* Detroit U.S. Attorney's Office, 1986; Subcommittee testimony of Michael B. Palmer, Part 3, April 6, 1988, pp. 208-213.
[67] Palmer, Part 2, p. 205 and Palmer Subcommittee Deposition, April 5, 1988, pp. 75-79, see generally Palmer indictment by Detroit U.S. Attorney in June 1986, and documents released as discovery in *U.S.* v. *Vogel et al.*

Vortex was selected by NHAO assistant director Philip Buechler, following calls among Buechler, Palmer, and Pat Foley, the president of Summit Aviation.[68]

VII. The Case of George Morales and FRS/ARDE

In 1984, the Contra forces under Eden Pastora were in an increasingly hopeless situation. On May 30, 1984, Pastora was wounded by a bomb at his base camp at La Penca, Nicaragua, close to the Costa Rica border. That same day, according to ARDE officer Karol Prado, aid to ARDE from the United States was cut off.[69]

Despite continued pressure from the United States, Pastora refused to place his ARDE forces under a unified command with the largest of the Contra organizations—the Honduras-based FDN. The CIA considered Pastora to be "disruptive and unpredictable."[70] By the time the Boland Amendment cut off legal military aid to the Contras, the CIA had seen to it that Pastora did not receive any assistance, and his forces were experiencing "desperate conditions."[71]

Although there are discrepancies among the parties as to when the initial meeting took place, Pastora's organization was approached by George Morales, a Colombian drug trafficker living in Miami who had been indicted on narcotics trafficking charges.

According to the State Department report to the Congress of July 26, 1986:

> Information developed by the intelligence community indicates that a senior member of Eden Pastora's Sandino Revolutionary Front (FRS) agreed in late 1984 with (Morales) that FRS pilots would aid in transporting narcotics in exchange for financial assistance . . . the FRS official agreed to use FRS operational facilities in Costa Rica and Nicaragua to facilitate transportation of narcotics. (Morales) agreed to provide financial support to the FRS, in addition to aircraft and training for FRS pilots. After undergoing flight training, the FRS pilots were to continue to work for the FRS, but would also fly narcotics shipments from South America to sites in Costa Rica and Nicaragua for later transport to the United States. Shortly thereafter (Morales) reportedly provided the FRS one C-47 aircraft and two crated helicopters. He is reported to have paid the sum of $100,000 to the FRS, but there was no information available on who actually received the money.[72]

The State Department said it was aware of only one incident of drug trafficking resulting from this agreement between the Contras and Morales and that was the case of Contra pilot Gerardo Duran. Duran was arrested in January 1986, in Costa Rica for his involvement in transporting cocaine to the United States.[73] Duran

[68] Palmer testimony, House Judiciary Subcommittee on Crime, September 23, 1988.
[69] Subcommittee deposition of Karol Prado, Part 3, p. 278, see also Iran/Contra Testimony of CIA Central American Task Force Chief, August 5, 1987, 100-11, pp. 192-183.
[70] Castillo executive session, Iran/Contra Committees, ibid., pp. 9-10.
[71] Subcommittee deposition of Octaviano Cesar, San Jose, Costa Rica, October 31, 1987, Part 3, pp. 278-281.
[72] State Department document #5136c, p. 5.
[73] Ibid.

was an FRS pilot from 1982 to 1985 and operated an air taxi service in Costa Rica. According to Marco Aguado and Karol Prado, Duran would fly supplies to the Contras on the Southern Front and he would charge for each flight.[74]

Robert Owen, courier for Lt. Col. Oliver North, testified to the Iran/Contra Committees that he told North he thought Karol Prado was involved in trafficking drugs out of Panama, and that Pastora's pilot, Marco Aguado, was also involved.[75] The Subcommittee was unable to validate Owen's claims. Prado vehemently denied these allegations stating that he believed the drug trafficking allegations against Pastora were the result of a CIA effort to discredit him.[76]

Morales testified that his involvement with the Contras started in 1984 at the urging of Marta Healey, the widow of one of his drug pilots, Richard Healey.[77] Marta Healey's first husband was Adolfo "Popo" Chamorro, the second in command to Eden Pastora in the FRS. She came from a prominent Nicaraguan family.

At the time of his first contract, Morales was under indictment for marijuana smuggling. He testified that he thought by assisting the Contra cause his indictment would be dropped. Marta Healey introduced Morales to Popo Chamorro, Marco Aguado and Octaviano Cesar at a meeting in Miami. According to Morales, he wanted to make a deal: He would help the Contras with their needs, and "they in exchange would help me with my objective, which was solving my indictment." Morales believed the Contra leaders would help him solve his legal problems because of their contacts with the CIA.[78]

On October 31, 1987 in San Jose, Costa Rica, the Subcommittee videotaped the depositions of three Contra leaders with intimate knowledge of the Morales relationship with Pastora's organization in video depositions. The three were Karol Prado, Pastora's head of communications; Marco Aguado, Pastora's air force chief; and Octaviano Cesar who, along with his brother Alfredo, were political allies of Pastora's at the time. A fourth, Adolfo "Popo" Chamorro, who was Pastora's second in command in ARDE, testified in closed session of the Subcommittee in April 1988. Chamorro's testimony was taken in closed session by the consent of the Subcommittee at his request. Dick McCall, of Senator Kerry's personal staff, in an arrangement worked out with Chamorro and his attorneys, subsequently interviewed him in Miami.

Each denied knowing that Morales was under indictment for drug trafficking when they first met him at Marta Healey's house in Miami. Popo Chamorro said that as far as he knew Morales was just another rich Miami resident with strong anti-Communist feelings.[79]

In addition, all three denied receiving more than $10,000 in cash from Morales. The Subcommittee found that $10,000 was given to Popo Chamorro to cover the cost of transporting a C–47 owned by

[74] Subcommittee testimony of Marco Aguado and Karol Prado, Part 3, p. 285.
[75] Iran-Contra testimony of Robert Owen, Appendix B, Volume 20, pp. 849–850.
[76] Deposition of Karol Prado, ibid., p. 285.
[77] Subcommittee testimony of George Morales, Part 3, April 7, 1988, p. 297.
[78] Ibid., p. 300.
[79] Closed session testimony of Adolfo "Popo" Chamorro, April 6, 1988, p. 13.

Morales, which he donated to ARDE, from Haiti to Ilopango Air Force Base in El Salvador.[80]

While denying receiving funds personally, Prado, Aguado and Cesar each confirmed elements of Morales' story.

According to Prado, Octaviano Cesar and his brother Adolfo allied themselves politically with Pastora in the Summer of 1984. A decision was then made to send Popo Chamorro and Octaviano Cesar to the United States to look for funds.[81] In September, Popo Chamorro returned to Costa Rica with photographs of a DC–4 and a Howard plane, and told Pastora that they would get six more planes, including a Navajo Panther from George Morales.[82]

Pastora told Chamorro that the C–47 was the most practical plane for the Contras at the time and Popo returned to Miami to arrange for its transfer. Chamorro provided the Subcommittee with an aircraft purchase order, dated October 1, 1984. The notarized purchase order provided that for the sum of one dollar, a McDonnell-Douglas DC–3, the civilian designation for a C–47, would be transferred to Marco Aguado. The order was signed by George Morales, as the seller, and by Marco Aguado, as the purchaser.

In addition, Chamorro gave the Subcommittee a list of flights made by that C–47 to ferry arms from Ilopango to Costa Rica and La Penca. Between October 18, 1984 and February 12, 1986, some 156,000 pounds of material were moved from Ilopango to air fields in Costa Rica. Of the 24 flights during this period, eleven were to La Penca on the Nicaraguan side of the Rio San Juan.[83]

The Subcommittee substantiated key elements of the Morales story, although it did not find evidence that Cesar, Chamorro, or Prado were personally involved in drug trafficking. First, all witnesses agreed that Morales gave ARDE a C–47. Evidence of an association between them is also provided by a Customs document. This document, provided the Committee by the U.S. Customs Service, shows that Morales entered the United States from the Bahamas on October 13, 1984, with Marco Aguado, Octaviano Cesar and Popo Chamorro. They carried $400,000 in cash and checks which were declared by Aguado, Chamorro and Cesar. They claimed that the checks and money were returned to Morales after clearing Customs.[84]

Aguado summarized the relationship between the Southern Front Contras and the drug traffickers in terms of the exploitation of the Contra movement by individuals involved in narcotics smuggling. According to Aguado, the trafficking organizations, "took advantage of the anti-communist sentiment which existed in Central America . . . and they undoubtedly used it for drug trafficking." Referring to the Contra resupply operations, Aguado said the traffickers used "the same connections, the same air strips, the same people. And maybe they said that it was weapons for Eden Pastora, and it was actually drugs that would later on go to the U.S. . . . They fooled people . . . Unfortunately, this kind of ac-

[80] Ibid., p. 15.
[81] Testimony of Karol Prado, Part 3, p. 278.
[82] Ibid., pp. 278–279.
[83] Chamorro, ibid., pp. 11–12.
[84] Depositions of Aguado, Prado and Cesar, Part 3, pp. 277–286 and Chamorro, ibid., pp. 16, 20.

tivity, which is for the freeing of a people, is quite similar to the activities of the drug traffickers."[85]

Octaviano Cesar testified that when he dealt with Morales he was:

> Thinking in terms of the security of my country. It just didn't enter my mind that I would become involved in such a mess, because it never entered into my mind to get in that [drug] business . . .
>
> I went a couple of times inside in Nicaragua and I saw people there. Young kids 15, 16 years old, they were carrying 30, 40 rounds of ammunition against the Sandinistas . . . And that's why I did it. I'm not proud of it, but I just didn't have any choice. I mean, the U.S. Congress didn't give us any choice. They got these people into a war. The people went inside of Nicaragua, 80 miles inside. They had thousands of supporters, campesinos there helping them . . . Now, when those people retreat, those campesinos were murdered by the Sandinistas. I don't want that, but that's the reality of life.[86]

In addition, Cesar told the Subcommittee that he told a CIA officer about Morales and his offer to help the Contras.

> Senator KERRY. Did you have occasion to say to someone in the CIA that you were getting money from him and you were concerned he was a drug dealer? Did you pass that information on to somebody?
>
> Mr. CESAR. Yes, I passed the information on about the—not the relations—well, it was the relations and the airplanes; yes. And the CIA people at the American military attache's office that were [sic] based at Ilopango also, and any person or any plane landed there, they had to go——
>
> Senator KERRY. And they basically said to you that it was all right as long as you don't deal in the powder; is that correct? Is that a fair quote?
>
> Mr. CESAR. Yes.[87]

After the La Penca bombing of May 30, 1984, all assistance was cut off by the CIA to ARDE, while other Contra groups on both fronts continued to receive support from the U.S. government through a variety of channels. The United States stated that the cut-off of ARDE was related to the involvement of its personnel in drug trafficking. Yet many of the same drug traffickers who had assisted ARDE were also assisting other Contra groups that continued to receive funding. Morales, for example, used Geraldo Duran as one of his drug pilots, and Duran worked for Alfonso Robello and Fernando "el Negro" Chamorro, who were associated with other Contra groups, as well as for ARDE.[88]

In a sworn deposition which was taken in San Jose Costa Rica by the Subcommittee on October 31, 1987, Karol Prado, Pastora's treasurer and procurement officer, vehemently denied allegations

[85] Aguado, Part 3, p. 285.
[86] Cesar, Part 3, p. 286.
[87] Ibid., p. 282.
[88] See e.g. Letter from Eden Pastora to David Sullivan and Elliott Abrams, Ibid.

concerning the personal involvement of ARDE leadership in drug trafficking. Prado said that because of Pastora's problems with the U.S. government, it was his belief that the CIA was attempting to discredit the former Sandinista Commandante and his supporters in ARDE with allegations that they were involved in drug trafficking.[89]

Thomas Castillo, the former CIA station chief in Costa Rica, who was indicted in connection with the Iran/Contra affair, testified before the Iran/Contra Committees that when the CIA became aware of narcotics trafficking by Pastora's supporters and lieutenants, those individuals' activities were reported to law enforcement officials.[90] However, Morales continued to work with the Contras until January 1986. He was indicted for a second time in the Southern District of Florida for a January 1986 cocaine flight to Bahamas and was arrested on June 12, 1986.

Morales testified that he offered to cooperate with the government soon after he was arrested, and that he was willing to take a lie detector test. He said his attorneys repeated the offer on his behalf several times, but on each occasion the U.S. Attorney, Leon Kellner, refused.[91]

Leon Kellner and Richard Gregorie, then the head of the criminal division of the Miami U.S. Attorney's office, met with the staff of the Committee in November 1986. They said that Morales' story was not credible and that Morales was trying to get his sentence reduced by cooperating with a Senate committee. As Morales had not yet been sentenced, both Kellner and Gregorie discouraged the staff from meeting with Morales at that time, and the staff respected their request. Kellner and Gregorie said that Morales was like the many Miami cocaine traffickers who use the "I was working for the CIA" defense.[92]

Following his testimony before the Subcommittee, Morales renewed his offer to work with the government. This time, federal law enforcement officials decided to accept the offer. Morales provided the government with leads that were used by law enforcement authorities in connection with matters remaining under investigation. In November 1988, the DEA gave Morales a lengthy polygraph examination on his testimony before the Subcommittee and he was considered truthful.[93]

VII. JOHN HULL

John Hull was a central figure in Contra operations on the Southern Front when they were managed by Oliver North, from 1984 through late 1986.[94] Before that, according to former Costa

[89] Subcommittee testimony of Karol Prado, Part 3, p. 385. See North Diary p. Q0450, July 24, 1984. The entry reads: "get Alfredo Cesar on Drugs," see also Iran-Contra declassified executive session testimony of Thomas Castillo, May 29, 1987, pp. 83–85 and Iran-Contra deposition of Thomas Castillo, Apondix B, Volume E, pp. 250–252.
[90] Iran-Contra declassified executive session of Thomas Castillo, p. 84.
[91] Subcommittee testimony of George Morales, Part 1, July 16, 1987, p. 98.
[92] David Keany and Andy Semmel of the Senate Foreign Relations Committee staff and Dick McCall of Senator Kerry's staff, attended the meeting.
[93] See correspondence from DEA Administrator to John C. Lawn to Senator John F. Kerry, January 13, 1989.
[94] North notebook pages Q 0344, 0414, 0415, 0426, 0431, 0543, 0550, 0932, 0955, 0977, 1156, 1159; Iran-Contra Deposition of Robert W. Owen, May 4, 1987, pp. 6–15 and October 1, 1987, pp. 3–34; RWO Exhibit 12, 2/27/86; Iran-Contra testimony, May 14, 1987, p. 818.

Rican CIA station chief Thomas Castillo's public testimony, Hull had helped the CIA with military supply and other operations on behalf of the Contras.[95] In addition, during the same period, Hull received $10,000 a month from Adolfo Calero of the FDN—at North's direction.[96]

Hull is an Indiana farmer who lives in northern Costa Rica. He came to Costa Rica in mid-1970's and persuaded a number of North Americans to invest in ranch land in the northern part of the country.[97] Using their money and adding some of his own, he purchased thousands of acres of Costa Rican farm land. Properties under his ownership, management or control ultimately included at least six airstrips. To the many pilots and revolutionaries who passed through the region, this collection of properties and airstrips became known as John Hull's ranch.

On March 23, 1984, seven men aboard a U.S. government owned DC–3 were killed when the cargo plane crashed near Hull's ranch, revealing publicly that Hull was allowing his property to be used for airdrops of supplies to the Contras.[98] But even before this public revelation of Hull's role in supporting the Contras, officials in a variety of Latin American countries were aware of Hull's activities as a liaison between the Contras and the United States government. Jose Blandon testified, for example, that former Costa Rican Vice President Daniel Oduber suggested he (Blandon) meet with Hull in 1983, to discuss the formation of a unified southern Contra command under Eden Pastora.[99]

Five witnesses testified that Hull was involved in cocaine trafficking: Floyd Carlton, Werner Lotz, Jose Blandon, George Morales, and Gary Betzner. Betzner was the only witness who testified that he was actually present to witness cocaine being loaded onto planes headed for the United States in Hull's presence.

Lotz said that drugs were flown into Hull's ranch, but that he did not personally witness the flights. He said he heard about the drug flights from the Colombian and Panamanian pilots who allegedly flew drugs to Hull's airstrips. Lotz described the strips as "a stop for refuel basically. The aircraft would land, there would be fuel waiting for them, and then would depart. They would come in with weapons and drugs." Lotz said that Hull was paid for allowing his airstrips to be used as a refueling stop.[100]

Two witnesses, Blandon and Carlton recounted an incident involving the disappearance of a shipment of 538 kilos of cocaine owned by the Pereira or Cali cocaine cartel. Teofilo Watson, a member of Carlton's smuggling operation, was flying the plane to Costa Rica for the Cartel. The plane crashed and Watson was killed. The witnesses believed that the crash occurred at Hull's ranch and that Hull took the shipment and bulldozed the plane, a Cesna 310, into the river.

[95] Castillo executive session, ibid., p. 59.
[96] Iran-Contra deposition of Robert W. Owen, Appendix B, Vol. 20, pp. 650, 802.
[97] Testimony of Louell Hood and Douglas Siple, Subcommittee on International Economic Policy, Trade, Oceans and Environment and Subcommittee on Terrorism, Narcotics and International Operations, October 30, 1987, pp. 160–161.
[98] "The CIA Blows an Asset," Newsweek, September 3, 1984, pp. 48–49.
[99] Subcommittee testimony of Jose Blandon, Part 2, p. 129.
[100] Subcommittee deposition of Werner Lotz, Part 4, April 8, 1988, pp. 681–682, 691–696.

Carlton testified that the Colombians were furious when they discovered the cocaine missing. He said they sent gunmen after Hull and in fact kidnapped a member of Hull's family to force the return of the cocaine. When that failed they became convinced that Carlton himself stole the cocaine and they sent gunmen after him. The gunmen dug up Carlton's property in Panama with a backhoe looking for the lost cocaine, and Carlton fled for his life to Miami.[101]

Gary Betzner started flying for Morales' drug smuggling network in 1981. Betzner testified that his first delivery of arms to the Contras was in 1983, when he flew a DC–3 carrying grenades and mines to Ilopango Air Force Base in El Salvador. His co-pilot on the trip was Richard Healey, who had flown drugs for Morales.[102]

Betzner said the weapons were unloaded at Ilopango by Salvadoran military personnel and an American whom he assumed worked for the U.S. Department of Defense. Betzner testified that he and Healey flew the plane on to Colombia where they picked up a load of marijuana and returned to their base at Great Harbor Cay in the Bahamas.[103]

According to Betzner, the next Contra weapons and drugs flight took place in July 1984. Morales asked him to fly a load of weapons to Hull's ranch and to pick up a load of drugs. Betzner flew a Cessna 402–B to John Hull's ranch. According to Betzner, he was met at the airstrip by Hull and they watched the cargo of weapons being unloaded, and cocaine, packed in 17 duffel bags, and five or six two-foot square boxes being loaded into the now-empty Cessna. Betzner then flew the plane to a field at Lakeland, Florida.[104]

Yet another guns for drugs flight was made two weeks later. On this trip, Betzner said he flew a Panther to an airstrip called "Los Llanos," about ten miles from Hull's properties and not far from the Voice of America transmitter in northern Costa Rica. Betzner testified that Hull met him again and the two watched while the weapons were unloaded and approximately 500 kilos of cocaine in 17 duffel bags were loaded for the return flight to Florida.[105]

Hull became the subject of an investigation by the U.S. Attorney for the Southern District of Florida in the spring of 1985. In late March 1985, Assistant U.S. Attorney Jeffrey Feldman and two FBI agents went to Costa Rica to investigate Neutrality Act violations by participants in the Contra resupply network that were also under investigation at the time by Senator Kerry. Both the Feldman and Kerry inquiries had been prompted in part by statements made to reporters by soldiers of fortune imprisoned in Costa Rica who alleged John Hull was providing support for the Contras with the help of the National Security Council.[106]

Feldman and the FBI agents met with U.S. Ambassador to Costa Rica, Lewis Tambs, and the CIA Chief of Station, Thomas Castillo,

[101] Subcommittee testimony of Floyd Carlton, Part 2, pp. 205–507; Subcommittee testimony of Jose Blandon, Part 2, pp. 115–116.
[102] Betzner, Part 3, pp. 253–254, 256.
[103] Ibid., pp. 257–258.
[104] Ibid., pp. 262–267; see also Morales testimony, Part 3, pp. 301–304 and DEA polygraph of Morales.
[105] Ibid., pp. 262–267.
[106] Iran-Contra deposition of Jeffrey Feldman, Appendix B, Volume 10, April 30, 1987, pp. 77–78; Statements of Steven Carr and Peter Glibbery to Senate staff, March 8, 1986.

who told him John Hull knew Rob Owen and Oliver North and gave the impression that Hull had been working for U.S. interests prior to March of 1984. In addition, one of the embassy security officers, Jim Nagel, told one of the FBI agents accompanying Feldman, that regarding Feldman's inquiries, ". . . these were agencies with other operational requirements and we shouldn't interfere with the work of these agencies." [107] When Feldman attempted to interview Hull, Feldman learned that Hull was told by the embassy staff not to talk to him without an attorney present.[108]

Feldman concluded that U.S. Embassy officials in Costa Rica were taking active measures to protect Hull. After Feldman interviewed two of the mercenaries, Peter Glibbery and Steven Carr, regarding their allegations of Hull's involvement in criminal activity, Feldman learned that Kirk Kotula, Consul in San Jose, was "trying to get Carr and the rest of these people to recant their statements regarding Hull's involvement with the CIA and with any other American agency." [109] Feldman added ". . . it was apparent we were stirring up some problem with our inquiries concerning John Hull." [110] Feldman concluded that because Hull was receiving protection from some US officials, that it would not be possible to interview him. Feldman therefore took no further steps to do so.[111]

In an effort to stop the investigation against him and to cause the Justice Department to instead investigate those urging an investigation of Hull, Hull prepared falsified affidavits from jailed mercenaries in Costa Rica to U.S. Attorney Kellner. In the affidavits the mercenaries accused Congressional staff of paying witnesses to invent stories about illegal activities associated with the clandestine Contras supply network. The Justice Department ultimately concluded that the affidavits had been forged. Kellner testified that he "had concerns about them and . . . didn't believe them." [112]

To this day, the Justice Department has taken no action against John Hull for obstruction of justice or any related charge in connection with his filing false affidavits with the U.S. Justice Department regarding the Congressional investigations.

In the period in which he was providing support to the Contras, Hull obtained a loan from the Overseas Private Investment Corporation for $375,000 which ultimately proved to have been obtained with false documentation.

In 1983, Hull and two associates, Mr. William Crone and Mr. Alvaro Arroyo approached OPIC for a loan to finance a joint venture wood products factory that would make wheelbarrow and ax handles for the U.S. market. In fact, according to testimony from Crone and OPIC officials, no contributions from Hull, Arroyo or himself were made to the joint venture. On the basis of the application, some supporting documentation and a site visit, on March 30, 1984, OPIC advanced $375,000.[113]

[107] Feldman, ibid., pp. 79–85.
[108] Ibid., p. 86.
[109] Ibid., pp. 86–88.
[110] Ibid., p. 84.
[111] Ibid., pp. 86–88.
[112] Iran-Contra testimony of Leon Kellner, Appendix B, Vol. 10, April 30, 1987, pp. 1094–1095.

By the end of 1985, after one interest payment, the loan lapsed into default, and OPIC officials began to recognize that the project was a fraud, and that Hull had made false representations in making the application to OPIC.[114] OPIC officials found that the money which was disbursed by their Agency was deposited in Hull's Indiana bank account and the funds were withdrawn by Hull in cash. When OPIC inquired in 1986 as where the funds were going, Hull told OPIC officials that he would be using the cash to buy Costa Rican money on the black market to get a more favorable exchange rate.[115]

In fact, Costa Rica has a favorable exchange rate for foreign investment and the excuse Hull offered does not make sense. What appears to have happened is that Hull simply took the money, inasmuch as no equipment was purchased for the factory, no products were shipped from it, and Hull's partner, Crone, testified that he never saw the money. Indeed, prospective purchasers complained that they paid Hull for products in advance but never received delivery.[116]

On the basis of the subsequent OPIC investigation of the loan to Hull's company, in April 1987, the case was referred to the Justice Department for a criminal fraud investigation.[117] While nothing has yet happened for almost two years, the Justice Department maintains the investigation is still ongoing.[118]

OPIC foreclosed on the properties which Hull had put up as collateral for the loan. Following the foreclosure to recover their monies, OPIC sold the property at auction. However, in order to prevent a sale far below the market price, OPIC bid at the auction and wound up purchasing its own property for $187,500.

OPIC then attempted to sell the property directly. An advertisement was placed in *The Wall Street Journal* which attracted a single offer from an investment banker in Philadelphia. An agreement was negotiated whereby the company purchasing the property from OPIC was required to make no down payment, and only to repay OPIC its $187,500 from the future proceeds of the sale of timber cut on the land. The corporation which purchased the property has no other assets other than the land. If the agreement is fulfilled by the purchasers of the land, OPIC will realize repayment of $187,500, half of the original $375,000 loaned to Hull.[119]

The Subcommittee also heard testimony investors who had allowed Hull to purchase property for them and then to manage the property, who testified that he did not deliver on his promises, he failed to purchase the properties he said he would, and in one case,

[113] Testimony of Eric Garfinkel, Vice President and General Counsel, Overseas Private Investment Corporation, Subcommittee on International Economic Policy, Trade, Oceans and Environment and Subcommittee on Terrorism, Narcotics and International Operations, Part 1, October 30, 1987, pp. 106–107.
[114] Ibid., p. 107.
[115] Ibid., p. 127.
[116] Subcommittee interviews with prospective purchasers.
[117] OPIC testimony, ibid., p. 107.
[118] Subcommittee interviews with OPIC and Justice staff, January 1989.
[119] OPIC documents provided the Subcommittee.

took farm equipment off a farm he was paid to manage and converted it for his own use.[120]

In mid-January 1989, Hull was arrested by Costa Rican law enforcement authorities and charged with drug trafficking and violating Costa Rica's neutrality.

IX. The San Francisco Frogman Case, UND-FRAN and PCNE

The San Francisco Frogman case was one of the first cases in which allegations linking specific Contra organizations to drug smugglers surfaced. In a July 26, 1986 report to the Congress on Contra-related narcotics allegations, the State Department described the Frogman case as follows:

"This case gets it nickname from swimmers who brought cocaine ashore on the West Coast from a Colombian vessel in 1982–1983. It focused on a major Colombian cocaine smuggler, Alvaro Carvajal-Minota, who supplied a number of West Coast smugglers. It was alleged, but never confirmed, that Nicaraguan citizen Horacio Pereira, an associate of Carvajal, had helped the Nicaraguan resistance. Pereira was subsequently convicted on drug charges in Costa Rica and sentenced to twelve years imprisonment. Two other Nicaraguans, Carlos Cabezas and Julio Zavala, who were among the jailed West Coast traffickers convicted of receiving drugs from Carvajal, claimed long after their conviction that they had delivered large sums of money to resistance groups in Costa Rica and that Pereira, who was not charged in the case, has said the profits from the drug sale would finance resistance activities." [121]

The allegations made by Cabezas and Zavala involved two Southern Front Contra groups—UDN-FARN, a military group associated with Fernando "El Negro" Chamorro, and PCNE, a Contra political group in the South. Cabezas claimed that he helped move 25 to 30 kilos of cocaine from Costa Rica to San Francisco, generating $1.5 million. According to Cabezas, part of that money was given to Troilo and Fernando Sanchez to help Eden Pastora's and Fernando "El Negro" Chamorro's operations on the Southern Front in 1982 and 1983.[122]

After the trial, the U.S. government returned $36,020 seized as drug money to one of the defendants, Zavala, after he submitted letters from Contra leaders claiming the funds were really their property. The money that was returned had been seized by the FBI after being found in cash in a drawer at Zavala's home with drug transaction letters, an M–1 carbine, a grenade, and a quantity of cocaine.[123]

The Subcommittee found that the Frogman arrest involved cocaine from a Colombian source, Carvajal-Minota. In addition, Zavala and Cabezas had as a second source of supply, Nicaraguans living in Costa Rica associated with the Contras. FBI documents from the Frogman case identify the Nicaraguans as Horacio Pereira, Troilo Sanchez and Fernando Sanchez.[124]

[120] Subcommittee testimony of Crone, Sipple and Hood, ibid., pp. 147–167.
[121] State Department Document #5136c, July 26, 1986.
[122] San Francisco Examiner, March 16, 1986.
[123] Ibid.
[124] November 8, 1982, FBI teletype from San Francisco to Director, *U.S.* v. *Zavala, et al.*

Pereira was convicted on cocaine charges in Costa Rica in 1985 and sentenced to 12 years in prison.[125] An important member of the Pereira organization was Sebastian "Huachan" Gonzalez, who also was associated with ARDE in Southern Front Contra operations. Robert Owen advised North in February 1985, that Gonzalez was trafficking in cocaine.[126] Jose Blandon testified that Eden Pastora knew that Gonzalez was involved in drug trafficking while he was working with ARDE. Gonzalez later left the Contra movement and fled from Costa Rica to Panama, where he went to work for General Noriega.[127]

During the Pereira trial, evidence was also presented by the Costa Rica prosecutor showing that drug traffickers had asked leader Ermundo Chamorro the brother of UDN–FARN leader Fernando "El Negro" Chamorro, for assistance with vehicles to transport cocaine and for help with a Costa Rica police official.[128]

Troilo and Fernando Sanchez were marginal participants in the Contra movement and relatives of a member of the FDN Directorate.[129]

X. The Cuban-American Connection

Several groups of Miami-based Cuba Americans provided direct and indirect support for the Southern Front during the period that the Boland Amendment prohibited official U.S. government assistance. Their help, which included supplies and training, was funded in part with drug money.[130]

The State Department described the allegations in its July 1986 report to Congress as follows:

> There have been allegations that Rene Corbo and other Cuban Americans involved in anti-Sandinista activities in Costa Rica were connected with Miami-based drug traffickers. Corbo reportedly recruited a group of Cuban American and Cuban exile combatants and military trainers in the Miami area who operated inside Nicaragua and in the northern part of Costa Rica. Two Cuban exiles in this group, Mario Rejas Lavas and Ubaldo Hernandez Perez, were captured by the Sandinistas in June 1986. They were reportedly members of the UNO/FARN group headed by Fernando "El Negro" Chamorro. There is no information to substantiate allegations that this group from Miami has been a source of drug money for the UNO/FARN or any other resistance organization.[131]

[125] CBS Evening News, June 2, 1986.
[126] Iran/Contra Testimony of Robert Owen, May 14, 1987, Exhibit RWO 7, p. 801.
[127] Blandon, Part 2, pp. 132–133.
[128] CBS Evening News, June 12, 1986.
[129] Staff interview with Carlos Cabezas, March, 1988, and with former Contras in San Francisco and Miami.
[130] FBI 302's of Special Agent George Kiszynski, released in *U.S.* v. *Calero* and *U.S.* v. *Corbo*, both Southern District of Florida, including 3/8/85 interview of Frank Castro; 12/17/84 interview of Raphael Torres Jimenez, 3/1/85 interview of Rene Crobo; 9/6/84 interview of Jose Coutin; see also grand jury testimony of Carlos Soto in *U.S.* v. *Luis Rodriquez*, Northern District of Florida.
[131] State Department Document #5136c, July 26, 1986.

On May 6, 1986, Committee staff met with representatives of the Justice Department, FBI, DEA, CIA and State Department, to advise them of allegations of gun running and drug trafficking in connection with this group.

In August 1986, the Committee requested information from the Justice Department regarding the allegations concerning Corbo and fellow Cuban Americans Felipe Vidal, Frank Castro, and Luis Rodriguez and Frank Chances (two of the principals in Frigorificos de Puntarenas and Ocean Hunter), concerning their involvement in narcotics trafficking. The Justice Department refused to provide any information in response to this request, on the grounds that the information requested remained under active investigation, and that the Committee's "rambling through open investigations gravely risks compromising those efforts.[132]

Less than three months earlier, the Justice Department had advised both the press and the Committee that the allegations had been thoroughly investigated and were without foundation.[133]

At no time did the Justice Department disclose to the Committee in response to its inquiry that extensive information had in fact been developed by the FBI from 1983 through 1986 suggesting that many of the allegations the Committee was investigating were true.

At the May 6, 1986 meeting with Committee staff, the CIA categorically denied that weapons had been shipped to the Contras from the United States on the flights involving Rene Corbo, noting that the material on which they were basing these assertions was classified, and suggested that the allegations that had been made to the contrary were the result of disinformation.[134]

In fact, as the FBI had previously learned from informants, Cuban American supporters of the Contras had shipped weapons from south Florida to Ilopango, and from there to John Hull's airstrips in Costa Rica.[135] The persons involved admitted to the FBI that they had participated in such shipments, making general statements about them beginning in 1985. On June 4, 1986 and June 16, 1986, Rene Corbo, one of the principals in the shipments, explicitly told the FBI that he had participated in shipping weapons to the Contras in violation of U.S. Neutrality laws.[136]

The Cuban-American contingent supporting the Contra effort on the Southern Front work with Pastora until May 30, 1984 bombing at La Penca. After the assassination attempt on Pastora they shifted their allegiance to Fernando "El Negro" Chamorro of UDN-FARN. By mid-June 1984, the drug smuggling through the Southern Front zones controlled by the Contras had grown sufficiently

[132] Letter of John Bolton to Senator Richard G. Lugar and Senator Claiborne Pell, August 11, 1986.

[133] Statements of DOJ spokesman Pat Korten to National Public Radio, May 5, 1986; New York Times, May 6, 1986; statements of Korten, Kenneth Vergquist, and other Justice Department officials to Committee staff prior to June 26, 1986 Executive Session; see generally Kellner Deposition to Subcommittee, November 8, 1988, noting his objections to statements by Justice regarding the case.

[134] Winer Memcom, May 6, 1986 meeting, Subcommittee files.

[135] See generally the investigative files of Special Agent Kisyznski released in *U.S.* v. *Corbo* and *U.S.* v. *Calero*; SD Florida 1988; admissions of Ramon Milian Rodriguez to Customs in May 19833, *U.S.* v. *Milian Rodriguez*, SD Florida, documents released in connection with *U.S.* v. *Luis Rodriguez*, ibid.

[136] FBI 302's of SA Kisyznski, released in *U.S.* v. *Corbo*, SD Florida, 1988.

obvious that Robert Owen warned Lt. Col. Oliver North at the NSC that the "Cubans (are) involved in drugs."[137]

Notes taken by Colonel Robert L. Earl during his tenure at the NSC described how in August 1986, the CIA was worried about

> . . . disreputable characters in the Cuban-American community that are sympathetic to the Contra cause but causing more problems than help and that one had to be careful in how one dealt with the Cuban-American community and its relation to this, that although their motives were in the right place there was a lot of corruption and greed and drugs and it was a real mess.[138]

In August 1988, Corbo and Castro were indicted in a Neutrality Act case involving the Contras brought by the U.S. Attorney for Miami and prosecuted by Assistant U.S. Attorney Jeffrey Feldman. No narcotics-related allegations were included in the August 1988 indictment.[139]

One of the three principals in Frigorificos de Puntarenas and Ocean Hunter, Luis Rodriguez, was indicted on drug charges in April 1988. The others, Frank Chanes and Moises Nunez, participated in Contra military assistance operations in 1984 and 1985.[140] Nunez was employed by both the drug money laundering front, Frigorificos de Puntarenas, and by Glenn Robinette on behalf of the Second-North Enterprise. Former CIA Costa Rica Chief of Station Thomas Castillo told the Iran-Contra committees that Nunez "was involved in a very sensitive operation" for the Enterprise.[141]

XI. Ramon Milian Rodriguez and Felix Rodriguez

A particularly controversial allegation arose during the course of the Subcommittee's investigation. This involved Ramon Milian Rodriguez's offer to assist the Contras, following his arrest for money-laundering.

In a June 25, 1987 closed session of the Subcommittee, Milian Rodriguez testified that in a meeting arranged by Miami private detective Raoul Diaz with Felix Rodriguez, he (Milian) offered to provide drug money to the Contras. Milian Rodriguez stated that Felix accepted the offer and $10 million in such assistance was subsequently provided the Contras through a system of secret couriers.

Milian Rodriguez testified that he also offered to assist in entrapping the Sandinistas in a drug sting—all in return for dropping the charges then pending against him.

Felix Rodriguez strenuously denied Milian Rodriguez's version of the meeting, stating that he reported Milian's offer to a number of U.S. government agencies, including the FBI and CIA. No action was taken by those agencies, and Milian Rodriguez's case went to trial.

Raoul Diaz refused to respond to a Committee subpoena to discuss his recollection of the meeting. Therefore, because of the diffi-

[137] North Notebook Entry Q-0344.

[138] Iran/Contra Deposition of Robert L. Earl, Appendix B, Vol. 9, p. 1109.

[139] *U.S.* v. *Calero et al.* and *U.S.* v. *Corbo et al.*, ibid.

[140] *U.S.* v. *Luis Rodriguez*, Northern District of Florida; FBI 302's of SA Kiszynski, ibid.

[141] Iran-Contra Testimony of Owen, Appendix B, Vol. 20, pp. 733–735; deposition of Thomas Castillo, Appendix B, bol 3, p. 180.

culty the Subcommittee faced in ascertaining who was telling the truth—Ramon Milian Rodriguez or Felix Rodriguez—Milian was asked whether he would be willing to take a polygraph examination. He agreed to submit to an examination on the question of providing drug money to the Contras through Felix Rodriguez.

Senator Kerry, the Subcommittee Chairman, arranged for one of the country's leading polygraph experts, Dr. Donald Raskin of the University of Utah, to travel to Washington, D.C. to administer the test. Dr. Raskin administered a partial examination of Milian Rodriguez on June 3–4, 1988. On two critical questions, Ramon Milian Rodriguez's answers were determined to be deceptive by Dr. Raskin. The questions were as follows:

1. Did Felix Rodriguez ask you to arrange deliveries of money for the Contras during the meeting at Raoul's office?

Answer, *yes.*

2. Did you arrange approximately five deliveries of money for the Contras on the basis of phone calls you personally received from Felix Rodriguez?

Answer, *yes.*

On the third question, Dr. Raskin could not determine whether or not Ramon Milian Rodriguez was being truthful in his response. The question was as follows:

3. Did you arrange the deliveries of at least $5 million for the Contras using the procedures that you and Felix worked out?

Answer, *yes.*

At that point, Milian Rodriguez stated that he did not want to continue the examination. Based upon Dr. Raskin's oral evaluation of Ramon Milian Rodriguez, the Chairman concluded that his version of the meeting with Felix Rodriguez and his subsequent relationship with Felix in providing drug money for the Contras was not truthful. The Chairman reached no conclusion regarding the issue of whether Ramon Milian arranged for the deliveries of at least $5 million for the Contras.

During Felix Rodriguez' public testimony before the Subcommittee on July 14, 1988, Senator Kerry stated that he did not believe Ramon Milian Rodriguez' version of the meeting was truthful.

However, Milian Rodriguez' testimony regarding the Cartels, General Noriega's role in narco-trafficking, and his involvement in seeting up companies which were later used to support the Contras, was corroborated by a number of witnesses, including Jose Blandon, Floyd Carlton, Gerald Loeb, and a Miami attorney who had supplied information on the Cartels in a closed session deposition. In addition, Milian Rodriguez' testimony on many of these points was corroborated by extensive documentary evidence and by grand jury statements by his partners in federal criminal proceedings.

CUBA AND NICARAGUA

Introduction

Drug trafficking knows neither national nor ideological boundaries, as evidenced by allegations of Cuban and Sandinista involvement in the drug trade.

The Subcommittee received testimony that throughout the 1980's, Cuba has been used by drug traffickers as a transit point and haven for laundering money. Cuban authorities have provided smugglers with protection for their boats and aircraft. According to Subcommittee testimony, Fidel Castro himself acted as a mediator on behalf of General Manuel Antonio Noriega in disputes Noriega has had with the Medellin cocaine cartel. Finally, the Subcommittee received testimony that Cuban officials were involved in efforts to establish ties between leftist revolutionary groups such as the M–19 and cocaine traffickers.

Several witnesses testified that Nicaraguan officials were also involved in drug trafficking. The Subcommittee also received testimony that representatives of the Medellin Cartel entered into negotiations with the Sandinista government over using Nicaragua for drug trafficking operations. Finally, the Subcommittee received testimony regarding alleged statements by leaders of the Cartel that the provided assistance to the Sandinistas.

Historical Background

Pre-revolutionary Cuba had an extensive tradition as a base for the smuggling of illegal goods to the United States, as far back as the 18th Century, and continuing through Prohibition to the overthrow of the Batista government by Castro. The United States has frequently sought the cooperation of the Cuban government in stopping such smuggling.[1]

By the time of the Castro revolution, organized crime had a significant position of power in Cuba based on the wealth it had accumulated by smuggling and related illegal operations.[2] At the time of the Cuban revolution, Castro himself claimed one of his objectives was to cleanse Cuba of the environment of corruption. Since then, Castro has conducted a highly visible public campaign against smuggling, and the Government of Cuba regularly issues reports highlighting its successes in the war against drugs.

The Subcommittee received testimony that despite Cuba's aggressive public stance against narcotics, during the 1980's Cuban officials had again begun to provide assistance to drug smugglers.

Cuba as a Way-Station for Smugglers

Cuba lies on the most direct air route from South America to Florida. Due to its size, unless smugglers get overflight rights, hundreds of miles are added to their trips. This greatly increases the risk of getting caught and forces traffickers to decrease the payloads they carry. Quite naturally as the volume of drugs moving into south Florida by air increased in the early 1980's, the traffickers became interested in obtaining overflight rights from the Cubans. Elements of the Cuban government began to offer assistance. According to smugglers, this assistance was gradually extended to refueling and repair services, assistance in laundering

[1] See e.g. U.S. Convention with Cuba to Prevent Liquor Smuggling, February 10, 1926.

[2] Boris Goldenberg, *The Cuban Revolution and Latin America*, 1965, p. 110; Bonachea and Martin, *The Cuban Insurrection*, 1952–1959, p. 34.

money and providing safe haven from U.S. law enforcement authorities.[3]

Luis Garcia told the Subcommittee that in late 1979 or early 1980, Cuban officials offered him use of airstrips for refueling drug flights. While Garcia said he never took them up on the offer, he was aware of other smugglers who did.[4] Over time, according to the Subcommittee testimony, several different smuggling organizations were able to reach an understanding with Cuban officials that enabled them to use that country to facilitate their operations.[5]

Other testimony concerning Cuban involvement in drug operations came from Richard Gregorie, whose office obtained Grand Jury indictments against a number of Cuban officials.[6]

In the 1983 case of *United States* v. *Jaime Guillot-Lara*, four high ranking Cuban officials were implicated in drug smuggling. They included a member of the Cuban Communist Party Central Committee: Fernando Ravelo-Renedo, the former Cuban Ambassador to Colombia; the former Minister Counselor of the Cuban Embassy in Colombia; and a vice admiral of the Cuban Navy. The four officials were indicted for their role in a smuggling conspiracy but were never brought to trial because they never came within the jurisdiction of the United States. All of the other co-conspirators in the case were convicted by a jury which received testimony about the involvement of the four Cuban officials.[7]

In 1988, a grand jury indicted Reinaldo Ruiz and Hugo Ceballos based on videotaped evidence that showed Cuban military protection was provided to cocaine traffickers coming to the United States from Colombia. Both are scheduled to go to trial.[8]

Case History: George Morales

The experience of Colombian drug trafficker George Morales provided insight into the opportunities afforded narcotics traffickers by Cuban authorities.

According to Morales, he first developed a relationship with Cuban officials in 1979. Morales testified that he attended a meeting in Cuba at which Cuban officials offered to sell him planes seized for violating their airspace.[9] He developed the relationship over a period of time. By 1980, he obtained Cuba's agreement to allow his pilots overflight rights through Cuban airspace.[10] In return for U.S. currency, Cuban authorities provided Morales with identification codes, enabling him and his pilots to use their airspace safely and land in the event of an emergency.[11]

According to Morales, Cuban assistance was then extended to protection for boats and aircraft used in drug smuggling operations. Morales was also given the opportunity to buy drugs Cuban authorities had seized from other traffickers.[12] Morales testified that the Cubans sold him the radio frequencies of the U.S. Coast Guard, Secret Service, Drug Enforcement Agency, Customs and local U.S. law enforcement agencies.[13] He said their only motivation was obtaining U.S. dollars.[14]

Morales testified that Cuban cooperation with him did not end after his 1984 indictment. Instead, the Cubans offered him the opportunity to relocate his entire smuggling operations in Cuba. He testified that Cuban officials offered him a house, and operational runway and the use of Cuban banking facilities.[15] Although he did not move to Cuba, Morales said he used a Cayo Largo bank to launder over $500,000 in drug money.[16] From Cayo Largo, Morales was able to transfer his drug money to other banks around the world.[17]

Ideological Use of Drugs

In the late 1970's Castro identified what has been referred to as the "natural marriage" between the drug traffickers and revolutionaries.[18] The traffickers have the money which the revolutionaries need to launch their operations, and the revolutionaries control the land and the people the traffickers need to grow the crops and run the processing laboratories.[19]

Jose Blandon told the Subcommittee of Castro's decision to become involved with the traffickers.[20] According to Blandon, in the late 1970's, Castro decided to use the growing power of drug traffickers and drug money to export revolution throughout Latin America. Castro's overall aim was to influence events in Central America by simultaneously aligning himself with narcotics traffickers and regional military leaders, following the example set by General Noriega in Panama.[21]

Castro pursued this policy by working closely with the M–19. The M–19 received advice and assistance from the Government of Cuba even as it reached a working agreement with the Cartel's following their war in Colombia.[22]

Maintaining a relationship between the Cartel and the various Colombian guerrilla movements has been a significant policy goal of the Cuban government. Blandon testified that Castro assigned the Cuban Ambassador to Colombia, Ravelo-Renedo, the task of mediating the relationship between the guerrillas and the Cartel. According to Blandon, Ravelo-Renedo reported to Manuel Piniero, the head of the Cuban Communist Party's Latin American Department.[23] A witness at the Miami conspiracy trial in which Ravelo-

[3] Subcommittee testimony of George Morales, Part 3, April 7, 1988, pp. 294–296.
[4] Subcommittee testimony of Luis Garcia, Part 1, May 27, 1987, p. 16.
[5] Subcommittee testimony of Floyd Carlton, Part 2, Feb. 10, 1988, p. 210; Paul Gorman, Part 2, Feb. 8, 1988, p. 42; Richard Gregorie, Part 4, July 12, 1988, p. 160; George Morales, Part 3, April 7, 1988, pp. 294–296 and Part 1, July 15, 1987, pp. 47–49, 63–66.
[6] Gregorie testimony, p. 160.
[7] Prepared Statement of Richard Gregorie, Part 4, July 12, 1988, pp. 388–389.
[8] Ibid.
[9] Subcommittee testimony of George Morales, Part 3, April 7, 1988, p. 296.
[10] Morales, Part 1, July 15, 1987, p. 48.
[11] Morales, Part 3, pp. 294–295.
[12] Ibid., Part 3, p. 296; part 1, p.49.
[13] Morales, Part 1, pp. 89–90.
[14] Ibid., p. 65.
[15] Morales, Part 3, p. 296 and Part 1, pp. 65–66.
[16] Morales. Part 3, p. 294.
[17] Morales, Part 1, p. 48.
[18] Subcommittee testimony of Nestor Sanchez, Part 4, July 12, 1988, p. 197.
[19] Ibid., and testimony of David Westrate, Part 4, July 12, 1988, p. 146.
[20] Subcommittee testimony of Jose Blandon, Part 2, Feb. 9, 1988, pp. 106–108.
[21] Ibid.
[22] Subcommittee testimony of Ramon Milian Rodriguez, Part 2, pp., 249, 255–256; Blandon, Part 2, p. 106.
[23] Blandon testimony, Part 2, pp. 106–107.

Renedo was an indicted co-conspirator, quoted the high ranking Cuban officials as saying, "We'll drown them [the Americans] in drugs." [24]

Cuba, Panama, and the Cartel

Castro's role as a mediator was not limited to disputes between the guerrillas and the Cartels. According to Jose Blandon, Castro also acted as a mediator in a dispute between the Medellin Cartel and Noriega. The dispute arose when Noriega raided a Cartel laboratory in the Darien province of Panama in June, 1984, arresting 23 employees of the Cartel and seizing millions of dollars' worth of equipment and drugs, after accepting $5 million from the Cartel to protect it. The Cartel decided to kill Noriega in revenge, and Noriega turned to Castro for help.[25]

At Noriega's request, Blandon met with Castro in Havana on June 21 or 22, 1984. Castro recommended that Noriega return the $5 million in protection money and return the plant, personnel and equipment to the Cartel.[26] During his testimony, Blandon produced photographs of himself with Castro which he said were taken during that meeting. The photographs were sent to Blandon by Cuban intelligence three months after the meeting. They were made part of the hearing record and were used by the Miami grand jury which indicted Noriega.[27]

Blandon testified that a week later, on June 27th or 28th, Noriega and Castro met directly in a meeting that lasted five to six hours. At its conclusion, Noriega told Blandon that "everything had been arranged and they were going to proceed according to Castro's proposal." [28] Although a deal with the Cartel had been concluded, Noriega was still concerned that his life was in danger, as about one hundred members of the Cartel were living in Panama.[29] The Cubans sent a 25-soldier military unit to fly back with Noriega to Panama to ensure his safety until the terms of the deal with the Cartel could be carried out.[30]

Castro Denies Involvement

Fidel Castro personally denounced the Blandon testimony as a fabrication in a lengthy interview with an NBC reporter. He denied the allegations that he mediated the dispute between Noriega and the Cartel. In addition, Castro said that Cuba was not involved in drug trafficking and offered to prove it. He said that if the Subcommittee members would visit Cuba they would see "irrefutable" evidence proving that Blandon had lied.[31]

Senator Kerry, the Subcommittee Chairman, told a representative of the Cuban Interest Section in Washington that he would not visit Cuba unless staff was permitted to advance the trip and

[24] Gregorie Prepared Statement, Part 4, p. 389.
[25] Subcommittee testimony of Jose Blandon, Part 2, Feb. 9, 1988, pp. 101–106.
[26] Ibid.
[27] Ibid.
[28] Ibid., p. 104.
[29] Ibid., p. 103.
[30] Ibid., p. 106.
[31] "Cuban Leader Castro Denounces Jose Blandon Senate Testimony," NBC Nightly News, Feb. 25, 1988.

unless the Cubans agreed to discuss the drug trafficking problem in general. Senator Kerry also requested that Subcommittee staff be allowed to interview Robert Vesco during the course of the visit. The Cubans never replied to any of these requests, and never made any further arrangements for the visit. As a consequence, the trip never took place.[32]

Allegations Concerning Nicaragua

In 1984, the Cartel explored using Nicaragua as a site for the transshipment of cocaine and money laundering. Finding alternatives to Colombia was important because the Colombian authorities had raided and destroyed several Cartel laboratories in the Amazon region. Further, Colombian authorities dramatically increased their pressure on Cartel operations after the murder of Justice Minister Lara-Bonilla. In Panama, where a base of operations had been established, General Noriega was demanding increased control of the drug trade and a larger share of the profits.[33]

Floyd Carlton testified that Pablo Escobar sent him to Nicaragua twice in 1984. The first time he went with Ricardo Bilonik, a business partner of General Noriega's, to deliver money. Carlton said he did not know who the money was for since Bilonik handled the delivery. The second trip to Nicaragua was to locate airstrips which could be used for the transshipment of narcotics.[34] Carlton was told by another pilot that the Cartel needed long range planes and airstrips with extended runways to handle flights carrying cocaine paste from Bolivia to Nicaragua. This led Carlton to assume there were processing laboratories in Nicaragua.[35]

During the same period, Escobar asked Ramon Milian Rodriguez to explore the possibility of starting drug-related operations in Nicaragua, documenting them, and then using the information to bargain with the United States for amnesty.[36]

Ramon Milian Rodriguez' account of this request is supported by the testimony of a Miami attorney who first met with lawyers for the Cartel in Bogota in 1985 and later with all the Cartel leaders in Medellin.

In October, 1986, the Miami Attorney began talking to the FBI and the DEA about his meetings with the Cartel. He was given a polygraph examination, which he passed. He told the DEA that during early 1986, a Bogota lawyer for the Cartel told him that the Cartel wanted to make "a deal with the U.S. Government for immunity from prosecution, and they, in turn, would help stop the flow of cocaine into the U.S." [37]

The Cartel lawyer told the Miami Attorney that Cartel leader Jorge Ochoa "finances both Sandinista and anti-Sandinista forces in Nicaragua by setting up drug operations there." [38]

[32] March 14, 1988 meeting between Deputy Chief of the Cuban Interest Section in Washington DC, Manuel Davis, and Senator John F. Kerry and Blandon, Part 3, pp. 31–32.
[33] Subcommittee deposition of Floyd Carlton, Dec. 4, 1987, pp. 86–87; Blandon testimony, Part 2, Feb. 9, 1988, p. 147.
[34] Deposition of Floyd Carlton, Dec. 4, 1987, p. 89.
[35] Ibid., pp. 93–95.5
[36] Closed session testimony of Ramon Milian Rodriguez, June 25, 1987, pp. 53–55.
[37] Debrief, "Miami Attorney," DEA, October 21, 1986.
[38] Ibid., p. 2.

The Miami Attorney then met with Jorge Ochoa and other leaders of the Cartel. At these meetings in Medellin, Cartel principals told the Miami Attorney that they had invited him to meet with them to act as a representative to "open negotiations with the U.S. Government." Ochoa told the Miami Attorney that the Cartel had "certain information which could be of interest to the national security of the U.S." regarding developments in Nicaragua, Cuba, Mexico, Panama, and Colombia.[39]

Ochoa told the Miami Attorney that the Cartel had "worked with the Communists in the past." Ochoa stated that "there was a 100,000 man army of radicals in the mountains consisting of Palestinians, Libyans, Peruvians, Argentinians, Ecuadorians and Cubans, which were better equipped than the army of the Republic of Colombia and had received arms from Libya."[40]

The Cartel leaders told the Miami Attorney that they wished to "work for American intelligence by supplying information about guerrilla activities, thereby incurring amnesty for their efforts." The Cartel leaders proposed "to have their representatives collect intelligence for a period of six months to a year, thereby assisting the U.S. government in getting the intelligence it needs on the communist guerrilla problem. At the end of this time period, they would receive amnesty or an end to their extradition proceedings."[41]

The Miami Attorney returned to the U.S. with the Cartel's offer, relayed it to U.S. authorities, and passed a polygraph regarding this account. The DEA and FBI then decided that conversations with the Cartel would be inappropriate and subsequently broke off all contact with the Miami Attorney. The material provided by the Miami Attorney was not subjected to further investigation by either agency in connection with Nicaragua or the Contras.

Additional allegations about Sandinista involvement in drug trafficking came from Barry Seal who worked as a DEA informant after he was caught smuggling drugs. Seal was given the task of documenting the relationship of the Colombians and the Nicaraguans by using cameras installed in a plane he flew as part of an undercover operation.[42]

Seal flew to Nicaragua and obtained photographs of a Federico Vaughn, who U.S. authorities identified as a Nicaraguan government official, and Pablo Escobar loading Seal's plane with drugs.[43]

The material gathered by Seal became the central evidence thereafter used by U.S. officials citing Sandinista involvement in narcotics.[44]

After the Seal operation was exposed, Federico Vaughn disappeared, and no further information about the Seal allegations materialized. The House Judiciary Subcommittee on Crime found that the phone number used by Vaughn in calls he received from Seal was a phone number controlled by the U.S. Embassy since 1985,

[39] Ibid.
[40] Miami Attorney Deposition to Subcommittee; DEA debrief November 13, 1986.
[41] DEA Debrief of Miami Attorney, November 13, 1986.
[42] Gregorie, Part 4, p. 165.
[43] Jacobsen Testimony, House Judiciary Subcommittee on Crime, July 28, 1988.
[44] See Subcommittee testimony of General Paul Gorman, Part 2, pp. 104-107; Lawn testimony, Part 4, pp. 134-135.

and by the U.S. Embassy or other foreign missions continuously since 1981.[45]

In its International Narcotics Control Strategy Report regarding Nicaragua, the State Department noted that there is "no evidence" of the use of Nicaragua to ship drugs to the U.S. "since the allegations made in 1984" in connection with the Seal case.[46]

Summary and Conclusions

The Subcommittee testimony regarding Cuban involvement in narcotics trafficking was consistent with the findings of the State Department in its most recent U.S. International Narcotics Control Strategy Report. That report notes:

> U.S. law enforcement agencies report the routine use of Cuban airspace and terroritorial waters as safe havens against U.S. Government interdiction efforts. Some of the flights or sailings may enjoy the sanction of Cuban authorities, as there has been some reporting that Cuban authorities have permitted narcotics traffickers to use this strategic location in exchange for facilitating Cuban aid to guerrillas and subversive elements in third countries.[47]

As the State Department report recognized, "corruption exists in Cuba's malfunctioning economy."[48] It is difficult to determine whether the involvement of Cuban officials with drug traffickers is a matter of personal corruption, or as Jose Blandon testified, a matter of policy by the Cuban government.

HAITI

Introduction

By 1985, the cartels began to seek additional transit points for cocaine coming to the United States. A natural candidate was the island country just south of the Bahamas—Haiti.

Haiti is a particularly appealing option for drug traffickers because of its location, its weak and corrupt government, and its unstable political situation. The Island of Hispaniola on which Haiti is located, is on the most direct route—barring transit of Cuba—from Colombia to the United States. Haiti has harbors and inlets which afford excellent protection to drug smuggling vessels. Moreover, the Haitian Air Force has no radar facilities and does not routinely patrol Haitian airspace. Drug planes can take off and land freely at any of the island's numerous secondary airstrips.[1]

Since the day of "Papa Doc" Duvalier, Haiti's government has been notorious for its corruption. The Duvalier family and their associates profited enormously from the protection of many illegal enterprises, including narcotics trafficking.[2] However, until 1987,

[45] House testimony, ibid.
[46] U.S. Department of State "International Narcotics Control Strategy Report," March, 1988, p. 144.
[47] U.S. Department of State International Narcotics Control Strategy Report, March 1988 p. 157.
[48] Ibid., p. 159.
[1] Subcommittee testimony of Thomas Cash, Part 4, July 11, 1988. pp 21-22.
[2] International Narcotics Control Strategy Report, Bureau of International Narcotics Matters, U.S. Department of State, March 1988, p. 162.

most of the drug smuggling through Haiti was conducted by individual "transportation" organizations which made their own arrangements with the Haitian government officials.

The Colombians Move In

Following the departure of Baby "Doc" Duvalier and the presidential elections of 1987, the Colombians took advantage of the complete breakdown of government institutions and began to move into the country in force. They focused their efforts on corrupting key military officers who were in a position to assure that there would be no interference with their operations.

According to DEA intelligence, the number of Colombian narcotics traffickers residing in Haiti has been growing daily and the narcotics organizations are now using Haiti as a base of operations, storage site and staging area. In addition, these organizations are buying up legitimate businesses to serve as front companies for their smuggling operations. Once having gained access to local commerce, they then focus on corrupting public officials to protect their interests.[3]

The Subcommittee heard a detailed account of the process the Colombians used to establish themselves in Haiti from Osvaldo Quintana, a Cuban-American who became involved in drug smuggling from Haiti to Miami. Quintana later testified about his experience before a Federal grand jury in Miami. He explained that the Colombians established a working relationship with Colonel Jean-Claude Paul by working through a Haitian named Cardozo. The Colombians agreed to pay Colonel Paul, the commander of the Desallines Barracks, for protection and for the use of runway on his ranch for cocaine flights.[4] Command of the Desallines Barracks allowed Colonel Paul to play a pivotal role in Haitian politics because this force is the elite unit responsible for the protection of the Presidential Palace.[5] Colonel Paul's influence was very much in evidence during the 1987 election, when much of the violence was attributed to soldiers and security officials known as Tontons Macoute acting under his direction.[6]

According to Quintana, the payoffs to Paul were to be made by Cardozo on a shipment by shipment basis. In October, 1986, Colonel Paul became dissatisfied with the amount of money he was receiving and seized a shipment of drugs in protest. The Colombians investigated the seizure and found that their middle man, Cardozo, had been pocketing most of what they thought he had been paying Colonel Paul. The Colombians sent a team of gangsters to Haiti and brought Cardozo back to Colombia, where they brutally beat him for his "theft". The money was repaid and Paul's demands were satisfied.[7]

Quintana also told the Subcommittee about the efforts Colonel Paul, his wife Marie Mireille Delinois, and his brother made to establish their own cocaine distribution system in Miami.[8] Roger

[3] Cash testimony, pp. 21–22 and Gregorie testimony, p. 183
[4] Quintana testimony, Part 3, April 3, 1988, p. 148.
[5] Ibid., p. 129
[6] Ibid., and Holwill testimony, Part 4, July 11, 1988, pp. 55–56.
[7] Quintana, pp. 148–149.
[8] Ibid., p. 131.

Biamby, a Haitian community leader in Miami, told the Subcommittee that Colonel Paul and other military officers owned ships which sailed between Miami and Haiti carrying cocaine.[9]

Quintana's testimony coupled with that of other witnesses led to the indictment for cocaine trafficking of Colonel Paul and his wife by a federal grand jury in Miami.[10] However, once indicted, they could not be prosecuted because there is not an extradition treaty between the U.S. and Haiti. Further, the Haitian constitution in effect at the time prohibited the extradition of Haitian nationals.[11]

Richard Holwill, the Deputy Assistant Secretary of State in charge of Caribbean Affairs was questioned by the Subcommittee on the decision to go forward with the indictment and the issue of coordination between the Departments of State and Justice. He said that the extradition issue and the problem of actually bringing Colonel Paul to trial in the United States was not fully resolved in the pre-indictment meetings between State and Justice.[12]

Confronted with a situation where an important military official with a central role in the Haitian government was protecting the narcotics trade, the United States tried to pressure the President of Haiti, Leslie Manigat, to have Colonel Paul removed from the military. However, a coup drove President Manigat from office on June 20, 1988, and Colonel Paul continued to play a prominent role in the armed forces.[13]

Political chaos continued after the first coup which placed General Henri Namphy at the head of the government. On September 18, 1988 a second coup removed General Namphy and brought Colonel Prosper Avril to power. Avril was installed as the new President and Colonel Paul was finally forced to resign.[14] On November 7, 1988, Colonel Paul was found dead. His wife, Marie Mireille Delinois, under indictment in Miami for drug dealing, was detained by Haitian authorities as the murder suspect.[15]

The Miami Connection

Roger Biamby testified that government officials in Haiti use a Miami branch of the Tontons Macoute to terrorize the local Haitians into cooperating with smuggling operations.[16]

Biamby said that the Miami based Tonton Macoutes are controlled by Lionel Wooley, a Haitian national residing in Miami's Little Haiti.[17] According to federal law enforcement officials in Miami, Wooley's gangsters protect crack houses and crack processing plants. They protect the drug shipments, the cash proceeds from drug sales and they insure the silence of the Haitians who have been used to unload drug shipments from the boats on the Miami River.[18]

[9] Biamby testimony, Part 4, July 11, 1988, pp. 10–11.
[10] Prepared statement of Richard Gregorie, Part 4, July 12, 1988, p. 395.
[11] Holwill testimony, Part 4, July 11, 1988, p. 48
[12] Ibid.
[13] Holwill testimony, p. 55.
[14] Ibid.
[15] *The New York Times*, November 12, 1988.
[16] Biamby testimony, pp. 9, 12.
[17] Ibid., p. 9.
[18] Subcommittee interviews in Miami.

DEA's Operations in Miami and in Haiti

The Miami police and Drug Enforcement Agency have had great difficulty in development of prosecutable cases against the principal Haitian traffickers in Miami. In order to penetrate the close-knit Haitian society, the authorities rely on wiretapes, informants and undercover operations. However, law enforcement agencies employ a limited number of French-Creole speaking officers, and undercover operations have been limited as a result. DEA regional chief Tom Cash testified that DEA operations in Haiti were also affected by this problem.[19]

In Haiti, DEA participates with a Haitian surveillance unit in watching the Port au Prince airport.[20] However, according to testimony before the Subcommittee, the drugs rarely come through the airport, but are instead moved by private ship and plane through other transshipment points.[21] Even if the surveillance provided useful information, U.S. Attorney Gregorie argued that Haiti lacks an honest police force and army to make arrests and punish offenders.[22] Moreover, when Haitian authorities seize drugs from traffickers, the smugglers are not only set free, but the narcotics, instead of being destroyed, are often resold by the authorities.[23] In characterizing the Haitian governmental structure, Deputy Assistant Secretary of State Holwill observed that ". . . there is no central government . . . no judicial system . . . and the local army commanders function as feudal lords." [24]

The weakness of governmental institutions in Haiti has made it extremely difficult for the DEA to carry out its mission. The DEA regional chief, Tom Cash, testified that his agency had developed a joint DEA-Haiti Narcotics Center for Information Coordination. He then conceded that because there are no corresponding institutional structures—such as a navy or coast guard—to tackle the narcotics problem, the information center didn't mean much. He acknowledged, DEA efforts in Haiti are "rudimentary at best." [25]

Conclusions

There is little hope that serious inroads can be made into the Colombian narcotics trafficking through Haiti until legitimate democratization efforts are undertaken. As long as the Haitian military continues to control virtually every government institution, including the judiciary and law enforcement agencies, the cartels will continue to operate unchallenged in that country.

However, there are steps which could be taken to make it more difficult for Haitians to run their cocaine distribution networks in the United States. One of these might include an immediate review by the Department of State of visas which have been granted to Haitians residing in Miami who are suspected of being involved in the drug trade. For example, two witnesses identified Lionel

[19] Biamby testimony, p. 12.
[20] Cash testimony, p. 23.
[21] See generally Quintana testimony.
[22] Gregorie testimony, pp. 183–184.
[23] Biamby testimony, p. 6.
[24] Holwill testimony, pp. 53–54.
[25] Cash testimony, pp. 33–44.

Wooley as running the Tontons Macoute in Miami and controlling a major cocaine distribution network. He resides in Miami on a U.S. issued visa. His case should be carefully reviewed to determine whether he has committed acts incompatible with his immigration status.

In addition, a major effort should be undertaken by drug enforcement agencies to train specialists in the Haitian dialect. There are few law enforcement officials with this skill, which has been a major obstacle to developing effective intelligence operations directed at the Haitian distribution networks.

Direct, government-to-government assistance, with the exception of humanitarian assistance provided through private and voluntary agencies, should continue to be prohibited to Haiti until legitimate democratization efforts are underway.

HONDURAS

Introduction

Honduras has been a transit point for narcotics coming to the United States since the late 1970's. Its relatively sparse population, large number of remote dirt airstrips, long coastline and unpoliced Bay Islands, make it an attractive stopover point halfway between Colombia and the United States. Colombian marijuana smugglers have used Honduran waters to transfer loads from mother ships to smaller boats headed for the United States. Colombian cocaine traffickers have used Honduran airstrips for refueling and transshipment of cocaine heading north.

In addition, two large recent cocaine seizures demonstrate that Honduras is being used to repackage narcotics to avoid detection as the drugs come across the U.S. border. In 1987, Customs officials seized 2,268 kilograms of cocaine in a shipment of Honduran plantains and 3,629 kilos in a shipment of Honduran furniture.[1]

There is evidence that individuals in the Honduran military, which controls the police, have protected the cocaine trade. The military has dominated the elected civilian government since democracy was presumably restored in 1981. The Honduran military has consistently supported U.S. policies in Central America, most notably the Contra war.

Honduras has received large amounts of U.S. assistance. In 1986, Honduras was the eighth largest recipient of U.S. foreign assistance, receiving $189 million in loans and grants. The peak year for U.S. aid to Honduras was 1985, when the country received $289.1 million of which $73.9 million was in military assistance.[2]

History of Narcotics Trafficking in Honduras

Members of the Honduran military leadership became involved with gun running and smuggling through their relationship with then-Colonel Noriega. According to Jose Blandon, Colonel Noriega used his relationship with military intelligence counterparts

[1] *INCSR*, State Department, March 1988, p. 128.
[2] "Honduras: U.S. Foreign Assistance Facts," by Robert E. Sanchez, Foreign Affairs and National Defense Division, Congressional Research Service, updated May 20, 1988, p. 3.

throughout Central America to protect his arms dealings and his entry into the drug trade. His counterpart in Honduras, the head of the Honduran military intelligence in the late 1970's and early 80's was Colonel Torres-Arias.[3]

Jose Blandon testified that Noriega drew Torres-Arias and a close associate of his, Colonel Boden, the commander of an armored division, into the business of supplying weapons to the FMLN rebels in El Salvador. Several weapons flights from Noriega to the FMLN in Salvador went through Honduran territory and were protected by Torres-Arias and Boden. When Blandon was asked whether he personally knew that weapons were being shipped through Honduras to the rebels in El Salvador, he responded, "Of course." [4]

He went on to testify:

> . . . Noriega coordinated meetings in Panama with the Directorate of the Farabundo Marti Front to establish two routes for the supply of arms to El Salvador, one through . . . the Gulf of Fonseca and another in the North of Honduras called the Ho Chi Minh Trail.
>
> Did you attend any of those meetings?
>
> Answer. I attended both meetings.[5]

In 1983, Noriega arranged two meetings between Torres-Arias, Boden and the FMLN rebels. Noriega wanted to have Fidel Castro introduce Torres-Arias and Boden to the FMLN leadership in order to facilitate the development of a direct relationship.[6] To conceal Havana as their real destination, Torres-Arias and Boden said they were traveling to visit Noriega in Panama. They went to Panama but were then flown to Havana in a Panamanian military jet for secret meetings with Castro and the FMLN. When the word of the trips to Havana began to circulate among the Honduran military leadership, Noriega passed the details back to the CIA.[7] News of the trips caused a scandal which led to the dismissal of both Torres-Arias and Boden from the Honduran military.

Blandon testified that by 1981, the relationship between Noriega and Torres-Arias had expanded into narcotics trafficking.[8] Blandon also testified that he had indications that the network of clandestine airstrips in Honduras which was being used to supply the Honduran-based Contras were being used by drug planes.[9]

Honduran coastal waters also have been used to transfer marijuana from mother ships to smaller shrimp boats for runs to the United States. Convicted smuggler, Leigh Ritch testified that he had cargoes of marijuana transferred from Colombian mother ships to their shrimp boats in Honduran waters. Ritch testified that the shrimp boat they used looked exactly like the ones the Hondurans used and blended in with the Honduran fleet. The Colombian mother ships off-loaded the marijuana to the shrimp boats at night

[3] Testimony of Jose Blandon, part 3, April 4, 1988, pp. 14–16.
[4] Ibid.
[5] Ibid.
[6] Ibid., pp. 17–18.
[7] Ibid., p. 15.
[8] Ibid., p. 15.
[9] Ibid., p. 17.

and the shrimp boats would then head back to the United States.[10] Convicted trafficker Michael Vogel testified that his smuggling group was offered the same off-loading use of Honduran waters.[11] While Vogel testified that he never personally used Honduras, he was aware of a group working out of Honduras in conjunction with the Honduran military.[12]

Ritch's and Vogel's account of using Honduran waters for the transshipment of marijuana was confirmed by Tomas Zepeda, the agent who opened the first DEA office in Honduras in 1981. Zepeda, in a Subcommittee deposition, stated that Honduran waters were being used for transshipment to a considerable degree.[13]

He went on to say that such transshipments were protected by the military. When the DEA would ask the Honduran Navy to intercept the smugglers' boats, Zepeda said they (Honduran naval officers) would:

> stall for time, identifying a number of problems, lack of fuel, the boat would be unable to operate. And frequently I would have to go into headquarters and request authorization to buy fuel for the patrol boats so we could go out on an operation. It was usually after the fact when we got out in the patrol area.[14]

Zepeda also said that he had received information that Torres-Arias was involved in the drug trade and that he had passed the information on to Washington.[15] According to Zepeda, when Torres-Arias was replaced by General Gustavo Alvarez the corruption at senior levels of the armed forces continued. Zepeda said that he filed extensive reports on the corruption of the military by the drug traffickers and that the corruption made his work in Honduras difficult:

"It was difficult to conduct an investigation and expect the Honduran authorities to assist in arrests when it was them we were trying to investigate," he explained.[16]

Without consulting Zepeda, the DEA office in Honduras was closed in June of 1983 for "budgetary reasons." [17] Zepeda said that if he had been asked, he would have argued that the office should have stayed in operation. He said that even though there had not been many arrests, the office had generated a substantial amount of useful intelligence, when the office closed, Zepeda was sent to the Guatemala City DEA office, where he continued to spend 70% of his time dealing with the Honduran drug problem. Zepeda testifed that the drug problem in Guatemala was less severe than the one in Honduras.[18]

[10] Testimony of Leigh Ritch, Part 2, February 8, 1988, p. 63.
[11] Deposition of Michael Vogel, March 31, 1988, pp. 24–25.
[12] Ibid., p. 32.
[13] Zepeda Deposition, Part 4, April 6, 1986, p. 720.
[14] Ibid., p. 722.
[15] Ibid., p. 720.
[16] Ibid., pp. 721–723.
[17] Ibid., p. 724.
[18] Ibid., pp. 724–725.

Bueso Rosa, Latchinian and Narco Terrorism

On October 28, 1984, the FBI seized a shipment of 345 kilos of cocaine worth an estimated $40 million on a rural airstrip in South Florida. The proceeds from the sale of cocaine were to have been used to finance a plot to assassinate Honduran President Roberto Suazo Cordoba.[19]

Arrested in the plot were General Jose Bueso-Rosa, who was at the time the Honduran military attache in Santiago, Chile, Geoard Latchinian, a Honduran arms dealer living in Miami, and Faiz Sikaffy, a Honduran businessman also living in Miami. All were charged with conspiracy to commit murder.[20]

At the time of the arrests, FBI Director William Webster stated:

> We don't want international terrorists to establish beachheads or bases for operations in the United States such as they have enjoyed for years in other parts of the world.[21]

Factual Admissions by the United States in the trial of Oliver North, released publicly on April 6, 1989, revealed that "in mid-September, 1986, Lt. Col. North advised Admiral Poindexter that U.S. Ambassador Negroponte, General Gorman of South Com, senior CIA official Duane Clarridge, and Lt. Col. North had worked out arrangements for support of the [Contra] Resistance with General Bueso-Rosa, a former Honduran military officer who had recently been convicted of offenses in the U.S. Lt. Col. North suggested that efforts be made on Bueso-Rosa's behalf to deter him from disclosing details of these covert activities."[22]

Bueso-Rosa was subsequently extradited from Chile to the United States. While Latchinian was convicted by a federal jury on conspiracy charges and sentenced to 30 years in prison, Bueso-Rosa was treated very leniently. He was sentenced to five years at Eglin Air Force Base federal prison camp in Florida, after senior U.S. government officials attempted to intercede on his behalf since ". . . he had been a friend to the U.S. . . . involved in helping us with the Contras."[23] The Justice Department had objected strenuously to the lenient treatment accorded Bueso-Rosa, arguing that the conspiracy was the "most significant case of narco-terrorism yet discovered."[24]

On November 21, 1987, Jorge Ochoa was arrested on a highway in Colombia driving a $70,000 Porche owned by Said Speer, a Honduran Colonel serving as a military attache in Bogota. Said-Speer denied knowing Ochoa and said that his use of the car was unauthorized, but he could not explain how he was able to purchase such an expensive car on the pay of a Honduran Colonel.[25]

[19] "FBI Nips Plot to Kill President of Honduras," By Robert E. Taylor, *The Wall Street Journal*, November 3, 1984.
[20] "Papers Show Drug Link to Suspect in Alleged Plot Against Honduran," by Jon Nordheimer, *The New York Times*, November 3, 1984.
[21] Taylor, op. cit.
[22] Agreed Statements, *U.S.* v. *North*, U.S. District Court, 1988, #102.
[23] Subcommittee testimony of Francis J. McNeil, Part 3, April 4, 1988, p. 52. Iran/Contra deposition of Mark M. Richard, Appendix B, Volume 23, August 19, 1987, pp. 122-128
[24] Ibid., pp. 44-49.
[25] "Military officers in Honduras are linked to the drug trade," by James Le Moyne, *The New York Times*, February 12, 1988, p. A1

On November 19, 1987, a week after authorities in Florida confiscated the largest seizure of drugs ever in the U.S. (8,000 pounds of cocaine) which had been packed in hollow furniture in a Honduran factory, DEA announced plans to reopen its Honduran office.[26]

Ramon Matta Ballesteros

In March 1985, DEA Agent Enrique Camarena was kidnapped and brutally murdered in Mexico. Camarena had been investigating the activities of Ramon Matta Ballesteros and Miguel Felix Gallardo at the time of his kidnapping. Both Ballesteros and Gallardo were believed to have been partners in a large cocaine smuggling organization which worked through Mexico to the United States. Following Camarena's murder, DEA began an intensive search for Matta.

Matta was born in Honduras and grew up in an environment of extreme poverty and illiteracy. As a young man he obtained a false visa and moved to the United States. He was eventually captured by immigration officials and deported. He returned to the United States where he was sentenced to five years at a minimum security prison in Florida. After serving three and one-half years of his sentence, he bribed his way out of prison and fled to Mexico where he joined a drug smuggling ring. He rose through the ranks to become one of the top people in the smuggling organization at the time DEA agent Camarena began his inquiry.[27]

DEA tracked Matta to Cartagena, Colombia where he was arrested and set for extradition. The Medellin cartel planned an escape from the La Picota prison in Bogota but the warden, Alcides Arismendi, blocked their plans. In revenge, the Carteal murdered Arismendi while his car was stalled in Bogota traffic. The Cartel's second attempt at rescuing Matta was successful. They paid $2 million in bribes to the prison guards and Matta walked out of jail and flew to Tegucigalpa. Once back in Honduras, he surrendered to authorities on outstanding murder charges. He was subsequently found innocent and resumed a "normal" life. He believed that he was safe from extradition to the United States because the Honduran constitution forbids the extradition of Honduran nationals.

Matta, who had been characterized by U.S. Customs officials as a class 1 DEA violator, quickly become one of Tegucigalpa's leading citizens. He helped establish an airline company, SETCO, which among other services provided cargo transport services for contras based in Honduras.[28] He took up residence on a large estate and began giving money to the poor. At the same time, U.S. law enforcement officials believed that he began running his cocaine smuggling operation from Tegucigalpa. Their suspicions about his activities increased as the result of two large seizures of cocaine from Honduras in South Florida. The seizures, which totaled more than 5,000 kilos were both concealed in containers shipped from Honduras to the United States.

[26] U.S. looks at Honduras as drug transfer point; DEA reopening office in Tegucigalpa," The Washington Post, By Wilson Ring, December 7, 1987, p. A2. INSCR U.S. Department of State, INM Bureau, March 1988, p. 128-129.
[27] "U.S. grills Honduran drug lord" Dave von Drehle, *Miami Herald*, p. 1 April 7, 1988.
[28] U.S. Customs Investigation Report, May 9, 1983, pp. B-10.

In addition, convicted smuggler Michael Vogel stated that in the course of his drug trafficking and looking into the possibility of trafficking through Honduras, he was informed that an individual named Matta was the Cartel's point man in Honduras specifically and Central America generally, and that to engage in any narcotics activity in Honduras one had to have his cooperation.[29]

Despite his connection to the Camarena murder and his widely suspected drug dealing, the United States did not pressure the Honduran government to take steps to expel him from the country or curb his activities until April 1988. On April 5, 1988, the military arrested him and expelled him from the country by putting him on a plane to the Dominican Republic. Upon arrival in the Dominican Republic, he was put on a plane to Miami with American authorities who arrested his as soon as the plane was in American airspace. The arrest occurred on the eve of Zepeda's scheduled testimony before the Subcommittee.

Rigoberto Regalado Lara

On May 16, 1988, the Honduran Ambassador to Panama was ordered held without bond in Miami after U.S. Customs agents found nearly 26 pounds of cocaine in his luggage.

The Ambassador, Rigoberto Regalado Lara, a retired Honduran army Colonel and step-brother of the Honduran armed forces' commander-in-chief, had been Ambassador to Panama since 1986. In response to the arrest, the Honduran government notified U.S. authorities that Regalado's diplomatic immunity had been suspended, allowing Regalado to be prosecuted under the laws of the United States.

Regalado had arrived at Miami International Airport from Tegucigalpa on a TAN Airlines flight on May 15. A Customs inspector checking his luggage found the cocaine inside 10 packages surrounded by coffee and wrapped in plastic, concealed inside pant legs and other clothing in his suitcase.[30]

Policy Issues

A review of the history of gun running and drug trafficking through Honduras suggests that elements of the Honduran military were involved in the shipment of weapons to the FMLN in El Salvador and in the protection of drug traffickers from 1980 on. These activities were reported to appropriate U.S. government officials throughout the period.

Instead of moving decisively to close down the drug trafficking by stepping up the DEA presence in the country and using the foreign assistance the United States was extending to the Hondurans as a lever, the United States closed the DEA office in Tegucigalpa and appears to have ignored the issue. Little public attention was focused on the presence of Matta Ballesteros in the country until the February 1988 *New York Times* article.[31]

[29] Ibid., pp. 32–33.
[30] "Ambassador held on drug charge," *The Miami Herald*, May 17, 1988.
[31] "Le Moyne, *New York Times*, op. cit.

Moreover, as previously noted, when a former Honduran military officer who has assisted the United States in the Contra war against Nicaragua became involved in a "narco-terrorist" plot to kill the elected president of Honduras, high officials of the U.S. government interceded in an effort to get his sentence reduced.

Denying weapons to the FMLN was a major U.S. policy objective in the early 1980's. It was so important that it became a central issue in United States-Nicaraguan relations and became a justification for various U.S. supported actions against the Sandinistas.

As in the case of Panama, it appears that a compelling factor in United States-Honduran relations was support for American policy in the region, especially support for the Contra war. As long as the Honduran government provided that support, the other issues were of secondary importance.

PANAMA

Introduction

The indictment of General Manuel Antonio Noriega on federal narcotics charges in late January, 1988, did not come as a surprise to either the Executive Branch or the Congress.

By the time General Noriega was indicted, the United States government had received substantial information about the criminal involvement of top Panamanian officials for nearly twenty years and done little to respond.

The failure of U.S. officials to act was largely the result of the relationships Panamanian officials had developed with U.S. intelligence and law enforcement agencies in performing services for them on a variety of matters, including drug enforcement. It was also a consequence of the desire of US officials to maintain good relations with the Panamanian government during the negotation and ratification period of the new Panama Canal Treaties during the Nixon-Ford and Carter Administrations. And it was a consequence of General Noriega's provision of Panamanian help with the Contras during the Reagan Administration.

The Subcommittee has reached these conclusions on the basis of sworn testimony from former U.S. officials responsible for handling U.S. policy toward Panama, Panamanian officials who formerly worked with General Noriega, and drug traffickers who had been in the narcotics business with the Panamanian dictator. The testimony of both the former Panamanian officials and the drug traffickers associated with Noriega were used by the federal government as the basis for the Noriega indictments. In addition, the Subcommittee received testimony from drug traffickers who entered into agreements with General Noriega to move drugs or launder money.

Significant information essential to reaching a more complete understanding of the evolution of US policy to Noriega has been kept from the Congress by the Executive Branch. In April, 1988, Senator Kerry asked the General Accounting Office to review relevant files in the U.S. agencies involved with Panama policy to determine the process by which that policy was made. In July, the National Security Council denied the GAO access to the files neces-

sary to complete the job on the grounds of national security. The NSC ordered all relevant agencies to withhold their files on Panama from the GAO. As a consequence, the Subcommittee has not been able to undertake a full analysis of how the Noriega problem was handled by the U.S. prior to his indictment.

The Subcommittee believes it is essential that the new Administration make it possible for the GAO to follow through with its review of past U.S. policy toward Panama.[1]

Origins of Corruption in Money Laundering

Until 1968, Panamanian politics were dominated by a small group of leading families which controlled the economic and political life in the country. Key decisions were made by coalitions of political parties which worked out disputes among these elites.[2]

Omar Torrijos, a populist general, changed the system in 1968, when he led a coup against the civilian government and put himself in charge of the country. The military took control of the political system, and began to integrate the urban lower classes and the rural peasants into the political and economic mainstream of Panamanian society.[3]

Torrijos then turned his attention to developing the Panamanian economy. These efforts included the development of Panama as an international banking center. Torrijos was advised that Panama could simultaneously become a tax haven by eliminating income taxes and a bank haven by developing strict bank secrecy laws along the lines of Switzerland. By using the U.S. dollar as its official currency and developing a legal system which allows the formation of "bearer share" anonymous corporations, Panama could become an ideal site for people and institutions from around the world to deposit their money without having to worry about convertibility, taxation, or disclosure.[4]

During the late 1970's and early 1980's, illegal dollars began to enter Panama via private planes, by private couriers, in passenger suitcases on commercial flights, and as air freight. Eventually, this activity was facilitated by the Panamanian military, who supervised the off-loading of cash into armored cars.[5]

By the end of the Carter Administration, U.S. intelligence had begun to recognize Panama's increasing importance as a center for laundering U.S. currency. By the early 1980's, the Central Intelligence Agency suspected that Panamanian officials were involved in facilitating money laundering for drug traffickers.[6] U.S. policy makers did not take any steps in response to this evidence, however, and official corruption in Panama spread from money laundering to a wide array of criminal activities, including narcotics trafficking by public officials, their relatives and associates.

[1] See GAO–NSC correspondence.
[2] "Panama's Political Crisis: Prospects and U.S. Policy Concerns," CRS Issue Brief, June 16, 1988, p. 2.
[3] Ibid.
[4] See Subcommittee testimony of Martin Mayer, Part 3, April 5, 1988, pp. 67–68.
[5] Subcommittee testimony of George Morales, Part 3, April 7, 1988, pp. 293–294; Leigh Ritch, Part 2, February 8, 1988, pp. 66–68; Ramon Milian Rodriguez, Part 2, p. 247.
[6] Subcommittee testimony of Admiral Murphy, Part 4, July 14, 1988, p. 289.

Prior to Torrijo's death in 1981, Noriega began providing money laundering services for the Colombian cocaine traffickers through their Miami accountant and money launderer, Ramon Milian Rodriguez. Milian Rodriguez testified that he had begun to rely on Panamanian Defense Force officials to assist him in laundering money from 1976 through 1979, before reaching a personal agreement regarding the handling of drug money with Noriega in 1979. Milian Rodriguez testified that at that meeting in 1979, he negotiated an agreement on behalf of the Medellin Cartel under which Noriega received a commission for providing security and related services for the drug money, ranging from one-half of one percent to ten percent, depending on the services performed.[7]

According to Milian Rodriguez, between 1979 and 1983, the PDF helped the Medellin cartel launder billions of dollars through Panama, meeting airplanes filled with Cartel money from Miami at the Panamanian airport, guarding the money as it was loaded into armored cars, and delivering the money to the Banco Nacional de Panama.[8]

Milian Rodriguez testified that in May 1983, Noriega decided to eliminate him as a middle-man for laundering cartel drug money. Noriega arranged to have information about the money laundering activities of Milian Rodriguez passed on to the DEA. The tip resulted in Milian Rodriguez' arrest by the Customs Service and the end of his money laundering career. Milian Rodriguez believed Noriega had him arrested to allow "Noriega's cronies", to take control of the money laundering business, an assertion corroborated by Jose Blandon in earlier testimony before the Subcommittee.[9] The assertion is further corroborated by a letter that DEA Special Agent James L. Bramble wrote Noriega on July 15, 1983 to thank him for assisting in the investigation of Milian Rodriguez.[10]

Shortly after Milian Rodriguez' arrest in 1983, Cesar Rodriguez, a member of Noriega's "civilian group," began referring drug traffickers with currency to launder to the Bank of Credit and Commerce International branch in Panama.[11] BCCI had opened a branch in Panama in 1980, following a period during which its London staff cultivated relationships with then President Royo, General Torrijos and Colonel Noriega.[12] Amjad Awan, a BCCI officer who had entertained a number of the Panamanians in London, became the BCCI's Panamanian branch manager.[13]

In sworn testimony taken by the Subcommittee, Amjad Awan denied the allegations that he or the BCCI branch in Panama handled money from drug dealers.[14] However, the bank has acknowledged having an account relationship with Cesar Rodriguez which included multi-million dollar loans. Furthermore, Awan's subsequent indictment on money laundering charges in Tampa suggests

[7] Subcommittee testimony of Milian Rodriguez, Part 2, pp. 230–231.
[8] Ibid., pp. 227–228.
[9] Testimony of Ramon Milian Rodriguez, Part 2, Feb. 11, 1988, pp. 254–255, Blandon, Part 3, April 4, 1988, pp. 26–27.
[10] See *The Washington Post*, April 3, 1989, "Panamanians Arrest 5 Accused in Drug Ring, A-35.
[11] Subcommittee testimony of Leigh Ritch, Part 2, Feb. 8, 1988, p. 70.
[12] Deposition of Amjad Awan, Part 4, Sept. 30, 1988, pp. 470–471.
[13] Ibid., p. 472.
[14] Ibid., p. 513.

he lied to the Subcommittee about his role in the money laundering business. His testimony on this subject has been referred to the U.S. Attorney for possible prosecution for perjury.

According to Awan and officials of the bank, in 1982 Noriega opened an account at BCCI with large amounts of cash. The account gradually grew to around $20 million through deposits of several hundred thousand dollars in cash at a time. Noriega instructed the bank to keep the records of the account away from Panamanian nationals and to book the account outside of the country.[15]

Noriega then used the account to make cash payments to Panamanian political figures. Awan said that he assumed that the payments were being made in connection with the presidential election scheduled for 1984. He said Noriega gave the politicians handwritten notes which instructed the bank to hand over to them certain amounts of cash. Noriega then called the bank to say that someone would be coming by with a note of instruction, and Awan would give the cash to the person with the note.[16]

Early Panamanian Involvement in Narcotics

The Panamanian military first formed ties with drug traffickers in the early 1970's. According to press accounts, these initial contacts were noted by the US Bureau of Narcotics and Dangerous Drugs (the "BNDD"), which identified Noriega, then in charge of Panamanian military intelligence, as working with the traffickers.[17]

In 1972, while the United States was negotiating with Panama over the future control of the Canal, the brother of the late General Omar Torrijos, Moises Torrijos, was indicted for smuggling drugs in Panamanian diplomatic pouches. U.S. law enforcement authorities learned that he was planning to transit the Canal Zone, which at that time was under U.S. jurisdiction, and made plans to have him arrested. However, General Torrijos was alerted that his brother was about to be arrested as soon as he entered the Canal Zone. It was this tip that allowed Moises Torrijos to escape capture.[18]

During consideration of the Panama Canal Treaties, the Senate Select Committee on Intelligence was asked to evaluate narcotics intelligence on Panamanian involvement in the drug trade. The Committee's then-Chairman, Senator Birch Bayh, reported to the Senate on the BNDD's evidence of involvement of prominent Panamanians in drug trafficking. Among those cited by Bayh were General Torrijos' brother, Moises Torrijos, then-Foreign Minister Juan Tack, who was said to have signed the diplomatic passports of drug smugglers, and Raphael Richard Gonzalez, the son of the then-Panamanian Ambassador to Taiwan.[19] Moises Torrijos' drug trafficking was cited by some Senators as justification for voting against the Treaty.[20]

[15] Ibid., pp. 477–479.
[16] Ibid., pp. 479–480.
[17] See "Panamanian military officers deemed drug traffickers," Knut Royce, *The Times Union*, Albany, New York, June 10, 1988, p. A–1.
[18] Congressional Record, Feb. 22, 1989, p. S4115.
[19] Senate Congressional Record, Feb. 21, 1978, S3980–3981.
[20] Congressional Record Feb. 21, 1978, pp. S3975–3983.

After the passage of the Treaty, no further action was taken by the US to respond to the drug-related corruption in Panama. Indeed, the issue of official corruption in Panama faded from public prominence until Noriega took power following the death of Torrijos in a plane crash on July 31, 1981.

Noriega's Corruption of Panamanian Institutions

The first ties between the Panamanian military and narcotics traffickers took place while General Torrijos was still alive.[21] However, as General Noriega consolidated his power, the narcotics situation in Panama grew significantly more serious. As a consequence, the military took increasing control of Panama's most important institutions, and used them not only to generate revenue for PDF officials, but also to exercise control over the drug trade.[22]

Noriega gained control of the Customs, Immigration and Passport Services, Civil Aeronautics, the National Bank of Panama and the Attorney General's Office, which together represented the major Panamanian institutions with jurisdiction over the narcotics trade. Noriega pushed legislation through the National Assembly consolidating the National Guard, Air Force, Navy, police, and Customs under a single command called the Panamanian Defense Forces (PDF).[23]

As head of the PDF, Noriega now controlled all elements of the Panamanian government essential to the protection of drug trafficking and money laundering, thus accomplishing two goals simultaneously—increasing his control over Panama and enriching himself. Noriega had turned Panama's political system into what one witness termed a "narcokleptocracy," a political system in which Panamanian government became controlled by personal loyalties to Noriega, cemented by graft and corruption, and substantially funded with narcotics money.[24]

According to Noriega's former political advisor, Jose Blandon, and his former personal pilot, Floyd Carlton, Noriega's partners in corruption in Panama ultimately included many of the PDF's top officials. Among them were: Major Nivaldo Madrinan, chief of the National Department of Investigations; Major Luis Cordoba, Chief of the Transportation Department of Panama; Major Luis del Cid, Commander, Chiriqui Region, an area used by drug smugglers for their operations; Major Cleto Hernandez, who simultaneously served as Chief of the Panama Penitentiary and as a liaison with the drug dealers; Major Jaime Benitez, Commander, Colon Region; Major Rafael Cedeno, Noriega's personal assistant; Major Hilario Trujillo, Commander of the Central Zone; and Captain Luis Quiel, whom Noriega simultaneously placed in charge of Panama's anti-drug smuggling unit and as a liaison to the Medellin cartel. Ironically, Quiel was at the same time Noriega's representative to the DEA, and thus in a position to alert the drug traffickers to whatever information the DEA had provided him.[25]

[21] Subcommittee Testimony of Carlton, Part 2, February 10, 1988, p. 216.
[22] Ibid.
[23] Blandon, Part 2, February 9, 1988, pp. 101–102.
[24] Milian Rodriguez, Part 2, p. 255; Blandon, Part 2, p. 14B.
[25] Blandon, Part 2, pp. 91–93; Blandon Memorandum to Subcommittee, Feb. 8, 1988; Carlton, Part 2, p. 213.

Blandon told the Subcommittee that a group of officers from the Panamanian Air Force also participated in drug trafficking for Noriega, among them Colonel Alberto Purcell, Lt. Col. Lorenzo Purcell, and Major Alberto Fundora, as well as Air Force Chief of Staff Marcos Justines, all of whom enjoyed the profits of the smuggling operations.[26]

In addition to these military groups, Noriega also worked closely with a group of non-military personnel who became known as "the civilian group." This group, which included his personal pilots, engaged in a variety of criminal activities at Noriega's direction. Prominent members of this group who handled illicit operations for Noriega included Enrique Pretelt, Ricardo Bilonik, John and Jorge Krupnick, Carlos Wittgreen, George Novey III, Cesar Rodriguez, and Floyd Carlton.[27]

Noriega's Involvement in the Arms Business

Even before Torrijo's death, Noriega had been active in the gray market arms business, using his control of the government security apparatus to arrange Panamanian end user certificates which legitimized the shipment of arms to Panama. Once in Panama, Noriega would sell the weapons to whomever bid the most for them.[28]

His earliest clients included the Sandinistas who were then trying to overthrow the Nicaraguan government of Anastasio Somoza.[29] The weapons were purchased in Europe by Michael Harari and Jorge Krupnick, who worked with Noriega.[30] The arms were moved to Costa Rica for shipment to the Sandinistas under the eye of Noriega's partner, Costa Rican Security Minister Johnny Echevarria. Although many weapons were in fact sold to the Sandinistas, many more wound up in storage in Costa Rica when the Sandinista war ended in 1979.[31]

According to Floyd Carlton, a partner of Cesar Rodriguez and pilot for Noriega, the excess weapons were then marketed by Panama to the rebels in El Salvador.[32]

Carlton and his partner Cesar Rodriguez flew the guns into El Salvador in 1980 using Panamanian military aircraft. One one of the trips, Rodriguez' plane was damaged on takeoff and crashed when he tried to land in El Salvador. Carlton, who flew a second plane on the same delivery mission, pulled Cesar Rodriguez from the wreckage, put him in his plane and flew to Panama where they both went into hiding.[33]

When Salvadoran officials discovered the wreckage of the Panamanian Defense Forces plane, the origin of the weapons for the rebels was obvious. According to Blandon, the Salvadoran government formally protested to Torrijos about the weapons deliveries,

[26] Blandon Memorandum to Subcommittee, Feb. 8, 1988.
[27] Blandon, Part 2, p. 91; see also testimony of Steven M. Kalish, Senate Permanent Subcommittee on Investigations, January 28, 1988; and Blandon Memorandum to Subcommittee, Feb. 8, 1988.
[28] Blandon, ibid., pp. 86, 138.
[29] Ibid.
[30] Subcommittee Testimony of Jose Blandon, Part 2, February 9, 1988, pp. 93-94, 140.
[31] Blandon, Part 2, Feb. 9, 1988, pp. 139-140 and Testimony of Francis McNeil, Part 3, April 4, 1988, p. 53.
[32] Subcommittee testimony of Carlton, Part 2, Feb. 10, 1988, p. 193.
[33] Carlton, Part 2, February 10, 1988, pp. 193-195.

and the General conducted a superficial inquiry that failed to explain the incident.[34]

According to Carlton, the political crisis caused by the crash subsided and the Noriega weapons continued to expand. Noriega used his contacts with military intelligence counterparts in the region to find and develop weapons markets which he could supply profitably.

One such market became the Contras. With the El Salvador trade slowing, Noriega put his pilots to work flying weapons from Panama to Costa Rica for the Contras. According to Werner Lotz, many of the pilots moved mixed cargoes of guns and drugs to the bases in Costa Rica, dropped off the guns and flew on to the United States with drugs.[35]

Noriega also developed other criminal enterprises to supplement the revenues he was receiving from money laundering, weapons deals, and narcotics. Among Noriega's business interests were relationships with companies operating in the Colon "free zone," opened in 1953 as a center for duty free transshipment of goods in and out of Panama.[36]

Noriega allowed the Cuban government to establish companies in the zone. The companies repackaged embargoed Cuban goods for export to the United States and imported prohibited high technology goods from the United States for re-export to Cuba. The trade in Cuban seafood through Panama to the U.S. became particularly large.[37]

Other Noriega business interests have included a company owned by Noriega's brother-in-law Ramon Serio, called Marinac, which has had the monopoly on all identity cards for seamen in the Panamanian merchant marine. The identity card business produces more than $20 million a year.[38] According to Blandon, Noriega also controlled the liquor concessions at the Panamanian airports, the leather export monopoly, the company controlling the free zone, a television station, a number of banks, and a variety of other businesses.[39]

Noriega and the Cartel

According to Milian-Rodriguez, the cartel chose to deal with Noriega rather than other corrupt officers of equal rank because they believed Noriega alone was in the position to provide them with both the intelligence and protection they needed.[40]

By mid-1982, Noriega was working with the Medellin cocaine cartel on several fronts. First, he was laundering their drug money through the agreement negotiated by Milian Rodriguez. Second, he permitted the cartel to establish processing plants in Panama, including one in the province of El Darien in La Palma, near the Colombian border. The plant was built as the result of an agreement

[34] Carlton, Part 2, February 10, 1988, pp. 193-195.
[35] Lotz Deposition, Part 4, April 8, 1988, pp. 682-684.
[36] Blandon, Part 2, pp. 93-99; for free zone's status and history, see Area Handbook for Panama, Foreign Area Studies Department, American University, 1972, p. 329.
[37] Blandon, Part 2, Feb. 9, 1988, pp. 84-85, p. 93.
[38] Blandon, Part 2, Feb. 9, 1988, p. 95.
[39] Ibid., pp. 98-99.
[40] Closed Testimony of Milian Rodriguez, June 25, 1987, p. 88.

negotiated on Noriega's behalf by Lt. Colonel Julian Borbúa Melo of the Panamanian National Guard. Third, he began to use members of his "civilian group" to smuggle narcotics directly.[41]

In 1982, Floyd Carlton was both a member of General Noriega's "civilian group" and General Noriega's personal pilot. In 1986, Carlton was arrested by the United States, and convicted on narcotics charges. In 1987, Carlton became a principal witness against Noriega in the Grand Jury case brought in the Southern District of Florida that led to Noriega's indictment.

Carlton described in detail to the Subcommittee how he established a narcotics trafficking business, on Noriega's behalf with the Medellin cartel.

Carlton testified that he entered the business of smuggling cocaine in mid-1982 while working as Noriega's personal pilot. Carlton said that he had several meetings with Pablo Escobar and Gustavo Gavera, two leaders of the cartel, who asked him to smuggle cocaine from Colombia into Panama for the cartel. Carlton initially declined, but changed his mind after discussing the matter with Noriega a few weeks later.

Carlton testified that on his second meeting with Escobar, Escobar offered to pay Noriega $30,000 to $40,000 per load of cocaine, and Carlton $400 per kilo. According to Carlton, Noriega advised Carlton that this was too little, and that he wanted $100,000 for the first trip in advance. The cartel agreed. Ultimately, Noriega was paid $100,000 for Carlton's first flight, $150,000 for Carlton's second flight $200,000 for Carlton's third flight of cocaine, and $250,000 for Carlton's fourth flight of cocaine.[42]

Carlton testified that he was only one of Noriega's several partners in drug trafficking. Among others were Cesar Rodriguez, a drug pilot who obtained the planes needed to smuggle narcotics from among those seized by the Panamanian government from other traffickers.[43]

Noriega's Rift With the Cartel

In May, 1984, on the day of the Panamanian elections, the leaders of the Medellin cartel came to Panama to meet with the former president of the country, Lopez Michelsen. They had engineered the assassination of the Colombian Minister of Justice, Lara Bonilla, a week earlier, and needed protection and asylum until the furor died down.[44] Noriega told associates that the cartel paid between $4 million and $7 million for Noriega's protection of individuals in the Cartel during this period.[45]

However by mid-May, Noriega became concerned about the pressure he was receiving from U.S. law enforement personnel concerning the cocaine processing plant he had allowed the cartel to establish in Darien, Panama.[46] Now that he was harboring the cartel

[41] Blandon, Part 2, Feb. 9, 1988, pp. 88, 101–102.
[42] Subcommittee testimony of Carlton, Part 2, February 10, 1988, pp. 188–190.
[43] Subcommittee testimony of Carlton, Part 2, Feb. 10, 1988, p. 191.
[44] Subcommittee testimony of Blandon, Part 2, Feb. 9, 1988, pp. 101, 103; Carlton, Part 2, Feb. 10, 1988, p. 197.
[45] Blandon, ibid., pp. 101, 103; Carlton, ibid., pp. 197–199.
[46] Carlton, ibid., p. 199.

leaders, Noriega feared that if he allowed Darien to remain open, the U.S. might recognize that he had become a partner of the Medellin cartel. He therefore decided to allow the Panamanian defense forces to conduct a raid on the cartel's cocaine processing plant at Darien. Twenty-three of the cartel's personnel were captured in the raid, and the plant and equipment were seized.[47]

Blandon testified that the Medellin cartel had paid Noriega $5 million to protect the plant, in addition to protection money for harboring them from Colombian justice. The cartel leaders felt Noriega had betrayed them and began planning his assassination.[48] Noriega, who was travelling in Israel, learned of the plot and decided to stay in London until arrangements could be made through Fidel Castro to rescind the cartel's order to have him killed.

Blandon testified that Noriega personally sent him to meet with Castro to solve the problem with the cartel. Blandon said that Castro proposed a solution whereby the $5 million would be returned to the cartel along with the machinery for the plant. The 23 persons arrested in the raid on Darien would be released. Noriega agreed to the terms proposed by Castro. The 23 people were deported, and the Panamanian government dropped the criminal cases against the cartel's employees.[49]

Noriega's U.S. Partners

By 1983, Noriega's willingness to become an active participant in narcotics trafficking became known among U.S. drug traffickers, who began to approach him for assistance in moving narcotics through Panama to the United States.

One American partner of General Noriega was the Ritch-Kalish organization, which smuggled significant quantities of marijuana into the U.S. over a period of more than a decade. Initially, the Ritch-Kalish organization had used the Cayman Islands to launder money. After learning that the PDF and General Noriega were making Panama available to narcotics traffickers, the organization approached Noriega and paid him a $300,000 cash bribe in September, 1983. Noriega allowed the organization to use Panama as its base, permitted the drug traffickers to purchase a residence near one of his own personal homes, and ultimately entered into a full partnership with the organization.[50]

Noriega invited Kalish to become a partner in Servicios Turisticos, a business operated by "civilian group" members Rodriguez and Pretelt as well as Noriega. Kalish made a $400,000 payment for 25 percent of the stock of the company, of which half went to Noriega. By the end of 1983, Kalish was negotiating for Noriega on the purchase of airplanes, including a Boeing 727 to be used by Noriega for money laundering. According to Kalish, Noriega intended to use that plane to fly money out of Washington, D.C. under diplomatic cover.[51]

[47] Carlton, ibid., Blandon, ibid., pp. 101–106.
[48] Blandon, ibid., pp. 101–102.
[49] Blandon, ibid., pp. 101–106.
[50] Testimony of John Kalish, Senate Permanent Subcommittee on Investigations, Jan. 28, 1988, p. 4.
[51] Ibid., pp. 5–8.

In return for such favors, Noriega provided the Kalish drug smuggling organization with military protection and favorable treatment. Kalish himself received three Panamanian passports, including one Panamanian diplomatic passport. Noriega continued to work with Kalish in drug smuggling operations until Kalish's arrest and incarceration in Tampa, Florida on July 26, 1984.[52]

U.S. Knowledge of Noriega's Activities

As a consequence of the NSC's decision to prohibit GAO investigators from receiving information regarding US policymaking on Noriega and narcotics, the Subcommittee cannot definitely determine what U.S. agencies knew about Noriega and when they knew it. (The GAO's report to the Subcommittee Chairman regarding the status of its inquiry, as well as a chronology of the GAO's attempt to reach agreement with the various agencies of the U.S. government in compiling the information on General Noriega requested by the Congress, are included as an appendix to this report.)

However, it is clear from the testimony of a number of witnesses before the Subcommittee that Noriega's activities in connection with narcotics had become widely known within Latin America by the mid-1980's.[53]

This knowledge extended to some of Noriega's political opponents in Panama. By 1984, a prominent member of the Panamanian opposition, Dr. Hugo Spadafora, began to publicly criticize Noriega for working with Colombian traffickers in the narcotics business. Subcommittee witnesses testified that Noriega arranged in response to have Spadafora tortured and murdered by members of the Panamanian Defense Forces in September 1985. The involvement of the PDF was confirmed by a number of sources, including Noriega's personal pilot, Carlton and Blandon. The murder of Spadafora focused further attention in Panama on Noriega's involvement with narcotics and related activities.[54]

The most detailed account of the evolution of U.S. policy toward Noriega provided the Subcommittee came from Francis J. McNeil, a career State Department official who had been Ambassador to Costa Rica from 1980 through 1983 and Deputy Assistant Secretary of the Intelligence and Research Bureau at State.

According to McNeil, the State Department never trusted Noriega, referring to him "early on" as "the rent-a-colonel, in tribute to his ability to simultaneously milk the antagonistic intelligence services of the United States." [55]

McNeil characterized Noriega's relationship with American intelligence agencies as too "cozy," leading our intelligence agencies to depend on him and Panamanian intelligence for handouts, and treating Noriega as an allied service. McNeil stated that the consequence was that the U.S. took a "see no evil approach" to Noriega, which was a "true intelligence failure, the accountability for which

[52] Ibid.
[53] Subcommittee testimony of Ritch, Part 2, pp. 65–69; Blandon, Part 2, pp. 112–113; Camper, Part 4, pp. 292–293; see testimony of Dr. Norman Baily, House Select Committee on Narcotics Abuse and Contril, March 28, 1988, pp. 5–8.
[54] Subcommittee testimony of Floyd Carlton, Part 2, Feb. 10, 1988, p. 202; McNeil Prepared Statement, Part 3, p. 323.
[55] McNeil Prepared Statement, Part 3, p. 318.

rests with the intelligence folk who had become Noriega's clients." [56]

McNeil described how in 1980 the U.S. was aware that Cesar Rodriguez was engaged in smuggling guns to Salvadoran rebels while smuggling drugs to the U.S. The U.S. complained to General Torrijos, who in turn ordered Panamanian officials to "knock it off." The consequence was "a dimunition of Panamanian involvement" until Torrijos' death.[57]

According to McNeil, the Spadafora murder and the exposure of the involvement of a PDF officer in cocaine trafficking "had upped the pressure on narcotics," although the US still had not confronted Noriega directly on these problems.[58]

On June 13, 1986, a lengthy article appeared in the *New York Times* describing Noriega's narcotics trafficking, quoting unnamed White House and Administration officials. After the article appeared, the State Department commissioned an investigation of the charges, which concluded that Noriega ran Panama, that Noriega was corrupt, and that "we know for certain PDF officials are involved in the cocaine trade but we don't have that evidence on Noriega." According to McNeil, the analysis recognized that "not a sparrow falls [in Panama] without him taking a feather," and that "Noriega has to know [about the drug trafficking] and is likely getting a share." [59]

McNeil testified that a formal policy review took place shortly thereafter in 1986. The participants in the review included the Panama Regional Interagency Group, and representatives of the CIA, State Department and Defense Department. At the meeting "several of us suggested in different ways that the Noriega issue wasn't going to go away if for no other reason than narcotics." However, after the meeting, "a decision was made to put Noriega on the shelf until Nicaragua was settled."[60]

Assistant Secretary of State for Inter-American Affairs, Elliott Abrams, in a public statement, subsequently denied McNeil's assertion that the U.S. delay responding to the Noriega drug problem because of Nicaragua.

Other US officials who testified before the Subcommittee gave conflicting accounts of when the U.S. first had information about Noriega's involvement in narcotics.

According to a DEA agent based in South America, the U.S. first received reports linking Noriega and narcotics before 1978.[61] According to this official, Col. Noriega and Gen. Omar Torrijos were then seen visiting Medellin where they were met by drug traffickers. This trip and subsequent trips to Colombia by Noriega and Torrijos were reported to DEA headquarters.[62]

By 1980 or 1981, according to Nestor Sanchez, the CIA liaison for Central America, U.S. officials were aware of "rumors" that the Panamanian Defense Forces and government officials were in-

[56] Ibid., p. 319.
[57] McNeil Prepared Statement, ibid, pp. 320–321.
[58] McNeil Prepared Statement, ibid, Vol 3, p. 323.
[59] Ibid., p. 323.
[60] Subcommittee testimony of McNeil, Part 3, April 20, 1988 p. 42.
[61] Deposition of Thomas Cepeda, Part 4, April 21, 1988, pp. 729–730.
[62] Ibid.

volved in narcotics trafficking, but that there was no hard evidence to confirm the rumors as fact.[63]

While Noriega was aggressively expanding his criminal enterprises, the U.S. was apparently unable to make any further progress in determining whether the "rumors" were true or false, according to General Paul Gorman, former commander in chief of the United States Southern Command. Gorman told the Subcommittee that after he assumed his position in Panama in 1983, he specifically tried to find out whether the rumors about Noriega's criminal involvement were true, and was unable to establish that Noriega was committing any crimes. Gorman testified that he had been assured by the U.S. Embassy in Panama that Noriega was cooperating with American efforts to combat narcotics trafficking. Gorman contended that he only learned of Noriega's personal involvement in laundering narcotics money in 1986, upon reviewing a report of the President's Commission on Organized Crime.[64]

A different assessment was provided by Dr. Norman Bailey, a former senior staff member of the National Security Council under President Reagan between 1981 and 1983. In testimony before the House Select Committee on Narcotics, Dr. Bailey stated that at the time he was at the NSC there already existed "available to any authorized official of the U.S. government . . . a plethora of human intelligence, electronic intercepts and satellite and overflight photography that taken together constitute[d] not a 'smoking gun' but rather a twenty-one cannon barrage of evidence" of Noriega's involvement in criminal activity and drugs.[65]

Dr. Bailey testified that "in connection with his duties and in collaboration with the White House Office of Drug Enforcement" he discovered while at the NSC that "the Panama Defense Forces . . . and its high officials have been extensively and directly engaged in or engaged in aiding and abetting" drug trafficking to the U.S., gunrunning to the Sandinistas, Contras, Salvadoran guerrillas, the M-19 and FARC in Colombia, illegal technology transfers to the Soviet bloc, and money laundering.[66]

According to the DEA, between 1970 and 1987, Noriega's name appeared in more than 80 different DEA files.[67] However, there were no follow up investigations as these references were not corroborated, but were typically "third party or hearsay information which we cannot pursue very well."[68] Less than eight weeks before Noriega was indicted, Drug Enforcement Agency Administrator John Lawn told Admiral Murphy that no indictment would be issued because there was insufficient evidence against Noriega.[69]

William Von Raab, the Commissioner for the Customs Service testified before the Committee that his organization had evidence linking General Noriega and narcotics trafficking as early as 1983.[70]

[63] Subcommittee testimony of Nestor Sanchez, July 12, 1988, p. 195.
[64] Subcommittee testimony of Paul Gorman, Part 2, pp. 38–89.
[65] Bailey testimony, House Select Committee on Narcotics Abuse and Control, SCNAC-100-2-3, "U.S. Foreign Policy and International Narcotics Contro—Part II," March 29, 1988, p. 79.
[66] Bailey, ibid, pp. 5–6.
[67] Subcommittee testimony of John C. Lawn, Part 4, p. 141.
[68] Subcommittee testimony of David Westrate, Part 4, p. 141.
[69] Subcommittee testimony of Admiral Daniel C. Murphy, Part 4, pp. 239–240.
[70] Senate Foreign Relations Committee hearing to review the President's Annual International Narcotics Control Strategy Report, March 14, 1988, p. 95.

In April, 1986, Senator Jesse Helms, as chairman of the Western Hemisphere Subcommittee, held hearings on Panama which provided some public details about drug trafficking by Panamanian officials. In those hearings, Norman Bailey, a former Reagan NSC staffer, testified publicly that Noriega was "widely suspected of drug dealings" and that the Organization of American States needed to meet to restore constitutional government in Panama and remove Noriega in order to respond to Panama's growing drug problem.[71]

During those hearings, Raymond J. McKinnon of the Drug Enforcement Agency testified that the United States knew that Panama was becoming a money laundering center, a transit country for narcotics en route from South America to the United States, a transit country for precursor chemicals, principally ether used for the production of cocaine, and a center for the local cultivation of marijuana.[72] Then-Assistant Secretary of State Elliot Abrams further testified that the United States also was "aware of and deeply troubled by persistent rumors of corrupt, official involvement of Panamanians in drug trafficking.[73]

Following the hearings chaired by Senator Helms, a number of press accounts provided further information regarding Noriega's narcotics-related corruption, beginning with the front-page *The New York Times* article on June 12, 1986, which quoted officials in the Reagan Administration and past Administrations as stating that they had overlooked General Noriega's illegal activities because of his cooperation with American intelligence.[74] By January 1987, the *Reader's Digest* cited "U.S. officials and Panamanian sources" as describing Noriega as a key figure in the international drug trade." Writing for the Digest, David Reed quoted "experts" as saying that "Noriega and other PDF officers have received millions of dollars for permitting the traffic to continue."[75]

Why Did the U.S. Fail to Respond To Noriega Allegations?

The hearings chaired by Senator Helms established publicly that there was a significant body of evidence pointing to Noriega's involvement in money laundering and drug trafficking as of early 1986. Yet, the U.S. relationship with Noriega continued to be a close one up until the moment he was indicted by the U.S.

There were differing explanations for this failure to distance ourselves from Noriega earlier than we did.

The former operations chief of the South Florida Drug Task Force, Admiral Daniel Murphy, stated that information about Noriega was received by lower-level government officials, but not passed on to policy makers. According to Admiral Murphy, the allegations ". . . were never considered that critical that they should be at the highest level of government. And they were probably reported at lower levels."[76]

[71] Testimony of Norman Bailey, Senate Foreign Relations Western Hemisphere Subcommittee, April 20, 1986, pp. 17–18.
[72] Testimonly of Raymond J. McKinnon, Administrator, DEA, idid, April 21, 1986, p. 43.
[73] Abrams, ibid, p. 40.
[74] Seymour Hersch, *The New York Times*, June 12, 1986, p. A-1.
[75] Reader's Digest, January, 1987.
[76] Subcommittee testimony of Admiral Murphy, Part 4, pp. 240–242.

A different view was taken by former NSC staffer Bailey and by Ambassador McNeil.

According to Bailey:

> Clear and incontrovertible evidence was, at best, ignored, and at worst, hidden and denied by many different agencies and departments of the Government of the United States in such a way as to provide cover and protection for [Noriega's] activities while, at the same time, assuring that they did the maximum damage to those very interests that the officials involved were sworn to uphold and defend.[77]

Ambassador McNeil stated succinctly that the United States was "coddling . . . Noriega beyond any time when one could reasonably doubt Noriega's involvement in drug trafficking to the United States" because he was helping the United States with the Contras.[78]

Bailey and McNeil's view is corroborated in part by the factual admissions made by the United States in the trial of Oliver North, in which the United States revealed that Noriega had provided Contras on the Southern Front with $100,000 in July 1984, as well as by other Admissions in the North trial discussed below.[79]

United States law enforcement agencies also considered Noriega to be a friend of the United States, a belief largely based on the significant amount of information and assistance Noriega had provided United States agencies over many years. This view was articulated by DEA Administrator Jack Lawn, who in the past had written Noriega letters of comendation for his help in fighting the war on drugs.[80] In a May 8, 1986 letter to Noriega, Lawn stated the DEA's "deep appreciation for the vigorous anti-drug trafficking policy that you have adopted, which is reflected in the numerous expulsions from Panama of accused traffickers. . . ."[81]

Lawn testified before the Subcommittee that the DEA had had a long-standing, cooperative relationship with the Panamanian Defense Forces in the areas of crop eradication, narcotics investigations, money laundering and drug interdiction. Lawn stated that "our narcotics efforts in Panama continue, despite the corrupting and intimidating influence of drug trafficking on government officials and institutions."[82] Lawn stated unequivocally that DEA had been granted every single narcotics request ever made to the Panamanian Government.[83]

In fact, according, to Blandon, while DEA Administrator Jack Lawn was referring to Noriega's liaison to the DEA, Luis Quiel as "integral to the success" of fighting international drug trafficking, Quiel was serving as Noriega's enforcer to eliminate competitors of the Medellin cocaine cartel by turning them over to the United States.[84]

[77] Bailey testimony, House Select Committee on Narcotics Abuse and Control, SCNAC-100-2-8, March 29, 1988, p. 5.
[78] Subcommittee testimony of McNeil, Part 4, p. 42.
[79] Agreed upon statements of fact, *United States v. North*, DC District Court, 1988.
[80] Letter from John C. Lawn to General Manuel Antonio Noriega, Part 2, p. 393.
[81] Lawn-Noriega Correspondence, May 8, 1986, Part 2, p. 391.
[82] Subcommittee testimony of Lawn, Part 4, p. 112.
[83] Ibid., p. 122.
[84] Subcommittee testimony of Jose Blandon, Part 2, p. 122; letter from John C. Lawn to General Noriega, May 27, 1987, Part 2, p. 391.

One unintended consequence of the close relationship between Noriega and the DEA was the fact that the Panamanians were able to share DEA information with traffickers with whom they were friendly. As convicted American narcotics trafficker Steven Kalish testified, Noriega's close relationship with the DEA, allowed Rodriquez and his partner, Enrique Pretelt, to advise other drug smugglers about whether or not their planes were on a DEA watch list.[85]

The DEA's close working relationship with Noriega may have influenced that agency to ignore allegations it had received regarding Noriega's involvement in the narcotics trade. Carlton testified that in 1986, he went to the DEA offering to testify about money laundering, drugs, weapons, corruption, and assassinations involving Noriega. But when Carlton mentioned the name of General Noriega, the DEA agents to whom he volunteered the information became "upset." Carlton then decided that he or his family might be harmed because of the connections Noriega had with the U.S. Embassy in Panama, and decided to say nothing further. The DEA tried to reach Carlton by telephone after his initial meetings, but no further contacts took place. The DEA stated that Carlton did not mention General Noriega's name during his contacts in Panama with their Agency.[86]

The difficulty of insuring the integrity of DEA operations in Panama surfaced in another case involving a DEA informant in June 1988. According to the U.S. Attorney's office in Miami, the informant brought a collection of documents relating to General Noriega's involvement in drug trafficking and money laundering to the U.S. Embassy in Panama, asking that the documents be sealed and shipped to the DEA office in Miami. When the informant arrived in Miami, the box containing the documents had been opened and he asserted that key documents were missing. The informant passed a lie detector test and DEA began an internal affairs investigation which remains open.[87]

It is clear that the DEA continued to rely on Noriega even after information had been developed regarding Noriega's involvement with drugs. DEA Administrator Lawn wrote Noriega as late as May 27, 1987 to assure him that "DEA has long welcomed our close association and we stand ready to proceed jointly against international drug traffickers whenever the opportunity arises."[88] More recently, the DEA relied on the Panamanian Defense Forces to carry out arrests on March 29, 1989 in connection with the indictment of 29 defendants for laundering $433 million in drug money for the Medellin cartel. The risk of relying on General Noriega for such cooperation was highlighted when one of the principal defendants, identified by the Justice Department as Eduardo Martinez of Medellina and the cartel's chief money-launderer in Panama, "escaped" from the PDF after being tipped off to the planned arrest.[89]

[85] Kalish testimony, Senate Permanent Subcommittee on Investigations, January 28, 1988, p. 4.
[86] Subcommittee testimony of Carlton, Part 2, p. 211.
[87] Subcommittee testimony of Richard Gregorie, Part 4, July 12, 1988, p. 174.
[88] Letter from John C. Lawn to General Noriega, Part 2, p. 391.
[89] See *Washington Post*, March 30, 1989, "U.S. Sues Nine Banks in Drug Money-Laundering."

Mixed Messages

The tension between law enforcement and foreign policy objectives appears to have led to a series of mixed messages being sent Noriega from various branches of the U.S. government. This problem became acute in 1985, a time when Noriega was worried that the U.S. might respond to his continuing criminal enterprises.

According to testimony before the Subcommittee, Noriega recognized that the war being waged by the Contras against the Nicaraguan government was the highest priority of many members of the Administration in Washington. In accordance with his past handling of U.S. officials, Noriega sought to assure the United States he would cooperate.[90]

According to Jose Blandon, Noriega met with Lt. Colonel Oliver North in June 1985 on a boat anchored off Panama City to discuss Panamanian cooperation with the United States in the conduct of the war against Nicaragua in the period when U.S. intelligence agencies were prohibited by the Boland Amendment from "directly or indirectly" supporting the Contras. Blandon testified that this meeting led to an agreement by Noriega to help train Contra troops and to permit Contra leadership to enter and exit Panama freely to facilitate the conduct of the war. Blandon testified that during a second meeting between Noriega and North, Noriega suggested the Panamanian units could be used in operations on Nicaraguan territory. However, Blandon had no information that Noriega took action in response to North's request.[91]

According to McNeil, following the meetings with North, Noriega met with the late CIA Director William Casey on November 1, 1985. A memorandum Casey wrote after the meeting suggested that Noriega left "reassured." The narcotics issue was not mentioned. Casey justified his failure to raise the issue in his discussions on the ground that Noriega was providing valuable support for our policies in Central America, especially Nicaragua. Casey believed that Noriega understood the U.S. opposition to drug related corruption and that the issue could best be left for the U.S. Ambassador to Panama to handle. However, other U.S. officials concluded that Casey had "let Noriega off the hook." [92]

Following the Noriega-Casey meeting, the U.S. ambassador to Panama, Everett Briggs, complained that Casey had given Noriega the wrong signal, and NSC director Admiral John Poindexter was sent to Panama to "upbraid" Noriega on the narcotics issue a few weeks later.[93]

On December 17, 1985, Noriega met with Admiral Poindexter and Ambassador Briggs. Blandon testified that after the meeting, Noriega gave him the following version of what happened: Poindexter told Noriega that a group of military officers would have to be sent out of the country because of their involvement in the Spadafora murder and that Noriega should reconsider returning Nicholas Barletta, whom Noriega had fired the previous spring, to the Presidency. The message was considered a strong one. Blandon testified that regardless of the understanding reached in Washington that Poindexter would confront Noriega on his drug problem, Poindexter neglected to raise the issue of narcotics, or indeed, of any form of criticism of Noriega.[94]

[90] See e.g. Subcommittee testimony of Jose Blandon, Part 2, pp. 158–163; McNeil Prepared Statement, Part 3, p. 325.
[91] Subcommittee testimony of Blandon, Part 2, pp. 158–163.
[92] Subcommittee testimony of McNeil, Part 3, April 4, 1988, pp. 101–102; McNeil Prepared Statement, Part 3, p. 323.
[93] McNeil Prepared Statement, ibid, p. 323.

Blandon testified that while Noriega was meeting with Poindexter in Panama, a group of U.S. citizens working as registered agents for the Government of Panama were simultaneously meeting in Washington with Constantine Menges of the National Security Council staff. Menges informed them that the PDF would have to be reformed, Noriega would have to stop dealing with the Cubans and would have to call an election or install Arnufo Arias as President. Menges said that political, economic and military pressure would be exerted if Noriega did not follow instructions. However, the message was received as one significantly "softer" than the one delivered to Noriega himself by Poindexter.[95]

Blandon testified that the mixed messages delivered in the Casey meeting, the Poindexter meeting, the two North meetings, and the Washington meeting with Menges led Noriega to believe that the U.S. Government was divided and that he could play factions within the government against each other. Noriega always chose to ignore the tougher message and to work with those who were giving him a softer one.[96]

Noriega may also have believed his problems with the United States had been resolves as the result of a quid pro quo with the Reagan Administration for his support for the Contras.

A number of the Admissions in the North trial suggest that the Reagan Administration agreed to a series of quid pro quos with several foreign governments in connection with their support for the Contras. In the case of Noriega, discussions about such quid pro quos continued through at least late 1986.

For example, in late August 1986, Noriega told the U.S. through one of his representatives that "in exchange for a promise to help clean up Noriega's image and a commitment to lift the U.S. ban on military sales to the Panamanian defense forces, Noriega would assassinate the Sandinista leadership for the U.S. Government." [97] In response to Noriega's offer, Lt. Col. Oliver North told Noriega's representatives that U.S. law forbid such actions. "The representative responded that Noriega had numerous assets in place in Nicaragua and could accomplish many essential things, just as Noriega had helped the previous year in blowing up a Sandinista arsenal." [98]

According to the Agreed Statements in the North trial, Admiral Poindexter responded that if Noriega had assets inside Nicaragua he could be helpful. The USC could not be involved in assassination, but Panamanian assistance with sabotage would be another story." [99] North then met with Noriega, with Poindexter's approv-

[94] Subcommittee testimony of Blandon, Part 2, p. 162.
[95] Ibid.
[96] Ibid.
[97] Agreed statement #97, *U.S. v. North*, DC District Court, 1988.
[98] Ibid.
[99] Agreed statements, #99, *U.S. v. North*, ibid.

al, in London in late September 1986. At that time, Noriega agreed "to take immediate actions against the Sandinistas and offered a list of priorities, including an oil refinery, an airport, and the Puerto Sandino off-load facility." [100]

The problem of mixed messages continued as the United States moved closer to indicting Noriega. As late as November, 1987, Noriega still believed he had a second channel open to him which would support for him and his operations.[101]

Noriega's belief was based in part upon two trips Admiral Murphy made to Panama in 1987. Murphy visited Noriega in August and November, 1987, accompanied by Tongsun Park, and discussed what Noriega might do to improve his relationship with the United States.[102] Murphy said he made the trips as a private businessman. However, before he went to Panama, he met with top officials of the CIA, State Department, Department of Defense, NSC and Vice President's office, including Assistant Secretary Richard Armitage at Defense, Assistant Secretary Elliott Abrams at State, then NSC director Frank Carlucci and the Vice President's National Security Advisor, Donald Gregg. When he returned from Panama, he debriefed these U.S. officials as well.[103]

While in Panama, Murphy met with Noriega and with the Panamanian opposition. He advised Noriega of the hostility toward him in the United States and the Administration, and explored what it might take to improve the atmosphere with the United States. Murphy testified that he made recommendations to Noriega regarding the steps he could take to improve US-Panamanian relations. The steps included turning government functions over to civilians, having fair and free elections, and meeting with the opposition. Noriega replied that Panama already was controlled by civilians and that elections were established by law. Murphy felt that Noriega was inflexible, and after meeting with equally implacable opposition leaders, he concluded that "everybody was in deep cement," and there was very little business opportunity for him.[104]

In November 1987, Murphy reiterated his concerns and suggested that Noriega relax his control of civil liberties as well. There was no discussion of the U.S. Government's concern about Noriega's drug trafficking at either meeting.[105]

Murphy testified that his trip was made as a private citizen looking for business.[106] But according to Blandon, Noriega interpreted his visit as a message from the United States Government. Noriega believed that Murphy was carrying the message that if he adopted the proposed plan of reform he could remain in power until February 1989.[107]

Referring to the series of mixed messages sent to Noriega, former Deputy Director of the Department of State's Intelligence and Research bureau, Frances McNeil, summarized the situation by stating that while the Department of State was attempting to distance itself from Noriega, the Department of Defense and CIA were simultaneously sending him encouraging signals.[108]

[100] Ibid, #106.
[101] Blandon, Part 2, pp. 173–176.
[102] Murphy, part 4, pp. 245–256.
[103] Murphy, ibid, p. 246.
[104] Ibid p. 247.
[105] Ibid pp. 248–249.
[106] Ibid p. 245.
[107] Blandon, Part 2, pp. 173–174.

Conclusion

General Noriega provides the best example in recent U.S. foreign policy of how a foreign leader is able to manipulate the United States to the detriment of our own interests.

General Noriega recognized that by making himself indispensible to various U.S. agencies, he could develop U.S. clients who would become dependent on him. As a result, they would be reluctant to pursue intelligence on Noriega's criminal activities, and less likely to investigate what intelligence they did receive.

Noriega also understood the divided nature of the U.S. Government and attempted to play each agency off against the others. For example, he attempted to manipulate the DEA office in Panama by feeding U.S. officials cases and providing information leading to arrests and seizures, but which did not affect his drug operations. As a result, DEA focused on the cooperation it received and ignored Noriega's obvious and ultimately, quite public involvement with the Medellin cartel. Noriega achieved similar results in performing services for U.S. intelligence.

Finally, Noriega recognized that so long as he helped the United States with its highest diplomatic priorities, as Torrijos had done with the Panama Canal, the United States would have to overlook activities of his that affected lesser U.S. priorities. In the mid-1980's, this meant that our government did nothing regarding Noriega's drug business and substantial criminal involvement because the first priority was the Contra war. This decision resulted in at least some drugs entering the United States as a hidden cost of the war.

U.S. General Accounting Office,
National Security and International Affairs Division,
Washington, DC, December 6, 1988.

Hon. John F. Kerry,
Chairman, Subcommittee on Terrorism, Narcotics and International Operations, Committee on Foreign Relations, U.S. Senate, Washington, DC.

Dear Mr. Chairman. You asked that we ascertain how information about drug trafficking by high-level government officials of nations friendly to the United States affects U.S. foreign policy decisions. You stated that you were concerned about recent revelations that the U.S. government knew about such activities but close to overlook them for national security reasons. We agreed that we would explore this issue using the information available within the government on General Manuel Noriega of Panama as a "case study".

On August 8, 1988, we gave you a letter summarizing our efforts to conduct this review and a chronology of the contacts we had made with executive branch agencies and officials in our attempts to obtain access to needed information. As we pointed out in that letter, we were able to perform only a limited amount of work at the Department of Defense before the National Security Council (NSC) directed the Department and the other executive branch agencies not to meet with us or to provide us with any information related to this assignment until NSC had the opportunity to provide them with "guidelines" concerning GAO's access to information on the assignment.

Subsequently, NSC concluded that the administration could not participate in the review as orginally designed and stated its willingness to reconsider participation in a reformulated review.

[108] McNeil, Prepared Statement, Part 3, p. 322.

Although we do not necessarily agree with the bases for the administration's objections, we believe it is unlikely that we could obtain the necessary cooperation from the administration to conduct this review and successfully pursue the original objective of this assignment.

As discussed with your office, we are terminating our work on this assignment and will reformulate the assignment objectives to review the development, implementation, and enforcement of the economic sanctions imposed on Panama by the administration.

We have sent a similar letter to Representative Bill Alexander who also had asked us to review information concerning General Noriega.

If you have any further questions concerning this assignment, please do not hesitate to call on us.

Sincerely yours,

NANCY R. KINGSBURY,
Director, Foreign Economic Assistance.

U.S. DEPARTMENT OF STATE,
Washington, DC, August 2, 1988.

NANCY KINGSBURY,
Associate Director, General Accounting Office, National Security and International Affairs Division, Washington, DC.

DEAR MS. KINGSBURY. I am pleased to respond to your July 12 letter on the proposed case study your office is undertaking about how U.S. government agencies used information about General Noriega in its policy decisions regarding Panama.

As you are aware, the National Security Council staff and the office of White House Counsel have been working closely with your office on this investigation. All executive branch agencies have been instructed by the White House not to take any action on your request until various legal issues have been analyzed by the Administration. Accordingly, at the present time it will not be possible for the Department to meet with your staff or produce information until this examination is completed. for the time being, Nicholas Rostow, Legal Adviser to the National Security Council, is acting as the administration's point of contact on this matter.

Sincerely,

ROGER B. FELDMAN,
Comptroller.

NATIONAL SECURITY COUNCIL,
Washington, DC, July 13, 1988.

MS. NANCY R. KINGSBURY,
Associate Director, National Security and International Affairs Division, U.S. General Accounting Office, Washington, DC.

DEAR MS. KINGSBURY. I am writing in response to your request concerning a study of the alleged drug activities of Manuel Noriega, and the role information about such activities played in decisions about U.S. foreign policy (Study #472165).

As described in Mr. Kelly's May 13, 1988, letter to Paul Stevens and your June 23, 1988, letter to me, your request seeks access to sensitive law enforcement and intelligence files covering a substantial period of time. In our meeting, your staff confirmed that your three areas of interest were intelligence files, law enforcement files, and the deliberative process of the Executive branch, including internal communications and deliberations leading to Executive branch actions taken pursuant to the President's constitutional authority. I was disappointed that your letter did not contain any narrowing of the request. The request raises important statutory and constitutional issues. The Administration is analyzing them now, and when its deliberation is complete, I shall reply further to your letter of June 23, 1988.

Sincerely,

NICHOLAS ROSTOW,
Special Assistant to the President and Legal Adviser.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, August 8, 1988.

HON. JOHN F. KERRY,
Chairman, Subcommittee on Terrorism, Narcotics and International Operations, Committee on Foreign Relations, U.S. Senate, Washington, DC.

DEAR SENATOR KERRY. In March 1988 you asked us to review how information about drug trafficking by high-level government officials of nations friendly to the United States affects U.S. foreign policy decisions. Because the information required to successfully undertake this assignment would potentially involve information related to intelligence gathering and on-going law enforcement investigations which is difficult to obtain, we suggested, and you agreed, that we would explore the issue using as a case study the information concerning the drug trafficking activities of General Noriega of Panama. The following is a summary of the experience we have had so far in satisfying your request.

Since May 11, 1988, we have been formally trying to gain access to personnel and records at the Departments of State, Justice, and Defense. We were successful in gaining access to the Department of Defense and in fact performed a limited amount of audit work at that agency. In late May, we were advised that the National Security Council (NSC) would serve as the Administration's focal point on this assignment. Concurrently, we were advised that the Departments of Justice and State were instructed not to meet with the GAO staff or provide any information to GAO on this assignment until NSC issues guidelines concerning GAO access to information. The Department of Defense notified us on July 12, 1988, that it also was instructed by the NSC to cease operation with GAO until such guidelines are available. We have by letter and telephone discussions continued to try to obtain information and schedule meetings with the Departments of State, Defense, and Justice but these efforts have been refused, with each agency citing the NSC's direction as the reason for refusal.

We have been working with the NSC to facilitate access to agency personnel and records. We met with them on June 6, 1988 and June 22, 1988, and discussed at some length our approach to the work, our views about our access to information, and our previous experience on other successful assignments involving similarly sensitive information. On June 23, 1988, at NSC's request, we delivered a detailed letter to them giving further detail on the kinds of information we would be seeking. Although that letter identified some information which ultimately may not be made available, the information related to the primary focus of our work, that is, the organization and decision process for foreign policymaking when information is available on foreign officials' drug trafficking, would not uniformly be expected to raise similar concerns. Our normal procedures in such situations are to consider access questions on a case-by-case basis, following discussions with agency officials and examination of otherwise available records. NSC's actions to prohibit such preliminary discussions until after guidelines concerning access are established has foreclosed that approach.

On July 13, 1988, the NSC wrote in response to our June 23, 1988, letter that our request "seeks access to sensitive law enforcement and intelligence files covering a substantial period of time" and "raises important statutory and constitutional issues." The letter advised that the administration is analyzing those issues and would reply when its deliberations were completed. We have on several occasions, most recently today, asked the NSC about the status of the operating guidelines. We continue to be told the issues are being analyzed and guidelines will be issued when the review is completed. NSC officials say they cannot provide a specific date when guidelines will be available.

We are now into the fifth month of our effort to address the issue you asked us to review, and it is difficult to predict how much further delay is likely. Although we have assembled some information available from public records, we have made essentially no progress on the audit itself. We believe it should be possible to reach agreement with the agencies involved, as we pursue our audit questions, that much of the information we need to examine should be considered to be releasable, and to discuss special arrangements for security of the information if such arrangements are warranted. In fact, we were successful in such an approach with the Department of Defense prior to July 12.

A detailed chronology of our efforts to meet with NSC and agency officials, and to obtain information, is provided in Enclosure I. Copies of the letters we sent to NSC and the agencies are provided in Enclosure II. The NSC responses to our June 23, 1988 and July 12, 1988 letters are in Enclosure III; the CIA denial to our request for

access is in Enclosure IV; and the Department of Defense response to our July 13, 1988 letter, along with NSC instructions to all agencies, is in Enclosure V.

We are currently awaiting the NSC guidelines. We will continue to keep you informed of the status of our efforts, and will discuss further steps which we believe may be appropriate, if any, after we have reviewed any guidelines issued by NSC.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

[Enclosure I]

CHRONOLOGICAL SUMMARY OF GAO CONTACTS WITH EXECUTIVE BRANCH AGENCIES AND OFFICIALS

May 11–16, 1988.—We sent routine notification letters to the Departments of State, Justice, and Defense, and the National Security Council advising them of our review and identifying the subject and scope of our work. Letters were sent specifically within the Department of Justice to the Drug Enforcement Agency (DEA), the Executive Office for U.S. Attorneys, and Justice's Criminal Division.

May 23, 1988.—We received our first response from the NSC. Mr. Nicolas Rostow, Special Assistant to the President and Legal Advisor, told us by telephone that he wanted to "think about it" before scheduling a meeting with us.

May 24, 1988.—We sent a notification letter to the Central Intelligence agency asking for a meeting to discuss the issues.

May 30–June 1, 1988.—We began contacting personnel at State and Justice to arrange for initial meetings to discuss the scope and depth of our audit. Mr. Manuel Rodriguez, U.S. Attorneys Office liaison who was coordinating the Justice Department components, declined to set up a meeting stating that NSC was coordinating the Administration's response to our notification and he was going to wait until he heard from NSC before proceeding. Mr. Bob Harris, from the Department of State, advised us that State would not deal with us on this assignment until we had discussed our work with the NSC.

June 1.—We conducted our initial meeting with the Department of Defense. We performed work at the Defense Intelligence Agency (DIA) and the military departments until July 12, 1988.

June 6, 1988.—We had our first meeting with Mr. Dan Levin, Deputy Legal Advisor, NSC. Mr. Levin stated he understood the purpose of our review, but wasn't sure we could have access to sensitive intelligence or law enforcement files. He promised to discuss access with the agencies involved and would get back to us quickly. We were officially notified that NSC would be our focal point on this assignment. We advised Mr. Levin that we preferred to deal with the agencies directly without having to clear everything with the NSC—our normal practice. Mr. Levin stated we are free to deal with each agency directly and that NSC would not be a bottleneck.

June 8–9, 1988.—We again contacted the Departments of State and Justice to arrange for initial meetings. Despite Mr. Levin's statement that we could deal directly with the agencies, both Mr. Harris at State and Mr. Rodriguez at Justice advised us the NSC instructed them not to deal with us until NSC had developed operational guidelines on what to do and what not to do on this assignment.

June 13, 1988.—Mr. John L. Helgerson, Director of Congressional Affairs, CIA, responded to our notification letter. He stated that all agency activities in Central America and information it gathers is under close and continuing scrutiny by the House and Senate Intelligence Committees. Furthermore, the CIA advised all policy-related questions should be directed to the appropriate components of the Executive Branch. It stated that therefore it could not be of help to us.

June 15–16, 1988.—We began efforts to contact Mr. Levin, NSC, to determine when the NSC guidance would be issued and we could continue our review. Mr. Levin requested another meeting to learn more about the review.

June 16, 1988.—We conducted an initial meeting with representatives of the Customs Service. Mr. Bill Rosenblatt, Assistant Commissioner for Enforcement, did not provide any information and said he wanted first for the U.S. Attorneys Office to establish ground rules as to how much of the information Customs has is covered by grand jury secrecy provisions and what information they can provide to us.

June 22, 1988.—We held a second meeting with the NSC and White House staff personnel. Attending for the Executive Branch were Mr. Nicolas Rostow, Special Assistant to the President and Legal Advisor; Mr. Dan Levin, Deputy Legal Advisor, NSC; Mr. Jonathan Scharfman, Assistant Legal Advisor, NSC; Mr. Dan McGrath, Legal Counsel, White House Staff; Mr. Bob Harris, Department of State; and another official from the Department of Justice.

We reiterated our purpose, and our requirements in terms of access to personnel and documentation to the extent that we could. We explained that we needed to conduct initial meetings to more fully determine our documentation needs. We discussed the availability of documents used in the deliberative process, grand jury and other enforcement actions, foreign intelligence, and other types of documentation. Some were considered to fall under executive privilege and not available to GAO, according to the administration officials. We discussed in general terms our access experiences in other kinds of highly sensitive assignments and pointed out that special security arrangements could be agreed upon if circumstances warrant.

At the request of Mr. Levin, we agreed to submit in writing a more detailed explanation of the specific types of documents and information we wanted access to so they could more fully consider our request. They promised a prompt response. We asked for a response within one or two weeks. Mr. Levin was not willing to commit to a specific time period.

June 23, 1988.—GAO hand delivered the explanatory letter to the NSC. The document explained that in order to accomplish our objectives, we planned to:

(1) Obtain agency briefings that describe the general organizational structure and the operational procedures related to the agency's data collection, analysis, and dissemination systems;

(2) Interview relevant agency personnel who are responsible for defining agency information needs with regard to General Noriega and Panama, implementing the information collection process, collecting and reporting raw data, and analyzing and disseminating data on Panama and General Noriega;

(3) Review documents to include specific directives, instructions, or taskings to collect data on General Noriega or alleged illegal activities involving General Noriega, cables and reports from field offices regarding General Noriega's involvement in or toleration of illegal activities, analyses or summaries of field reporting on General Noriega, and geographic/subject-area studies discussing the roll or suspected role of General Noriega in illegal activities; and

(4) Examine the use of information about General Noriega in the foreign policy process by identifying the agencies, organizations, and individuals who play a role in deciding national security and foreign policy issues with regard to Panama and interview each and review documents to determine whether information about General Noriega reached them and how that information was used in making decisions.

June 27, 1988.—We contacted Mr. Levin at NSC on the status of its response to our June 23 letter. He said they were preparing a response and it would be provided "promptly."

July 1, 1988.—We called Mr. Levin again at NSC. He said they hoped to have a response soon. We inquired about who in the White House or the NSC is making the decisions and what the specific problems or objections are, and Mr. Levin declined to provide any information.

July 5, 1988.—We again called Mr. Levin at NSC. He advised us that a letter was "in for signature," but he declined to predict when it would be signed. He also would not say what position the response would take or who it was with for signature. He said he would not "sit on" a signed response and that he would call us when it is signed.

July 7, 1988.—We called Mr. Bob Harris, State Department, in another attempt to gain cooperation and were told State would not meet with us until it hears from NSC. We advised Mr. Harris that we planned to send a second letter to them specifically asking for an initial meeting and access to documents.

July 8, 1988.—We called Mr. Paul Prise, DEA, asking to meet. He told us that NSC gave instructions not to meet with us until NSC gives the "go ahead." We advised a second letter was coming.

July 12, 1988.—We sent a second letter, more detailed in what we requested in the way of cooperation to the Departments of State and Justice (DEA, Criminal Division and the U.S. Attorneys Office), and the NSC.

July 12, 1988.—We attempted to continue our work at the Department of Defense. Up to this point, we had conducted a series of interviews with personnel involved in intelligence gathering and analysis in Latin America. We had identified and requested about 100 documents, files, reports, cables, etc., that we felt were relevant to our review. We had some additional meetings scheduled with agency personnel. We were advised by Mr. Nacho Morales, Army Intelligence and Security Command, that NSC directed DOD to postpone any meetings with us on the assignment. Mr. Craig Campbell, a GAO liaison official with the DOD/IG, confirmed that DOD was told to withhold contacts with us. Mr. Martin Sheina, DIA, told us he could not provide documents we had requested until NSC provides guidance.

July 13, 1988.—We sent a letter to the Department of Defense, similar to those sent to State and Justice on July 12, 1988, asking for a resumption of cooperation—i.e., to provide the requested documents and to continue meeting with us.

July 13, 1988.—Mr. Don Schramak, Justice liaison, said that the Justice General Counsel staff had been working with NSC to develop a response, and indicated that it would be sent within a day or so.

July 18, 1988.—We received a letter from Mr. Nicholas Rostow, NSC, dated July 13, 1988 which expressed his disappointment that we had not narrowed the scope of the information we wanted and stated that the administration is still considering our request.

August 1, 1988.—We telephoned Mr. Levin at NSC asking for the status of the response. He said it was being reviewed at the Department of Justice and there was no definite date it would be issued. He hoped it would be issued by the week of August 8, 1988.

August 2, 1988.—We advised Mr. Levin, NSC, that Senator Kerry's staff had informed us that Senator Kerry is prepared to hold a press conference about the lack of cooperation with GAO. I advised Mr. Levin that the Senator's staff had stated that if we did not have guidelines by 9 o'clock a.m., August 8, 1988, or at least a definite delivery date, Senator Kerry would hold a press conference.

August 3, 1988.—The Acting Assistant Secretary of Defense for International Security Affairs responded to our July 13, 1988, letter requesting documents by stating that the Department of Defense could not release the information until the NSC had completed its legal analysis. He attached a copy of the NSC guidance that had been sent to the Departments of State, the Treasury, Defense, and Justice; and the Central Intelligence Agency on July 22, 1988.

August 8, 1988.—We telephoned Mr. Levin, NSC, to determine the status of their response. Mr. Levin said that, although he could not provide a definite date, he expects the Justice legal opinions to be provided this week. He said he would let us know if he learns that it will take substantially longer.

U.S. GENERAL ACCOUNTING OFFICE,
GENERAL GOVERNMENT DIVISION,
Washington, DC, May 11, 1988.

Mr. PETER F. GRUDEN,
Assistant Administrator, Planning and Inspection Division, Drug Enforcement Administration, Department of Justice, Washington, DC.

DEAR MR. GRUDEN. The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law enforcement agencies, (3) the extent to which this information reached foreign policy decision-makers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director, Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group, National Security and International Affairs Division.

The work will be conducted in Washington at the Drug Enforcement Administration, the Department of State, the Department of Defense, the Department of the Treasury, and other federal agencies. We will advise you of any need to visit facilities outside the Washington area.

We appreciate your assistance in notifying the appropriate officials of the assignment. If you have any questions, please contact Mr. Patton at 275-1898 or Mr. Benone at 275-7487.

Sincerely yours,

ARNOLD P. JONES,
Senior Associate Director.

[Enclosure II]

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, May 12, 1988.

Hon. FRANK C. CARLUCCI,
Secretary of Defense, DOD Office of the Inspector General, Deputy Assistant Inspector General, for GAO Report Analysis, Washington, DC.

DEAR MR. SECRETARY: The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group.

The work will be conducted in Washington at the Department of Defense, the Department of State, the Department of Justice, and other federal agencies. We will advise you of any need to visit Department facilities outside the Washington area.

We appreciate your assistance in notifying the appropriate officials of the assignment. If you have any questions, please contact Mr. Patton at 275-1898 or Mr. Benone at 275-7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, May 13, 1988.

Mr. PAUL SCHOTT STEVENS,
Executive Secretary, National Security Council, Old Executive Office Bldg., Washington, DC.

DEAR MR. STEVENS: The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group.

The work will be conducted at the National Security Council, the Department of State, the Department of Defense, the Department of Justice, and other federal agencies.

We appreciate any assistance you can provide to our staff. If you have any questions, please contact Mr. Patton at 275-1898 or Mr. Benone at 275-7487.

Sincerely yours,

JOSEPH E. KELLY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, May 13, 1988.

Hon. GEORGE P. SHULTZ,
Secretary of State, GAO Liaison, Office of the Comptroller, Washington, DC.

DEAR MR. SECRETARY. The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group.

The work will be conducted in Washington at the Department of State, the Department of Defense, the Department of Justice, and other federal agencies. We will advise you of any need to visit State Department facilities outside the Washington area.

We appreciate your assistance in notifying the appropriate officials of the assignment. If you have any questions, please contact Mr. Patton at 275–1898 or Mr. Benone at 275–7487.

Sincerely yours,

JOSEPH E. KELLEY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
GENERAL GOVERNMENT DIVISION,
Washington, DC, May 16, 1988

Mr. JOHN C. KEENEY,
Assistant Attorney General, Criminal Division, Department of Justice, Washington, DC

DEAR MR. KEENEY. The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group, National Security and International Affairs Division.

We would like to meet with knowledgeable Criminal Division officials. We also plan to conduct work at other Department of Justice offices, the Department of Defense, the Department of State, and other federal agencies.

We appreciate your assistance in notifying the appropriate officials of the assignment. If you have any questions, please contact Mr. Patton at 275–1898 or Mr. Benone at 275–7687.

Sincerely yours,

ARNOLD P. JONES,
Senior Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
GENERAL GOVERNMENT DIVISION,
Washington, DC, May 16, 1988.

Mr. MANUEL RODRIQUEZ,
Legal Counsel, Executive Office for U.S. Attorneys, Deparment of Justice, Washington, DC.

DEAR MR. RODRIQUEZ. The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) the broad parameters of U.S.-Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group, National Security and International Affairs Division.

We would like to meet with the U.S. Attorney in both Miami and Tampa, Florida, who have brought indictments against Gen. Noriega to discuss the genesis of the indictments, identify other people that we should talk with, and obtain information about the cases. We also plan to conduct work at other Department of Justice offices, the Department of Defense, the Department of State, and other federal agencies.

We appreciate your assistance in notifying the appropriate officials of the assignment. If you have any questions, please contact Mr. Patton at 275–1898 or Mr. Benone at 275–7687.

Sincerely yours,

ARNOLD P. JONES,
Senior Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, May 24, 1988.

Hon. WILLIAM H. WEBSTER,
Director, Central Intelligence Agency, Director, Office of Legislative Liaison, Washington, DC.

DEAR MR. WEBSTER. The General Accounting Office, has been requested to undertake a study of Panamanian leader Gen. Manuel Noriega's alleged drug activities. The study, under code 472165, will examine (1) selected aspects of U.S. Panamanian relations over the past 20 years, (2) the type of information about Noriega developed by various intelligence and law-enforcement agencies, (3) the extent to which this information reached foreign policy decisionmakers, and (4) the role that such information played in decisions on U.S. foreign policy.

This work will be performed under the direction of Nancy R. Kingsbury Associate Director by Mr. Donald L. Patton, Group Director; Mr. James O. Benone, Evaluator-in-Charge; and Mr. Jon Chasson; of our Foreign Economic Assistance Group.

The work be conducted in Washington at the Department of State, the Department of Defense, the Department of Justice, and other federal agencies.

We would like to meet with the Agency representatives to discuss these issues and obtain the Agency's perspective on them. We appreciate any assistance you can provide to our staff in this regard. If you have any questions, please contact Mr. Patton or Mr. Benone at 275–5790.

Sincerely yours,

FRANK C. CONAHAN,
Assistant Comptroller General.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, June 23, 1988.

Mr. C. NICHOLAS ROSTOW,
Special Assistant to the President and Legal Advisor, National Security Council, Washington, DC.

DEAR MR. ROSTOW. As you are aware, Senator John Kerry, Chairman of the Subcommittee on Terrorism, Narcotics, and International Operations and Representative Bill Alexander, are concerned that information about illegal activities by high-level officials of other nations may not be adequately considered in U.S. foreign policy decisions. At their request, the General Accounting Office is undertaking an initial case study of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama.

To satisfy this request, we will:

(1) Obtain an agency overview.—At each agency that develops relevant information on General Noriega or his possible involvement in illegal activities, we will receive a briefing that outlines the general organizational structure and the operational procedures related to the agency's data collection, analysis, and dissemination systems.

(2) Interview relevant personnel.—Once we understand the basic organizational structure, we will then interview key personnel responsible for (1) defining agency information needs with regard to Noriega and Panama, (2) implementing the information collection process, (3) collecting and reporting raw data, and (4) analyzing and disseminating data on Panama and Noriega.

(3) Review documents.—As we learn more about each agency's collection and reporting processes, we will request relevant documents. We anticipate that these will include: specific directives, instructions, or taskings to collect data on Noriega or alleged illegal activities involving Noriega, cables and reports from field offices regarding Noriega's involvement in or toleration of illegal activities, analyses or summaries of field reporting on Noriega, and geographic/subject-area studies discussing the role or suspected role of Noriega in illegal activities.

(4) Examine the use of information about Noriega in the foreign policy process.—After completing a systematic review at each agency, we will attempt to determine how agency reporting on Noriega may have influenced foreign policy decisions on Panama. We will first identify the agencies, organizations, and individuals who play a role in deciding national security and foreign policy issues with regard to Panama. Through interviews and a review of relevant documents, we will determine whether

information about Noriega reached them, and how that information was used in making decisions.

As part of our review, we will contact appropriate officials of the National Security Council who are now or were in the past involved in policy decisions regarding Panama. We intend to discuss their knowledge and utilization of information concerning General Noriega's illegal activities.

We understand that this review will involve potentially sensitive material that may require special controls and safeguards. We are willing to discuss this issue with you and take appropriate precautions.

Mr. Levin indicated that you would handle this request expeditiously, and I look forward to hearing from you early next week. If you have any additional questions about our review, please contact Mr. Patton at 275–1898 or Mr. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY.
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 12, 1988.

Mr. LAWRENCE S. MCWHORTER,
Director, Executive Office for U.S. Attorneys, Department of Justice, Washington, DC.

DEAR MR. MCWHORTER. As we informed your staff in our letter of May 16, 1988, the General Accounting Office is undertaking a case study of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama. As agreed with your staff, we initially postponed audit work at the Justice Department until we had met with National Security Council officials to more fully explain our review objectives and give them an opportunity to coordinate agency participation in our review. However, because the National Security Council has not acted, and because of the high level of congressional interest in this assignment, we must now implement our review independently at each agency.

We are therefore requesting that you provide us with the following:

1. Documents outlining the organizational components involved in, and the operational procedures related to, the U.S. Attorney requests for and analysis of foreign intelligence data.

2. Documents relating to the investigations of alleged drug trafficking by General Noriega conducted by the U.S. Attorneys in Miami and Tampa.

3. Any memos, reports, analyses, studies, briefing papers, meeting records, or other documents generated by the offices of the U.S. Attorneys which discuss allegations of illegal activities by General Noriega, and interagency communications on these matters.

We anticipate that as our review progresses, we will make additional requests for documentation.

To facilitate our review, we request that appropriate officials meet with us at an opening conference no later than July 20. At that time, we will establish a schedule for obtaining the needed documents.

With the input and cooperation of U.S. Attorney officials, I am confident that we can successfully complete our review in a timely manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY.
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 12, 1988.

Mr. EDWARD S. DENNIS,
Assistant Attorney General, Criminal Division, Department of Justice, Washington, DC.

DEAR MR. DENNIS. As we informed your staff in our letter of May 16, 1988, the General Accounting Office is undertaking a case study of how information about General Noriega was developed by various government agencies, and what role such

information played in policy decisions regarding Panama. We initially postponed audit work at the Justice Department and several other government agencies until we had met with National Security Council officials to more fully explain our review objectives and had given them an opportunity to coordinate agency participation in our review. However, because the National Security Council has not acted, and because of the high level of congressional interest in this assignment, we must now implement our review independently at each agency.

We are therefore requesting that you provide us with the following:

1. Documents outlining the organizational components involved in, and the operational procedures related to, the Criminal Division's development of law enforcement information and its request for and analysis of foreign intelligence data provided by the various collection agencies.

2. Any memos, reports, analyses, studies, briefing papers, meeting records, or other documents generated by the Division which discuss allegations of illegal activities by General Noriega or the possible impact of such activities on U.S. relations with Panama.

We anticipate that as our review progresses, we will make additional requests for documentation.

To facilitate our review, we request that appropriate officials meet with us at an opening conference no later than July 20. At that time, we will establish a schedule for obtaining the needed documents.

With the input and cooperation of Criminal Division officials, I am confident that we can successfully complete our review in a timely manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 12, 1988.

Mr. JOHN C. LAWN,
Drug Enforcement Administration, Washington, DC.

DEAR MR. LAWN. As we informed your staff in our letter of May 11, 1988, the General Accounting Office is undertaking a case study, under code 472165, of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama. At the request of your staff, we initially postponed audit work at the Drug Enforcement Administration until we had explained our review objectives to the National Security Council and bad given them an opportunity to coordinate the executive agency participation in our review. However, because the National Security Council has not acted, and because of the high level of congressional interest in this assignment, we must now implement our review independently at each agency.

We are therefore requesting that DEA provide us with:

1. Documents outlining the organizational structure and the operational procedures related to DEA's development of law enforcement information and its foreign intelligence data collection, analysis, and dissemination systems.

2. Documents which establish DEA's procedures for (a) defining foreign intelligence information needs with regard to General Noriega and Panama; (b) implementing the information collection process; (c) collecting and reporting raw data; and (d) analyzing and disseminating data on Panama and General Noriega.

3. Specific directives, instructions, or taskings to collect data on General Noriega or his alleged illegal activities, cables and reports from field offices regarding his involvement in or toleration of illegal activities, analyses or summaries of field reporting on him, and geographic/subject-area studies discussing his role or suspected role in illegal activities.

To facilitate our review, we are requesting an opening conference with appropriate officials no later than July 20. At that time, we will more fully discuss the specific parameters of our audit work and establish a schedule for obtaining the needed documents.

With the input and cooperation of DEA officials, I am confident that we can successfully complete our review in a timely manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 12, 1988.

Mr. PAUL SCHOTT STEVENS,
Executive Secretary, National Security Council, Old Executive Office Building, Washington, DC.

DEAR MR. STEVENS. As we informed you in our letter of May 13, 1988, and Mr. Rostow in our letter of June 23, the General Accounting Office is undertaking a case study of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama. At the request of the National Security Council staff, we initially postponed audit work at the Council and several other government agencies until we had met with them to more fully explain our review objectives and had given them an opportunity to coordinate agency participation in our review. However, because we have not received a response to our letter of June 23, and because of the high level of congressional interest in this assignment, we must now implement our review independently at each agency.

We have sent requests to each agency, asking that appropriate officials meet with us to establish a timetable for collecting and reviewing relevant documents. We ask that the National Security Council provide us with:

1. Documents outlining the organizational structure and the operational procedures related to the National Security Council's requests for and analysis of foreign intelligence data provided by the various collection agencies.
2. Any memos, reports, analyses, studies, briefing papers, meeting records, or other documents generated by the National Security Council staff which discuss allegations of illegal activities by General Noriega and the possible impact of such activities on U.S. relations with Panama.

We anticipate that as our review progresses, we will make additional requests for documentation.

To facilitate our review, we request that appropriate officials meet with us at an opening conference no later than July 20. At that time, we will establish a schedule for obtaining the needed documents.

With the input and cooperation of National Security Council officials, I am confident that we can successfully complete our review in a timely manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 12, 1988.

Hon. GEORGE P. SHULTZ,
Secretary of State, GAO Liaison, Office of the Comptroller, Washington, DC.

DEAR MR. SECRETARY. As we informed you in our letter of May 13, 1988, the General Accounting Office is undertaking a case study, under code 472165, of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama. At the request of your staff, we initially postponed audit work at the State Department until we had explained our review objectives to the National Security Council and had given them an opportunity to coordinate the executive agency participation in our review. However, because the National Security Council has not acted, and because of the high level of congressional interest in this assignment, we must now implement our review independently at each agency.

We are therefore requesting that the State Department provide us with:

1. Documents outlining the organizational structure and the operational procedures related to the State Department's foreign intelligence data collection, analysis, and dissemination systems.
2. Documents which establish the State Department's procedures for (a) defining foreign intelligence information needs with regard to General Noriega and Panama, (b) implementing the information collection process, (c) collecting and reporting raw data, and (d) analyzing and disseminating data on Panama and General Noriega.
3. Specific directives, instructions, or taskings to collect data on General Noriega or his alleged illegal activities, cables and reports from embassies regarding his involvement in or toleration of illegal activities, analyses or summaries of field reporting on him, and geographic/subject-area studies discussing his role or suspected role in illegal activities.

We anticipate that many of these documents are available within the Offices of the Assistant Secretary of State for Inter-American Affairs, the Assistant Secretary for Intelligence and Research, and the Assistant Secretary for Narcotics Matters.

To facilitate our review, we are requesting an opening conference with appropriate officials no later than July 20. At that time, we will more fully discuss the specific parameters of our audit work and establish a schedule for obtaining the needed documents.

With the input and cooperation of State Department officials, I am confident that we can successfully complete our review in a time manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

U.S. GENERAL ACCOUNTING OFFICE,
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION,
Washington, DC, July 13, 1988.

HON. FRANK C. CARLUCCI,
Secretary of Defense, DOD Office of the Inspector General, Deputy Assistant Inspector General for GAO Reports Analysis, Washington, DC.

DEAR MR. SECRETARY. As we informed you in our letter of May 12, 1988, the General Accounting Office is undertaking a case study, under code 472165, of how information about General Noriega was developed by various government agencies, and what role such information played in policy decisions regarding Panama. With the cooperation of Department of Defense officials, including those from the military services and other Defense agencies, we have already made substantial progress toward achieving our review objectives. However, we were advised on July 12, 1988, that these officials have been directed to postpone meeting with us and providing us with documents until the National Security Council provides guidance on the extent that the Department should participate in our review.

Since initiating this review, we have fully briefed the National Security Council staff on our review objectives and methodology and allowed them time to provide guidance to execute branch agencies. However, because the Council has not issued such guidance and because of the high level of congressional interest in this assignment, we have advised the Council that we must now implement our review independently at each agency.

We are therefore requesting that the Department resume cooperating with us on this assignment and provide us with documents we need to accomplish our review objectives. In addition to the documents that we already have requested, we need to obtain:

1. Cables and intelligence reports generated by, or in the possession of, the Department of Defense and its various components which discuss General Noriega and his alleged illegal activities.
2. Any other memos, reports, analyses, studies, briefing papers, meeting records, other documents, or recorded information generated by, or in the possession of, the Department or its components which discuss allegations of illegal activities by General Noriega and the possible impact of such activities on U.S. relations with Panama.

To facilitate our review, we would appreciate being advised in writing no later than July 20, 1988, of your intended action on this matter.

With the Department's renewed cooperation, I am confident that we can successfully complete our review in a timely manner.

If you have any additional questions about our review, please contact Mr. Donald L. Patton at 275–1898 or Mr. James O. Benone at 275–7487.

Sincerely yours,

NANCY R. KINGSBURY,
Associate Director.

[Enclosure III]

NATIONAL SECURITY COUNCIL,
Washington, DC, July 13, 1988.

MS. NANCY R. KINGSBURY,
Associate Director, National Security and International Affairs Division U.S. General Accounting Office, Washington, DC.

DEAR MS. KINGSBURY. I am writing in response to your request concerning a study of the alleged drug activities of Manuel Noriega, and the role information about such activities played in decisions about U.S. foreign policy (Study #472165).

As described in Mr. Kelly's May 13, 1988, letter to Paul Stevens and your June 23, 1988, letter to me, your request seeks access to sensitive law enforcement and intelligence files covering a substantial period of time. In our meeting, your staff confirmed that your three areas of interest were intelligence files, law enforcement files, and the deliberative process of the Executive branch, including internal communications and deliberations leading to Executive branch actions taken pursuant to the President's constitutional authority. I was disappointed that your letter did not contain any narrowing of the request. The request raises important statutory and constitutional issues. The Administration is analyzing them now, and when its deliberation is complete, I shall reply further to your letter of June 23, 1988.

Sincerely,

NICHOLAS ROSTOW,
Special Assistant to the President and Legal Adviser.

NATIONAL SECURITY COUNCIL,
Washington, DC, July 25, 1988.

MS. NANCY R. KINGSBURY,
Associate Director, National Security and International Affairs Division, U.S. General Accounting Office, Washington, DC.

DEAR MS. KINGSBURY. I am responding to your July 12, 1988, letter concerning your study involving Manuel Noriega. As Nicholas Rostow has informed you, the legal issues raised by your request are under consideration. We will respond to your request promptly after the completion of the necessary legal analysis. In the meantime, we must decline your request for an "opening conference" on or before July 20, 1988.

Sincerely,

PAUL SCHOTT STEVENS,
Executive Secretary.

[Enclosure IV]

CENTRAL INTELLIGENCE AGENCY,
Washington, DC, June 13, 1988.

MR. FRANK C. CONAHAN,
Assistant Comptroller General, National Security and International Affairs Division, General Accounting Office, Washington, DC.

DEAR MR. CONAHAN. The Director has asked me to respond to your letter of 24 May 1988 that described the General Accounting Office's investigation of allegations made against General Noriega of Panama.

All Agency activities in Central America, as well as information we receive concerning other U.S. Government activities in the region, are subject to close and continuing scrutiny by the House and Senate Intelligence Committees. Furthermore, any assessment of policy-related questions should be directed to the appropriate components of the Executive Branch, such as the Departments of State and Defense.

I am sorry that we cannot be more helpful in this case.

Sincerely,

JOHN L. HELGERSON,
Director of Congressional Affairs.

[Enclosure V]

THE ASSISTANT SECRETARY OF DEFENSE,
Washington, DC, August 3, 1988.

MS. NANCY R. KINGSBURY,
Associate Director, National Security and International Affairs Division, U.S. General Accounting Office, Washington, DC.

DEAR MS. KINGSBURY. Reference is made to your letter to the Secretary of Defense dated July 13, 1988, concerning a request for documents related to your review into General Noriega's alleged drug activities (GAO Code 472165).

In accordance with the attached policy guidance from the National Security Council (NSC), the Department of Defense may not release information involved in your review until the NSC legal analysis has been completed.

Sincerely,

LAWRENCE ROPKA, JR.,
Acting Assistant Secretary of Defense.

Attachment.

[Memorandum]

To:
Mr. Melvyn Levitsky, Executive Secretary, Department of State.
Mr. Robert B. Ioellick, Executive Secretary, Department of Treasury.
Col. William M. Matz, Executive Secretary, Department of Defense.
Mr. Mark R. Levin, Chief of Staff, Department of Justice.
Mr. H. Lawrence Sandall, Executive Secretary, Central Intelligence Agency.
From: National Security Council, Washington, DC, July 22, 1988.
Subject: GAO Request on Noriega:

GAO has sent letters to a number of departments and agencies concerning a study it is conducting into the activities of Manuel Noriega. Following interagency meetings, it was determined that GAO's request raises a number of legal issues requiring in-depth analysis. GAO has been so informed (Tab A), and that analysis is underway, and should be completed shortly.

In order to ensure that the Executive branch deals with this GAO request in a consistent manner, there should be no meetings with GAO, and no documents or other information should be provided to GAO, in connection with this request until the legal analysis is completed and a decision is made on how to respond.

Any questions concerning this matter should be addressed to Nicholas Rostow, Legal Adviser to the National Security Council (456–6538), or his Deputy, Dan Levin (395–3854).

PAUL SCHOTT SEVENS
Executive Secretary.

Attachment: Tab A—Letter from Nicholas Rostow to Nancy Kingsbury.

NATIONAL SECURITY COUNCIL,
Washington, DC, July 13, 1988.

MS. NANCY R. KINGSBURY,
Associate Director, National Security and International Affairs Division, U.S. General Accounting Office, Washington, DC.

DEAR MS. KINGSBURY. I am writing in response to your request concerning a study of the alleged drug activities of Manuel Noriega, and the role information about such activities played in decisions about U.S. foreign policy (Study 472165).

As described in Mr. Kelly's May 13, 1988, letter to Paul Stevens and your June 23, 1988, letter to me, your request seeks access to sensitive law enforcement and intelligence files covering a substantial period of time. In our meeting, your staff confirmed that your three areas of interest were intelligence files, law enforcement files, and the deliberative process of the Executive branch, including internal communications and deliberations leading to Executive branch actions taken pursuant to the President's constitutional authority. I was disappointed that your letter did

not contain any narrowing of the request. The request raises important statutory and constitutional issues. The Administration is analyzing them now, and when its deliberation is complete, I shall reply further to your letter of June 23, 1988.

Sincerely,

NICHOLAS ROSTOW,
Special Assistant to the President and Legal Adviser.

MONEY

INTRODUCTION

The phenomenal profit associated with the narcotics trade is the foundation upon which the cartel's power is based. Therefore, a concerted attack on the cartels' money-laundering operations may be one of the most effective means to damage the international narcotics trade.

The Subcommittee heard testimony from a number of witnesses concerning the magnitude of money-laundering. Those testifying ranged from narcotics traffickers who laundered drug profits, to one of the Medellin Cartel's money launderers, to an authority on international banking.

In reviewing this testimony, members of the Subcommittee subsequently drafted money-laundering legislation which was incorporated into the Omnibus Drug Bill of 1988 and enacted into law in October, 1988.

DEFINING THE PROBLEM OF MONEY LAUNDERING

The phrase "money laundering" has been used to describe a wide range of illegal financial operations. The most basic form of money laundering is the skimming of funds from cash-generating businesses to evade taxes. The Internal Revenue Service estimates that in 1988 some $50 billion was hidden in this way.

The term is also used to describe schemes to hide the cash produced by a range of illegal activities, including illegal gambling, prostitution, and drug trafficking. Estimating the size of this underground economy is extremely difficult for obvious reasons. However, law enforcement officials have consistently estimated that these activities may generate as much as $100 billion in illicit cash profits each year in the United States.

For the relatively small-time drug trafficker, the laundering of money is simple—they spend their profits. They pay the wages of accomplices and suppliers in cash; and, they use cash to purchase luxury items such as cars, jewelry and vacation homes.

However, as one moves higher up the drug distribution hierarchy, the profits are so large that they cannot be completely hidden through consumption, and capital is retained. Holding capital in the form of currency is very costly. Not only are secure storage and transportation of currency prohibitively expensive, but also the opportunity costs in terms of lost earning power are substantial. These problems can be overcome only by depositing the money in a financial institution which takes custody of the currency, pays interest on the balances, and can transfer funds anywhere in the world through the use of electronic funds transfer system.

THE BANK SECRECY ACT RESTRICTS MONEY LAUNDERING

As the worldwide drug trade mushroomed during the 1970's, the United States become the center of money-laundering activities. In response to this problem, the Bank Secrecy law was enacted in 1974. The Act requires that all cash transactions in excess of $10,000 must be reported monthly to the Internal Revenue Service, including bank and securities brokerage transactions, transactions in cash at casionos, real estate closings, and even automobile, boat and aircraft purchases. Large shipments of cash into or out of the country must be reported as well.

The reporting requirement was viewed as an essential step to prevent the proceeds of crime from being laundered. The requirement created a paper trail whereby law enforcement authorities could trace funds invested in legitimate enterprises to determine whether or not such funds had their origins in criminal activities.

However, initial enforcement of the currency reporting requirements of the Bank Secrecy Act of 1974 proved to be lax, and significant sums of money continued to be laundered through U.S. financial institutions.[1] Increased attention to the problem by the Treasury Department brought stricter enforcement efforts during the Reagan Administration. These efforts included a much publicized prosecution in 1985 of the Bank of Boston, and indictments of other financial institutions for accepting cash deposits of over $10,000 without reporting them in the IRS.

In the wake of the stricter enforcement measures, the Treasury Department determined that financial institutions in the United States were increasingly complying with the reporting requirements. However, Treasury also recognized that as compliance increased in the United States, those engaged in criminal activities were moving more and more U.S. currency overseas to countries whose banking regulations guaranteed that such transactions would remain secret.

THE INTERNATIONAL LOOPHOLE

Testimony delivered before the Subcommittee described in detail the movement of U.S. currency to be laundered in offshore banks and the methods used by both drug dealers and bankers to avoid regulation and detection.[2]

The profits from the international drug trade are moved to any country which guarantees the fewest problems for the trafficker in handling the proceeds from the illicit activities. As a result, drug money is moved to countries, such as Panama, which do not collect taxes on foreign accounts and which provide the fewest restrictions on the movement of U.S. currency across their borders.[3]

The business has been highly competitive, attracting many smaller nations which historically have served as "tax havens" in order to attract capital from around the world. Among the principal money-laundering/tax havens have been the Bahamas, the

[1] See testimony of Martin Mayer, Part 3, April 5, 1988, p. 64.
[2] Subcommittee testimony of Martin Mayer, April 5, 1988, p. 64.
[3] Ibid., p. 65.

Cayman Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Nauru, Singapore, and the Turks and Caicos Islands.[4]

By the mid-1980's, Panama became an important center for the drug trade because it offered everything a trafficker needed. Panama is strategically located on the major route between the United States and South America. It has very stringent bank secrecy laws, and in the figure of General Noriega, guaranteed physical protection of money couriers moving currency to Panama.

The use of these jurisdictions to launder drug money is described in the case histories below, selected from the Subcommittee hearings. Evident in the case histories is the ease with which drug traffickers move money out of the United States to foreign jurisdictions for deposit where, in turn, the funds can then be electronically transferred back into the United States.

Case Histories

CAYMAN ISLANDS

Leigh Ritch, convicted of narcotics trafficking in 1986, ran one of the largest marijuana smuggling organizations ever uncovered in the United States. By the time he was thirty years old Ritch was transacting drug deals worth hundreds of millions of dollars.[5]

Ritch told the Subcommittee that all of his distributors paid him in cash and that he stored the bills in a safehouse in the Tampa, Florida area.[6] He employed old high school friends to count and package the money for shipment to an offshore banking haven where the money could be converted into a bank deposit.[7] For Ritch, the ideal place was the Cayman Islands, renowned for its bank secrecy laws.[8]

Ritch held dual U.S.-British citizenship and had lived and worked in the Cayman Islands. He had learned that the Island's hundreds of financial institutions existed principally to assist Latin Americans in evading exchange controls and taxes in their own countries. These institutions would not require any information on deposits of large sums of U.S. currency.[9]

Ritch testified that the Cayman banks charged a one percent fee for laundering the money, which they characterized as a fee for "counting the cash." After taking such a fee, the banks would then ship the funds to the U.S. Federal Reserve System.[10]

When Ritch first began selling narcotics, the amounts of currency he handled were in the hundreds of thousands of dollars. He would place the currency in a suitcase and fly from Tampa to the Cayman Islands. As the amounts of cash he handled grew, and his trips became more frequent, Ritch began to fear that his activities would be uncovered. As Ritch put it, "there was a lot of U.S. intelligence on the island, watching the airport, watching . . . the bank

[4] Senate Committee on Government Operations, Crime and Secrecy: The Use of Offshore Banks and Companies, Senate Report 99-130, p. 141.
[5] Subcommittee testimony of Leigh Ritch, February 8, 1988, pp. 179-180.
[6] Ibid., p. 155.
[7] Ibid., p. 154.
[8] Ibid., p. 154.
[9] Ibid., p. 148.
[10] Subcommittee testimony of Lee Ritch, February 8, 1988, p. 74.

transactions there." Ritch also learned that Cayman banks were being pressured by the U.S. not to accept deposits from known drug traffickers. Accordingly, Ritch decided to move his money to Panama.[11]

In Panama Ritch relied on his partner in the smuggling operation, Stephen Kalish, to act as his "agent to deal with the Panamanians." Kalish actually bought a penthouse apartment in Panama City for use by the organization. He shuttled between Florida and Panama and, according to Ritch, negotiated with General Noriega to insure the security of the money laundering operation.[12]

BAHAMAS

Louis "Kojak" Garcia, a marijuana smuggler turned federal government informer, described the dimensions of the currency generated by his drug transactions by recounting how there were times he would sit in his spacious living room, ankle-deep in twenty, fifty and one hundred dollar bills.[13] After receiving the money from distributors who paid him for the marijuana he smuggled into the Miami area, Garcia then paid his suppliers and members of his drug organization. He claims also to have paid several high ranking Bahamian officials up to $250,000 for permission to transship marijuana through the Bahamas.[14] These payments still left him with hundreds of thousands of dollars in currency at a time which required laundering.

Initially, Garcia used the Bahamian banking system to launder the profits from the narcotics business, particularly since he was already using the islands as the transit point for drugs coming into the United States. The Bahamas had strict bank secrecy laws and there were no requirements for reporting the deposit of U.S. currency in Bahamian financial institutions.

Garcia found that initially many Bahamian banks were more than willing to have his business. But like the Ritch-Kalish organization, the Garcia organization found that increasing pressure by the U.S. was making the Bahamas a less attractive place to do business for money laundering. Accordingly, on the advice of Ramon Milian Rodriguez, a money launderer for the Medellin cartel, and a number of Cuban American narcotics traffickers, Garcia decided to join the cartel, Rodriguez and the Ritch-Kalish organization in laundering his profits in Panama.

PANAMA

Panama had grown into a money-laundering center long before General Noriega came into power, in large part as a result of banking "reforms" instituted in the late 1960's. Bank secrecy laws were adopted and regulations on financial institutions repealed which led to a virtual explosion in the Panamanian banking industry by the early 1970's. Dozens of foreign banks opened branches in

[11] Ibid., p. 161.
[12] Testimony of Leigh Ritch, Part 2, February 8, 1988, pp. 67-68.
[13] Subcommittee testimony of Luis Garcia, May 27, 1987, pp. 33-34.
[14] Ibid., p. 17.

Panama, many of them geared toward attracting the proceeds of illegal activity.

By the early 1980's, there were well over one hundred banks in Panama and more than fifty of those were owned by Colombians. These banks attracted significant sums of drug money as the Cartel's relationship with General Noriega grew. Panama became so successful in attracting drug money, that according to U.S. Treasury estimates, staggering sums of currency, amounting to at least several billion dollars were being laundered each year. (Panama's development as a money laundering center prior to 1984 is described more fully in the chapter on Panama.)

Amjad Awan, the former manager of the Bank of Credit and Commerce International Panama, stated in a Subcommittee deposition that many of the international banks in Panama willingly laundered money. He said that when unusually large amounts of cash were returned from Panama to the Federal Reserve Bank in New York in 1984, the Panamanian Bankers' Association, a self-regulatory organization, met to discuss how to deal with this problem. Voluntary limits on the amount of U.S. currency that any one bank could return to the National Bank of Panama were proposed. A suggested $5 million dollar limit was vigorously protested by the Swiss banks and a number of large North American banks. When voluntary limits were adopted, the Swiss banks avoided compliance by chartering aircraft to fly currency back to Europe.[15]

Awan also stated that the bankers could get money laundering business by paying kickbacks of one or two percent to the owners of Brinks of Panama. According to Awan, Brinks controlled the placement of many drug deposits and for a fee, would direct the shipment of cash to the bank which paid a commission. In addition, banks which laundered money tolerated cash skimming by officials of the National Bank of Panama when the money was transferred for repatriation. To offset these expenses and earn a substantial profit, the banks charged special cash handling fees for taking in large sums of currency.[16]

Marijuana smuggler Leigh Ritch confirmed this account. He testified that Cesar Rodriguez, a drug trafficker who worked for Noriega, had established a two to three percent fee for money laundered by his organization. The fee dropped to one percent for each deposit over $5 million. The services Cesar Rodriguez provided included meeting the shipments of money at the airport with armored cars, bodyguards and limousines, and providing continuous personal security while the traffickers remained in Panama.[17]

Panama became so secure for money laundering that the principal problem for the drug traffickers was security for the money as it left the United States, not once it reached Panama. To solve this problem, the Cartel experimented with different methods of handling funds in order to prevent seizures.[18] Often, the money was flown to Panama as commercial air freight on either Braniff airlines or Eastern Airlines.[19] Currency was shipped in pallets or in containers.

[15] Subcommittee deposition of Awan, Part 4, pp. 473–503.
[16] Ibid.
[17] Subcommittee testimony of Lee Ritch, February 8, 1988, p. 67.
[18] Ibid., p. 50.

The use of palletized shipments was confirmed by an Eastern pilot who testified that after his plane landed in Panama he watched pallets being unloaded from his craft into waiting armored cars. When he inquired as to the nature of the cargo, he was informed that it was money.[20] According to Roman Milian Rodriguez the station managers for the airlines were in the employ of General Noriega, thus insuring that the currency cargos received special protection. Noriega also maintained an ownership interest in the armored car business that met the planes at the airport.[21]

After being laundered, many of the drug profits of the Cartel deposited in Panamanian financial institutions found their way back to Colombia where they were invested in newspapers, radio stations, television stations, soccer teams, pharmaceutical firms, automobile agencies, and construction companies.[22]

One Money Launderer's Experience

In his Subcommittee testimony, Milian Rodriguez described his career as a money-launderer and explained the techniques used by the major traffickers to handle and invest their money. As an accountant in Miami, Milian Rodriguez attracted business from members of the Cuban exile community who had turned from shellfishing to drug trafficking during the 1970's.[23]

Beginning on a modest scale, Milian Rodriguez took the responsibility for counting, packaging and shipping his client's money to Panama, where the funds were deposited in a local bank. Typically, Rodriguez set up the account at the Panamanian bank in the name of a Panamanian corporation created for the sole purpose of receiving the one time currency deposit.[24] Shortly after the initial deposit, the money would then be moved to another group of accounts in the same bank through a cash withdrawal in the form of a teller's receipt. This transaction did not leave a paper trail to the receiving accounts. The money would then be moved to a second bank in the form of teller's notes and deposited to the account of another group of "dummy" Panamanian corporations, further hiding the source of the funds.[25] From there, it was transferred to a visible, and on the surface, legitimate investment corporation in the Netherlands Antilles.[26] That corporation would in turn purchase a wide range of assets as passive investments, including luxury real estate, stocks and bonds, and other financial instruments.[27]

[19] Ibid., p. 39–40.
[20] Subcommittee testimony of Gerald Loeb, February 8, 1988, pp. 131–132, 143.
[21] Subcommittee testimony of Ramon Milian Rodriguez, February 11, 1988, pp. 235, 247 and closed testimony June 26, 1987, p. 91.
[22] Subcommittee testimony of Ramon Milian Rodriguez, April 6, 1988, p. 45.
[23] Subcommittee testimony of Ramon Milian-Rodriguez, February 9, 1988, pp. 220–221; see also Milian-Rodriguez indictment and related documents in *U.S. v. Five Million Four Hundred Forty Seven Thousand, Nine Hundred Forty Nine Dollars*, No. 88–1652 Civ-JWK, and *U.S. v. Rodriguez*, both US District Court for Southern District of Florida.
[24] Ibid., pp. 24–25, 36–40.
[25] Ibid., pp. 41, 45–46 and testimony of April 6, 1988, pp. 40–41.
[26] RMR testimony of February 11, 1988, p. 49.
[27] Subcommittee testimony of Ramon Milian Rodriguez, April 6, 1988, p. 45.

Milian-Rodriguez testified that in 1979 he established a cash management system for Pablo Escobar, a key figure in the Medellin Cartel.[28] Milian Rodriguez designed this system to maximize profit and interest, and minimize risk. As he described it, currency received from wholesale cocaine purchases was delivered to cartel operatives in the major cities around the United States. These "cut-outs" in turn passed the money to messengers who delivered it to safehouses, where Colombians counted and bundled the money and shipped it to consolidation points for shipment to Panama.[29]

The packaging and shipment of currency was handled by freight forwarding companies owned by the Cartel.[30] Milian-Rodriguez provided the subcommittee with cardboard boxes that had been designed to exact dimensions for packing money and carried the logo of the captive freight forwarder.[31]

Milian Rodriguez was convicted under federal RICO statutes as a money launderer and sentenced to 43 years in federal prison. In May 1983, he was arrested with $5.4 million in cash as he attempted to leave Fort Lauderdale for Panama on his personal Lear jet. At the time of his arrest, federal authorities touted him as the biggest drug money launderer apprehended in Florida.

The U.S. Response To The Problem

By the time the Subcommittee on Narcotics and Terrorism began its investigation, the use of offshore banks by drug traffickers already had received significant attention by Congress. Beginning in 1982, the Permanent Subcommittee on Investigations of the Senate Government Affairs Committee undertook a major investigation of the use of banks, trusts and companies in offshore bank secrecy jurisdictions by drug runners. In the case of Panama, the Subcommittee concluded that "the evidence indicates that a significant percentage of the currency [in circulation in Panama] was drug money."

In the House of Representatives, Congressman George Wortley (R-NY), a member of the Banking Committee, introduced a proposal which would have authorized the Treasury Secretary to subject a wide range of foreign financial institutions, including branches, subsidiaries, and affiliates of institutions doing business in the United States, to the record-keeping and reporting requirements of the Bank Secrecy Act. The House Banking Committee included this proposal in H.R. 5176, the money laundering bill that it reported in August 1986. According to the Committee report (H.R. Report No. 746, 99th Congress, 2nd Session, 34):

> By including Section 6(a) in the bill, the Committee's intent is to send a clear and unmistakable message that it expects United States financial institutions doing business in this country to not only abide by the letter of the law but to live up to their moral responsibility to fully cooperate in this country's efforts to stamp out the illicit trafficking of drugs."

[28] Ibid., pp. 20, 22.
[29] Ibid., pp. 36-39.
[30] Ibid., p. 40.
[31] RMR Subcommittee testimony of April 6, 1988, p. 28.

Foreign governments, bankers and the Treasury Department opposed the Wortley provision from becoming a part of the final drug bill passed by the Congress in 1986, arguing that it represented an unprecedented extraterritorial application of U.S. law. A substitute provision was included [Sec. 1363, Subsection (c)] which required the Secretary of the Treasury to report to Congress within one year on the extent to which foreign branches are used to facilitate money laundering to evade the reporting requirements of the Bank Secrecy Act, to examine the issue of extraterritoriality, and to identify methods of obtaining the cooperation of foreign governments.

In July 1987, the Treasury Secretary submitted his report to Congress. In the report, he stated that "Treasury is aware of very few examples of Bank Secrecy Act or money laundering cases involving transfers through foreign branches of United States financial institutions." The Secretary further noted that "because there is no accurate means of determining how much money is laundered through each type of financial institution, Treasury can offer no reliable estimates on the amount of money that may be laundered through foreign branches of domestic financial institution."

Effectiveness of Current Reporting Requirements

In the wake of indictments of a number of prominent U.S. financial institutions for their failure to abide by the reporting requirements of the Bank Secrecy Act, the Congress in 1986 made it a crime to deposit large sums of cash without providing basic information about the depositor such as name, address, and taxpayer identification. This statute applies to every bank, broker and financial institution in the country, including casinos, that handle large sums of cash. Depositor information, or Currency Transaction Reports (CTR), are now being filed at a rate of nearly 600,000 a month.

The 1986 law, and the data generated by CTRs, have begun to pay off. More than 270 targets of suspicious activity have been identified, and there have been several major prosecutions, including the well known Washington, D.C. and New York City "Pizza Connection" case in which a number of persons were convicted in a major heroin smuggling operation.

But while these laws have been extremely effective in fighting distributors of illegal narcotics in the United States, a major loophole has made them entirely ineffective against drug smugglers who operate from foreign sanctuaries. As the Subcommittee testimony detailed, the drug traffickers have developed systems to ship the money generated by drug sales out of the US, for deposit in countries with strict bank secrecy laws, and then electronically transfer these funds back to the United States where they are lawfully invested in income-producing assets.

Summary and Conclusions

To function, the criminal organizations which control the drug business must have access to commercial banks willing to take large amounts of U.S. currency anonymously. Moreover, they must be able to keep secret the identity of the beneficial owners of the secret accounts. Restricting these two essential requirements for successful money laundering activities, even imperfectly, is the most important action the United States government can take in challenging seriously the operations of the large traffickers.

The Subcommittee on Narcotics and Terrorism therefore proposed that the Secretary of the Treasury negotiate agreements permitting foreign banks to cooperate with U.S. narcotics investigations. As a result of an amendment sponsored by the chairman and ranking member of the Subcommittee (Senator John F. Kerry and Senator Mitch McConnell), legislation incorporating this proposal was included in the Omnibus Drug Bill passed at the close of the 100th Congress after passing the Senate by a vote of 85 to 3.

All banks—both U.S. and foreign-owned—which do business in the United States, should be required to record U.S. cash deposits in excess of $10,000 as a condition of their U.S. charter or their right to transfer funds electronically into this country. The prompt negotiations of such agreements with other countries, as mandated by the Omnibus Drug Bill of 1988, should be undertaken.

It is the belief of the members of the Subcommittee that these agreements will ensure that banks maintain a record on the identity of anyone who conducts a cash transaction in excess of $10,000. The records of such transactions would be requested only in connection with a narcotics investigation. Institutions which choose not to comply with this requirement should be denied access to the U.S. banking market and the financial wire transfer network maintained by the Federal Reserve.

LAW ENFORCEMENT VS. NATIONAL SECURITY: CONFUSED PRIORITIES

Introduction

The Subcommittee identified a number of cases in which law enforcement operations and criminal prosecutions were subordinated to other foreign policy concerns. More often than not, the interference with law enforcement processes was the result of ad hoc decisions made at the operational level of the national security agencies involved, rather than the product of carefully considered decisions made at the highest levels of our government.

Instances in which foreign policy considerations took precedence over the war on drugs included the Barry Adler Seal episode, law enforcement investigations into illegal activities associated with the Contras on the Southern Front, a narcotics sting operation directed at a high Bahamian government official, the intervention of U.S. officials on behalf of the Honduran General convicted in a narco-terrorism plot, and the handling of Panama's General Manuel Antonio Noriega. (Accounts of the Bahamian sting and General Noriega were provided in the Bahamas and Panama chapters respectively.)

Barry Seal and the Cartel

Barry Adler Seal, a former narcotics smuggler, was utilized as an undercover agent by the DEA in a highly sensitive operation being run against the Colombian cocaine cartels and officials of the Sandinista regime in Managua. Based upon intelligence the DEA had received, an interest had been expressed by some members of the Sandinista Directorate in providing a base of operations in Nicaragua for the cartels. U.S. law enforcement officials had hoped to entrap both members of the cartels and Sandinista officials in a drug sting being run by Seal.

However, the operation was disclosed prematurely by an administration official who leaked to the press evidence supposedly collected by Seal in an effort to influence a pending Congressional vote on Contra aid. Law enforcement officials were furious that their undercover operation was revealed and agents' lives jeopardized because one individual in the U.S. government—Lt. Col. Oliver North—decided to play politics with the issue.[1]

Associates of Seal, who operated aircraft service businesses at the Mena, Arkansas airport, were also the targets of grand jury probes into narcotics trafficking. Despite the availability of evidence sufficient for an indictment on money laundering charges and over the strong protests of State and federal law enforcement officials, the cases were dropped.[2] The apparent reason was that the prosecution might have revealed national security information, even though all of the crimes which were the focus of the investigation occurred before Seal became a federal informant.

Bueso-Rosa and the Contras

Senior U.S. Government officials intervened with a federal judge to obtain a reduction to five years in the sentence for Honduran General Jose Bueso-Rosa, who was convicted in 1985 of conspiring to assassinate President Suazo Cordoba of Honduras. The assassination attempt was to have been financed by the proceeds from the sale in the United States of $40 million in cocaine seized in connection with the plot. The other defendants in the case received sentences as long as forty years.

In addition, officials of the U.S. government intervened to ensure that Bueso-Rosa served out his sentence in a minimum security facility at a U.S. military base in Florida. The officials intervened because the general was a friend of the U.S. government and had been of particular help to the U.S. military in Honduras. According to the Admissions of the United States in the criminal trial of Oliver North, "Lt. Col. North suggested that efforts be made on Bueso-Rosa's behalf to deter him from disclosing details of [his support of the Contras]."[3]

These officials seemed unconcerned that the Justice Department had touted the conspiracy as the "most significant case of narco-terrorism yet discovered."[4]

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[1] Subcommittee testimony of John C. Lawn, July 12, 1988, pp. 134–135.
[2] Subcommittee staff interviews with local and federal law enforcement agents in Mena, Arkansas, August 2 and 3, 1988.
[3] Admissions, *U.S. v. North*, DC District Court, 1989, #102.
[4] Subcommittee testimony of Francis McNeil, Part 3, April 4, 1988, pp. 44–49.

Mr. Mark M. Richard, the Deputy Assistant Attorney General of the Criminal Division for the Department of Justice was adamantly opposed to these interventions. Originally, the Department of State supported the Justice Department's position in the Bueso-Rosa case. Richard said that early on the Pentagon took the initiative in support of interventions on behalf of Bueso-Rosa.

In a deposition before the Iran/Contra Committee, Richard recalled being called to a meeting which included, among others, Oliver North, General Paul Gorman, Elliott Abrams, and Dewey Clarridge, who was representing the CIA. In that meeting North, Gorman, Abrams and Clarridge all agreed that Bueso-Rosa should be accommodated. Richard said he was surprised that the State Department's position had changed. Richard said he responded by saying:

> Look . . . anything we do for this man seems to undercut our position that we have repeatedly taken that this is an international terrorist. This is certainly not consistent with the position we have articulated throughout the course of this prosecution that this man is a serious international terrorist and should be treated accordingly.[5]

Francis McNeil, in testimony before the Subcommittee said the successful intervention on behalf of Bueso-Rosa, over the objections of the Justice Department, undermined President Reagan's policies in three areas: anti-terrorism, anti-narcotics, and support for democracy.

Intelligence vs. Law Enforcement

Despite obvious and widespread trafficking through the war zones of northern Costa Rica, the Subcommittee was unable to find a single case against a drug trafficker operating in those zones which was made on the basis of a tip or report by an official of a U.S. intelligence agency. This is despite an executive order requiring intelligence agencies to report trafficking to law enforcement officials and despite direct testimony that trafficking on the Southern Front was reported to CIA officials.[6]

Where traffickers and suspected traffickers were mentioned by name in documents divulged in the course of the Iran-Contra hearings, the names were deleted by the authorities charged with document declassification. This deletion was effected, notwithstanding the fact that a copy of a memorandum detailing the trafficking activities written by Rob Owen and sent to Oliver North, had already been widely circulated.[7]

Assistant U.S. Attorney Jeffery Feldman and FBI Special Agent Kevin Currier were sent to San Jose in 1986 to investigate illegal weapons shipments to the Contras operating in Costa Rica. Yet, U.S. embassy officials were not only unsympathetic with their objectives but also attempted to dissuade them from interviewing a key witness.

[5] Iran/Contra deposition of Mark M. Richard, Appendix B, Volume 28, August 19, 1987, pp. 122–128.
[6] Lawn testimony, pp. 115–116, 118.
[7] April 1, 1985 Owen memorandum to North, Iran-Contra exhibit Robert W. Owne 7.

In his testimony, Richard Gregorie said that the failure of the State Department to turn over important materials was jeopardizing the prosecution in his case against Sarkis Soghenalian, an arms dealer. Gregorie testified that the case against General Noriega could well be jeopardized if U.S. intelligence agencies failed to come forward with information about the General's role in narcotics trafficking.

> It is impossible [to know with certainty] in a world where the secret to conducting intelligence activity is compartmentalization, that is you get information on a need to know basis.
>
> . . . if a compartment goes out of wack, that is if they go off on their own wild spree, there is nobody to supervise them. And if it happens that Mr. Noriega was working for a compartment I don't know about and their superiors in other departments don't know about, there may be a whole source of information unknown to the prosecutor.

Gregorie, referring to the CIA, went on to say, ". . . with the Noriega case we have requested the right to see certain things. I can honestly tell you that I am convinced that we have not seen even a small percentage of what we should see."

Misguided Priorities

Law enforcement operations directed at narcotics traffickers should be a clear government priority. Law enforcement agents who are on the front-lines, day-in and day-out, of the war on drugs should be secure in the knowledge that as they develop evidence on anyone associated with the drug trade, their efforts will not be jeopardized or terminated for so-called national security considerations.

The most graphic example of this conflict between law enforcement and foreign policy priorities is that of Richard Gregorie, who for eight years led the war on drugs in the U.S. Attorney's office in Miami. He had achieved a reputation as one of the nation's most effective and toughest federal narcotics prosecutors.

Yet, Gregorie, in frustration, resigned his position in January of this year due to increasing opposition he was meeting from the State Department to his investigations and indictments of foreign officials.

In an interview with NBC, aired on February 22, 1989, Gregorie said the opposition from the State Department made it almost impossible to pursue top cocaine bosses. He stated, in that interview: "I am finding the higher we go, the further I investigate matters involving Panama, high level corruption in Colombia, in Honduras, in the Bahamas, they are concerned that we are going to cause a problem in foreign policy areas and that that is more important than stopping the dope problem."

Gregorie said he felt a lot like the soldiers in Vietnam felt. "We are not being allowed to win this war." [8]

[8] NBC News interview with Richard Gregorie, February 22, 1989.

The Drug Enforcement Administration has expressed a clear reluctance to develop cases against officials of foreign governments because of that agency's status as a guest in the countries where it operates. Many law enforcement officials in south Florida have been discouraged in pursuing cases that lead to the Bahamas because of past interventions by the foreign policy agencies of our government.

When cases are brought against those involved in the drug trade, prosecutors should be able to rely upon the cooperation of all the agencies of the Federal government to assist them in indictments and prosecutions. Obviously, secrecy is essential to maintaining the security of certain U.S. government operations. However, the concern for secrecy and the need for the classification of important national security information should not be an insurmountable obstacle for prosecutors in their ability to obtain evidence critical in waging a more effective war on drugs.

In addition, the Nicaraguan war complicated law enforcement efforts, particularly in south Florida, at a time when the illicit narcotics trade mushroomed out of control. A unique problem surfaced with the privatization of U.S. foreign policy in Central America, at the direction of Lt. Col. Oliver North. The following section to this chapter discusses the nature of this problem.

The Consequences of Privatizing U.S. Foreign Policy

A major consequences of privatizing support for the Contras, particularly during the Boland Amendment prohibition on official U.S. government assistance, was that it attracted numerous individuals and organizations involved in illicit activities.

As revealed during the Iran/Contra hearings, an extensive network of private support for the Contras was established and coordinated by a handful of government officials working with private organizations. Although it might have been unintended, this private support network, encouraged by certain officials of the U.S. Government, served as a magnet for many individuals who exploited their activities on behalf of the Contras as a cover for illegal gunrunning and narcotics trafficking. It appears that anyone or any organization was welcomed as participants in supporting the Contra cause.

The private efforts on behalf of the Contras attracted a number of drug traffickers who understood full well the high priority the U.S. government gave to the war against Nicaragua. Testimony before the Subcommittee revealed narcotics traffickers were particularly astute in offering to assist the Contras in an effort to not only protect their operations, but also to avoid prosecution for their activities as well. This technique is known as "ticket punching."

In the environment of South Florida, with exiles from around Latin America plotting a variety of activities aimed at toppling left-wing regimes around the hemisphere, and with legal and illegal covert operations a commonplace, the opportunities for ticket punching are endless. According to Richard Gregorie of the U.S. Attorney's office in Miami, the result is a prosecutor's nightmare.[9]

[9] Testimony of Richard D: Gregorie, July 12, 1988, pp. 156–168.

The Subcommittee repeatedly encountered this phenomenon as it tried to understand the relationship between law enforcement and foreign policy priorities. Many of the stories connecting the Contras and drug trafficking were the result of efforts by traffickers to establish a cover for their operations by "marrying" them to covert activities and to revolutionary groups desperate for help.[10]

Ramon Milian-Rodriguez' offer to assist the Contras was not made until after he was arrested on drug-related charges. The offer was an obvious attempt to reverse the legal proceedings being brought against him.

George Morales, the convicted cocaine-trafficker, was quite candid that his primary motivation in providing support to Eden Pastora's organization was his belief that the CIA would actually intervene to assist him with his legal problems.[11] Unlike Milian-Rodriguez, Morales in fact delivered planes, weapons and money to the Contras who were desperate for help at the time.[12] When his relationship with the Contras developed more fully, Morales began to take advantages of the Contra infrastructure to enhance his drug operations.

DIACSA, which was the headquarters for the Floyd Carlton/Alfredo Caballero cocaine transportation organization, was paid by the State Department's NHAO office as a supplier of humanitarian assistance to the Contras. Caballero was indicted on drug charges and entered into a plea bargain with U.S. authorities. Carlton was one of the key federal grand jury witnesses in the drug indictments brought against Panama's General Manual Antonio Noriega.

SETCO was the recipient in 1986 of $185,924, in State Department NHAO office funds for the transport of humanitarian assistance to the FDN based in Honduras. A 1983 U.S. Customs Service report stated that "SETCO aviation is a corporation formed by American businessmen who are dealing with Matta and are smuggling narcotics into the United States." The Matta referred to in the report is Juan Matta Ballesteros, a major cocaine trafficker in the region, and wanted by U.S. law enforcement agencies for the brutal murder of DEA agent Enrique Camarena in Mexico.

Frigorificos de Puntarenas, a Costa Rican seafood company, was owned and operated by convicted drug traffickers, Luis Rodriguez, Carols Soto and Ubaldo Fernandez. Frigorificos received $231,587 in humanitarian assistance funds for the Contras from the State Department in late 1985 and early 1986. Luis Rodriguez was finally indicted on September 30, 1988 for drug-smuggling which took place between November 1980 and January 1983.

Tom Posey, Mario Calero, Jack Terrell, Frank Castro, Joe Adams, and Rene Corbo were all indicted in August 1988 for Neutrality Act violations that occurred in 1985 and 1986. The FBI had extensive investigative files on Corbo who readily admitted that he had been providing weapons to the Contras in violation of the Neutrality Act. All claimed they were acting on behalf, and with the encouragement, of the U.S. government in the Contra war against Nicaragua.

[10] Ibid., p. 137, and Subcommittee testimony of David Westrate, Part 4, July 12, 1988, pp. 144.
[11] Subcommittee testimony of George Morales, Part 3, April 7, 1988, p. 300.
[12] Ibid., pp. 60–62.

The Case of Michael Palmer

The most puzzling example of this phenomenon the Subcommittee encountered was the case of Michael Palmer. Palmer's career as a drug smuggler also included numerous government associations that clearly revealed a government working at cross-purposes.

Palmer was a former Delta Airlines flight engineer who went into the marijuana business with Leigh Ritch and Michael Vogel in the late 1960's. He participated in the smuggling of hundreds of tons of marijuana into the United States over a six-year period without getting caught.

In 1984, he flew to Colombia with a load of money to purchase a large shipment of marijuana. The plane was trapped on the ground by the Colombian military and Palmer was thrown into jail.[13] As he sat in jail he had the chance to contemplate the risks he faced.[14] There was a strong probability that his organization had been compromised and that one or more of its members were working with the police. He risked being identified as the key figure in a multi-billion dollar drug ring and face a possible life sentence.

For Palmer the message was clear: Get out of jail in Colombia and go to work for the U.S. government. Depending on the story one chooses to believe, Palmer was either released because the Colombians had no case against him or because his friends paid off Colombian officials. Upon his return to the United States he told his former colleagues that he was retiring and promptly looked for government agencies which would be able to use his services.[15]

Palmer's major assets were an interest in a DC–6 which had been involved in drug smuggling operations, an interest in Vortex, a minor Miami-based air cargo business, and excellent connections in the drug world.[16] Within a matter of months after his return to the United States, Palmer was handling "humanitarian" cargoes for the State Department, working for the Drug Enforcement Administration, and informing for an office of the Customs Service.

Palmer's decision to become a government informant was prescient because he was in fact indicted in Detroit for his role in the marijuana smuggling operation. His ploy worked. Over the objections of law enforcement agencies involved in the case against him, Palmer's indictment was dropped as "not being in the interest of the United States."

Throughout Palmer's career as a government informant the various agencies using him did not seem to know that he was involved in more than one operation with more than one agency. In fact, some agencies were tracking him as a smuggler unaware that he was doing the smuggling for DEA. Palmer's varied government operations all involved using the same airplane. The results were chaos and confusion.[17]

The DC–6 which was the centerpiece of Palmer's operation had been purchased in 1979 and had been used to pick up a multi-ton load of marijuana in Colombia. The plane was overloaded and hit

[13] Subcommittee testimony of Michael Palmer, Part 3, April 6, 1988, p. 202.
[14] Ibid., p. 204.
[15] Ibid., pp. 202–203, and Subcommittee testimony of Michael Vogel, April 5, 1988, p. 114.
[16] Palmer, ibid, pp. 197–198.
[17] Ibid., pp. 215–216.

some trees and shrubs as it took off from Colombia. According to Michael Vogel, Palmer's partner, the plane flew north with tree limbs and shrubs sticking out of the wings. The intended destination was a farm in Tennessee but because of the damage the crew had to dump the load of drugs over a small town in Georgia.[18]

The plane landed in Tallahassee and the occupants fled before the police closed in. The plane was seized and left on the runway at Tallahassee for several years before it was retrieved from the government by Palmer's lawyer. Palmer invested a substantial sum of money in rebuilding the plane and gave it to Vortex's Steve Herreros in exchange for an interest in his company. Herreros had several air freight contracts for which he could use the plane.[19]

When Palmer decided to become an informant the plane became an essential part of the plan. DEA wanted him to fly to Colombia where the plane would be used to entrap a Colombian smuggling ring. The Colombians agreed to sell Palmer marijuana and a load was sent back to Detroit.

Unfortunately, Palmer testified, the DEA did not properly coordinate with the Customs Service.

According to Palmer, Customs agents in Detroit who did not know he was working for the government came close to shooting him and breaking up the entire operation before the DEA could find out who the distributors were and before DEA could complete the sting.[20]

At the same time Palmer was flying drugs as part of a DEA sting, the DC–6 was being used for State Department humanitarian assistance flights to the Contras.[21] Members of the press corps had become aware of the plane and suspected that the plane was a key link between the drug trade and the covert war in Central America. They staked out the plane and began to investigate Palmer's background.

In the meantime Palmer and his partner were repainting the plane and changing its tail numbers to make it less conspicuous. Each of the tail number changes and new paint jobs was recorded by a professional photographer at the Miami airport who makes his living tracking alterations made in the appearance of junk planes parked in the airport's famous "corrosion corner." Unknown to the covert operators or the DEA, the photographer sold copies of the pictures to the press which was now sure it found the link between covert operations and drug trafficking.

On one occasion, the plane returned from Central America and was subjected to a careful search at the Miami airport. The pilot protested claiming that the search endangered sophisticated navigation equipment which had been installed for government operations. He asked that Palmer be called to the scene to verify the fact that the plane was being used on an official government operation. The Customs officials were incredulous because they knew that Palmer was under indictment in Detroit in a huge marijuana

[18] Testimony of Michael Vogel pp. 101–102, in 100–773, pt. 3.
[19] Ibid, p. 197.
[20] Ibid., pp. 220–224.
[21] Ibid., p. 208.

smuggling case. To their amazement, Palmer got the government to acknowledge the plane.[22]

As the public controversy about Palmer grew, the different law enforcement agencies involved with the case could not agree on how it should be handled. DEA wanted his Detroit case dropped because of his undercover work, while other agencies suspected that he was continuing his own drug business using his work for the DEA as cover.

The Detroit prosecutor decided to drop the charges against Palmer, a decision which infuriated Palmer's former partners in the marijuana business who all received long prison terms.[23]

The Case of Frank Camper

The story of Frank Camper is one clear example of how the privatization of foreign policy could lead to tragedy.

Camper is a Vietnam veteran who began working as an informant out of Birmingham, Alabama for the FBI in the early 1970s. In 1980, Camper decided to establish "a private school for people who would be interested in paramilitary work," which he called "the Mercenary School."[24]

Advertising in publications like "Soldier of Fortune," "Gung Ho," and "Eagle," Camper conducted two-week paramilitary training courses for individuals and groups . . . While training these individuals, Camper was acting as an informant for the FBI and military intelligence.

The training provided by Camper included instruction in assassination techniques, the use of plastic explosives, and various bombing techniques.[25]

From the beginning, the Camper school attracted violent and extreme elements. Among Camper's first students was Robert Lisbenby, who according to Camper was planning a public bombing and assassination in Miami. Camper informed law enforcement agents and the plot was halted. Other Camper students "used the techniques that they had learned" at his school to steal items from the Redstone Military Base in northern Alabama.[26]

According to Camper, he founded the school with two principals in mind. First, to "enable the U.S. Government to gain a great deal of intelligence and indeed initiate many operations that were successful to stop criminals and terrorists." Second, "to get and prove out possible foreigners who would work for the U.S. Government in the future."[27] Between 1981 and 1986, Camper received approximately more than $25,000 from the U.S. Government in connection with these operations.[28]

As Camper's school became increasingly well-known, he found himself being drawn into contact with representatives of foreign governments and with the Contra program.

[22] Ibid., pp. 229–230.
[23] Vogel, ibid, pp. 113, 117.
[24] Subcommittee testimony of Frank Camper, Part 4, pp. 287–288.
[25] Camper, Part 4, p. 301.
[26] Camper, p. 289.
[27] Ibid., p. 301.
[28] Ibid.

Camper testified that in 1984, he was approached by members of the Panamanian Defense Forces who wanted him to participate in training programs for PDF anti-terrorism commando units. Camper said he learned during a meeting in Panama that the PDF was working with the Medellin cocaine cartel, and reported this information to military intelligence. Camper claimed that military intelligence did not follow up on the information he had provided them.[29]

The same year, the Civilian Military Assistance Group ("CMA") of Decatur, Georgia, began sending individuals who wanted to fight with the Contras to train with Camper for "deep penetration raids into Nicaragua." These individuals were later expelled from Honduras. Camper also trained members of CMA who went to fight with the Contras on the Southern Front, working with John Hull. Among them were British mercenaries Peter Glibbery and John Davies, who were arrested by Costa Rican officials in April, 1985 after conducting a raid in Nicaragua.[30]

Camper also participated in training members of an exile group attempting to conduct a coup against the Ghanian government. These individuals were later arrested on a barge off the coast of Brazil as they were heading for Ghana, and imprisoned.[31]

In November 1984, four Sikh nationalists were trained at Camper's school. The Sikh's asked Camper to train them in guerrilla tactics for a war against the government of India following the assassination of Indira Ghandi and the Indian government's assault on the Sikh Golden Temple. Camper advised the FBI of the Sikh's plans. Camper testified the FBI advised him to continue training the Sikhs as a means of monitoring their activities. Camper testified that as a result of this monitoring the FBI was able to stop planned assassinations of Rajiv Ghandi and an Indian state minister, and that many of the Sikh terrorists were arrested. Other Sikhs trained by the Camper school escaped. According to Camper, the Sikhs used plastic explosives they obtained from his school to blow up Air India Flight 182 over the Atlantic in June, 1985, killing 329 people.[32]

Camper's school was closed after he was arrested in 1986 on weapons and racketeering charges in connection with a Los Angeles bombing.[33]

The Frank Camper story exemplifies many of the perils of the privatization of foreign policy. While being monitored by the FBI and the military, Camper was permitted to train individuals who participated in military expeditions, attempted coups, and bombings involving many nations. While the missions were clearly not authorized by the U.S., many of them were tolerated in a period that U.S. foreign policymakers were seeking to engage the U.S. in a variety of low-intensity conflicts using a mixture of private and public resources.

The tragic irony is that Camper's school was the source for the training and plastic explosives used to blow up the Air India plane.

[29] Ibid., pp. 291–294.
[30] Camper, Part 4, pp. 295–296; see also Iran/Contra Testimony of Tom Posey, Vol. 21, p. 125.
[31] Camper, Part 4, pp. 302–303.
[32] Camper, Part 4, pp. 302–304.
[33] Ibid., pp, 307, 320.

This occurred even though the operation was being monitored by the FBI, and highlights the risks of permitting private military training camps to operate in the United States.

The Case of Richard Brenneke

Certainly, one of the unintended consequences of the privatization of U.S. policy toward Nicaragua, were the number of individuals who surfaced claiming to have been engaged in illicit activities on behalf of federal agencies supporting the Contras. One such individual was Richard Brenneke.

Brenneke is the President of a Portland, Oregon property management company. According to him, in his spare time he had been involved in arms deals in the Middle East and Central America and as a participant in a number of covert operations.

Brenneke first came to the Subcommittee's attention through Will Northrop, one of the defendants in the "Evans" Iranian arms sale case in New York. Brenneke was the source for a lengthy *New York Times* story on weapons sales to Iran. In that story he recounted his purported role in the "Demevand" project, which he said was the code name for a weapons purchasing operation run by the Iranian government.

Some months later Brenneke began to assert publicly that he had participated in a guns for drug arrangement in Central America which was officially sanctioned by the U.S. government. As part of this arrangement he said he had smuggled drugs into the United States and arranged weapons purchases for the Contras in Eastern Europe.

As the result of these new assertions the staff contacted Mr. Brenneke who agreed to be deposed. The deposition was taken on April 23, 1988 in Portland, Oregon.

In his testimony Brenneke asserted that he had worked for the CIA as a contract employee in the Middle East in the 1970's, that he became involved working for Israeli intelligence and the CIA in the early 1980's. He claimed that in the course of his dealings he was asked by the Israelis to make arrangements for the purchase and shipment of Eastern European weapons to the Contras. He said that after clearing the request with the CIA he bought the weapons from Omnipol in Czechoslovakia, and had the weapons shipped to a warehouse in Bolivia. He said that the Israelis then flew the weapons to Panama and Honduras.

Brenneke said that he had worked closely with a number of Israeli agents active in the Central American weapons project who were running drugs into the United States. He said that he was told by White House officials that the operation was officially sanctioned, and he had personally discussed the operation with members of the Vice President's staff.

The Subcommittee then began an exhaustive effort to determine whether Brenneke's sworn statement had any basis in fact. Dozens of individuals whom Brenneke had named in his deposition were interviewed, thousands of pages of documents from government files relating to him and thousands more from his files and other sources were reviewed.

A careful analysis of the files shows that he spent considerable effort unsuccessfully in trying to become an intelligence agent and when that failed, an arms dealer. The records show that Brenneke was never officially connected to U.S. intelligence and that he was never tasked by a U.S. Intelligence agency to gather information. Although Brenneke produced thousands of pages of documents relating to proposed arms deals, there is no evidence that any of them ever came to fruition.

Brenneke began telling stories about his "secret" life as a spy sometime after he was stopped by the Customs service coming through the Seattle airport on a return trip from Europe. He was carrying a briefcase which contained references to arms deals. The Customs Service wanted to know whether he was involved in illegal weapons transactions. His response was to offer to become a Customs informant.

The Subcommittee confirmed that Brenneke applied for a job with the CIA when he finished school but his application was rejected. He worked for an international banker and securities dealer and spent some time in the Middle East and Central America. As the result of his employment he developed contacts in the world of international arms dealers.

When the Iran/Iraq war intensified the adversaries went into the world market to buy weapons. A number of Brenneke's old contacts asked him to join them in their efforts to sell weapons to both sides. Brenneke traveled to Europe and met with his old contacts and with representatives of both the Iranian and Iraqi arms purchasing missions. He traveled to Czechoslovakia and met with representatives of Omnipol, the Czech arms company.

Although Brenneke's files are filled with evidence of this travel and of correspondence arranging meetings he did not produce any evidence of any business transacted. There are no signed contracts, invoices, shipping instructions, delivery records, end user certificates whether real or falsified, or financial records of any kind to support the assertion that he was an active participant in arms deliveries to either Iran or Iraq.

Moreover, Brenneke did not produce any evidence that he was reimbursed for any of the expenses he incurred while trying to arrange arms deals.

It appears that Brenneke learned about the secret U.S. arms deals with Iran from his business associates who in turn had learned about them from the Iranians. It also appears that Brenneke received completely fabricated information about arms deals from undercover agents of the Customs Service who were setting up a sting operation and were talking to his business associates.

When direct efforts to arrange the arms deals failed, Brenneke began to tell every agency of the U.S. government which would listen that he could get the hostages in Lebanon released. In exchange, he wanted the right to sell weapons to the Iranians. Approaches were made through Marine Corps Intelligence, the State Department's Office of Trade and Commercial Affairs, and the Defense Department. These approaches were all passed on to the Customs Service, which, at that time, was in the process of preparing the "Sam Evans" case in New York.

Customs agents interviewed Brenneke extensively, reviewed his records and decided that he had little to offer. He appears not to have been indicted in the Evans case because he did not play any substantive role in the transactions which were at issue.

Undaunted by his failure to secure authority to negotiate with the Iranians over hostages, Brenneke began to offer additional proposals to various federal agencies, including the Defense Department to trade the Iranians U.S. weapons for Soviet made T-80 tanks. These offers were rejected both because of the negative assessment which had been made of him and Brenneke's demand that he be allowed to sell weapons to the Iranians.

Conclusion

The Senate and House Select Committees which were constituted to investigate the Iran-Contra affair described in detail how the Oliver North operations undermined basic U.S. foreign policy objectives.

In their Report, the Select Committee noted:

> Covert operations of this Government should only be directed and conducted by trained professional services that are accountable to the President and the Congress. Such operations should never be delegated as they were here, to private citizens in order to evade Governmental restrictions.[34]

The Select Committee observed further that:

> The President set the stage for welcoming a huge donation for the contras from a foreign Government—a contribution clearly intended to keep the Contras in the field while U.S. aid was barred. The NSC staff thereafter solicited other foreign Governments for military aid, facilitated the efforts of U.S. fundraisers to provide lethal assistance to the contras, and ultimately developed and directed a private network that conducted in North's words, "a full service covert operation" in support of the Contras.[35]

The Subcommittee members believe it is important to reinforce the concerns laid out by the Iran-Contra Committees. Not only did the actions of the North network undermine our government's war on terrorism, but they also damaged the war on drugs. Throughout the decade of the 1980's, the two threats which have exacted a tragic human toll in the lives of our citizens have been the actions of the political terrorists and narco-terrorists. Yet, in the name of supporting the Contras, we abandoned the responsibility our government has for protecting our citizens from all threats to their security and well-being.

Those U.S. officials who were involved in encouraging and actively pursuing the participation of private individuals and organizations in the contra supply network, must bear the responsibility for the illegal activities of those who responded to that call. When accountability is sacrificed in support of a cause, control over those who exploit the situation for their own illicit ends is lost as well.

[34] Report of the Congressional Committees Investigating the Iran-Contra Affair, November 1987, p. 16.

[35] Ibid., 18–19.

Those U.S. officials who turned a blind eye to General Noriega, who intervened on behalf of General Bueso-Rosa, and who adamantly opposed the investigations of foreign narcotics figures by honest, hard-working law enforcement officials, must also bear the responsibility for what is happening in the streets of the United States today.

As Gregorie stated so succinctly in this interview:

> If it was the communists that were taking over South and Central America, we would have done somthing about it. But it's the drug dealers and therefore they (the government) don't see that as a significant priority.[36]

The casualty list for the continued narrow perception as to what constitutes threats to the national security of the United States has grown quite lengthy, particularly with the Iran-Contra episode. It includes the people of the United States who are threatened on a daily basis by narcotics-related violence sweeping the country. There are few neighborhoods in the United States that are secure from this threat. It is individuals like Richard Gregorie, an exceptional public servant who tirelessly gave of himself to protect the citizens of this country, but who finally gave up because his own government would not allow him to win the war on drugs. It is the credibility of government institutions who turn a blind eye to domestic and foreign corruption associated with the international narcotics trade because of the preception there are higher foreign policy priorities which demand our attention.

In the end, the Contras themselves became victims of the very network created to support them.

CONCLUSIONS

National Security Issues

1. International drug trafficking organizations are a threat to U.S. national security. Our government must first acknowledge the threat and then establish a more coherent and consistent strategy for dealing with it.

Hearings before the Subcommittee on Narcotics and Terrorism established that the international drug cartels constitute a serious threat to the national security of the United States and, indeed, to the stability of many of our friends in the Western hemisphere. In the United States illegal narcotics exact enormous costs in terms of increased crime, lower economic productivity and general health problems. In Latin America, the cartels not only create social and eonomic instability as a result of their operations, they have also demonstrated the capability to undermine government institutions through corruption and violence.

The drug cartels are multinational in scope and operation. In many instances, such as in the case of Colombia, they use the sovereignty of foreign governments as a shield to protect themselves

[36] NBC Nightly News interview with Richard Gregorie, February 22, 1989.

from law enforcement activities directed at their operations. In the past, when the United States has pressed for action on such matters as the extradition of cartel leaders, the traffickers have been able to demonstrate, through the use of corruption and violence, that there is a price to be paid for cooperation between governments on criminal and legal matters.

The scale of the cartels' operations and the dimensions of their economic, political and military power make these organizations far more dangerous than any criminal enterprise in U.S. history. They have access to sophisticated weapons and intelligence. They have fielded their own armies and even have entered into alliances with a variety of revolutionary groups and military institutions in the hemisphere. In many respects, they have taken on the attributes of sovereign governments.

The United States government needs to recognize the enormous threat these organizations pose to the vital national interest of our country. The government should consider how to utilize more effectively the various political, economic and, if need be, even military options in order to neutralize the growing power of the cartels.

2. In the past the United States government has either failed to acknowledge, or underestimated, the seriousness of the emerging threat to national security posed by organized drug traffickers. The reasons for this failure should be examined by the Senate Select Intelligence Committee, in conjunction with the Senate Foreign Relations Committee, to determine what steps should be taken.

The operations of the drug cartels in the 1980's exceeded the scope of all previous organized criminal behavior. The Subcommittee received testimony detailing how cartel leaders rented islands in the Bahamas for use as transshipment points for cocaine coming in the U.S., and how drug-related corruption within the Haitian military during recent years opened up another major transit point in the Caribbean.

The judicial system in Colombia has been subjected to such violent assault it's almost impossible to find a judge who will approve imprisonment or extradition for major cartel figures. By late 1984, the Medellin Cartel, in particular, consolidated an important relationship with General Manuel Antonio Noriega of Panama. That relationship became one of the most significant developments for the cartel in a country whose stability and security has long been considered of vital national interest to the United States.

Intelligence reporting on narcotics issues has been marginal and woefully inadequate. The intelligence reports reviewed by the Subcommittee failed to focus on the scope of the drug crisis, the political and economic power of the cartels, or the threat the narcotics trade posed to regional U.S. interests. It appears the operations of the cartels too often have been viewed as an adjunct to what has been perceived as the more important issue of East-West conflict in the region.

Law enforcement officials and prosecutors during this period have far too often focused only on individual cases and rarely considered the issue of narcotics trafficking in the broader context of national security. However, there appears now to be a greater appreciation within the law enforcement community on this dimension of the problem than there is within the foreign policy and national security apparatus of our government.

In sum, each agency with a responsibility for waging the war on drugs has focused on its own tasks and set its own priorities. This not only has affected the ability of the federal government to wage a coordinated strategy for dealing with the problem, but also in the establishment of differing criteria by which individual agencies view the cooperation of other countries in the drug effort.

Because of the implications of this failure for American intelligence as a whole, the Subcommittee urges the Select Committee on Intelligence to review the process by which intelligence regarding narcotics is brought to the attention of government officials. The Select Committee on Intelligence also should determine if preconceived definitions of what constitutes a national security threat prevented the delivery of effective and timely intelligence reporting about narcotics trafficking.

Federal Priorities

3. The threat posed by the cartels should be given a major priority in the U.S. bilateral agenda with a number of countries including Panama, the Bahamas, Haiti, Colombia, Peru, Bolivia and Paraguay. It should be among the most important issues with a number of other countries, including Mexico and Honduras.

The Subcommittee hearings demonstrated that in some bilateral relationships, such as the case of the Bahamas, policy priorities of the United States, including law enforcement, were neither clearly defined nor regularly reviewed. In other relationships, such as the case of Panama, drug enforcement was considered but viewed as less important than other foreign policy objectives.

The members of the Subcommittee believe that narcotics-related issues should be given a high priority within the State Department. U.S. ambassadors should receive clear instructions on the importance of narcotics-related issues in the countries to which they are assigned. The Ambassadors should, in turn, regularly report to the State Department on the host government's responsiveness, or lack thereof, in dealing with this problem. The Department should signal clearly that our government places the highest priority on diminishing significantly the effectiveness and power of the cartels.

While joint eradication efforts, such as those being undertaken in Bolivia and Peru, are positive signs of the willingness of other governments to assist us in the war on drugs, these efforts can only promote marginal results. Eradication is essentially a war on small farmers struggling to meet the basic needs of their families. Extradition of major drug leaders and cooperation in diminishing the capability to launder money will have a much more significant impact in curtailing the power of the cartels.

4. In order to convey to other countries the seriousness with which the United States regards the drug issue, the President should convene a summit meeting of Latin American leaders to ratify a coordinated strategy for dealing with narcotics trafficking, money laundering and related economic problems.

A summit meeting of the United States and our Latin neighbors would signal that the United States considers curtailing international narcotics trafficking to be of vital national and hemispheric interest.

Such a meeting also should be a forum for the discussion of economic issues which must be addressed as an essential component of any solution to putting the cartels out of business. U.S. economic assistance to the region is dwarfed by the amount of money the drug cartels can bring to bear in influencing the region's politics and economies. The United States must accept this reality and begin to assist creatively in developing long-term economic solutions for Latin America. A meaningful debt relief program for many Latin countries is an obvious first step.

Covert Activity Issues

5. The war in Central America contributed to weakening an already inadequate law enforcement capability which was exploited easily by a variety of mercenaries, pilots and cartel members involved in drug smuggling. In several cases, drug smugglers were hired by Contra organizations to move Contra supplies. In addition, individual contras accepted weapons, money and equipment from drug smugglers

The Subcommittee did not find evidence that the Contra leadership participated directly in narcotics smuggling in support of their war against the Sandinistas, although the largest Contra organization, the FDN, did move Contra funds through a narcotics trafficking enterprise and money laundering operation. There was, moreover, substantial evidence of drug smuggling through the war zones on the part of individual Contras, pilots who flew supplies, mercenaries who worked for the Contras, and Contra supporters throughout the region.

There is also evidence on the record that U.S. officials involved in assisting the Contras knew that drug smugglers were exploiting the clandestine infrastructure established to support the war and that Contras were receiving assistance derived from drug trafficking. Instead of reporting these individuals to the appropriate law enforcement agencies, it appears that some officials may have turned a blind eye to these activities.

6. There are serious questions as to whether or not U.S. officials involved in Central America failed to address the drug issue for fear of jeopardizing the war effort against Nicaragua.

The Subcommittee received testimony from a number of individuals who asserted that the U.S. government failed to address the drug problem because to do so might have interfered with the war in Nicaragua. Serious questions have been raised as why our government waited so long to deal with the Noriega problem in Panama. The Barry Seal sting operation directed at officials of the Sandinista government in Managua was prematurely announced publicly by U.S. government officials, shortly before a crucial Congressional vote on Contra aid, thereby jeopardizing an ongoing DEA investigation.

There are also serious allegations surrounding the case of General Bueso-Rosa, a former Honduran military officer involved in an assasination plot funded by money from the sale of cocaine in the U.S., against President Suazo Cordoba. A number of U.S. government officials intervened in the case of Bueso-Rosa, who ultimately received a light sentence in a minimum security facility for his role in this episode.

The Subcommittee urges both the Senate Select Committee on Intelligence and the Senate Judiciary Committees to investigate these episodes to determine if they had a deleterious effect on the war on drugs.

7. The Subcommittee testimony of Frank Camper raises questions as to what various military intelligence units knew about illegal activities. The testimony also raises questions as to whether or not military intelligence was involved in improper domestic operations. The Senate Select Committee on Intelligence should review the testimony and consider whether remedial legislation may be necessary

Frank Camper testified that he had reported violations of the Neutrality Act to U.S. military Intelligence agents. There is a question as to whether or not these reports were forwarded to appropriate law enforcement agencies. Camper also testified to a number of unauthorized operations which were developed at his "Recondo" mercenary training camp in Dolomite Alabama. He maintained these operations were reported to military Intelligence, which allegedly did not interfere with their implementation.

The Subcommittee found it difficult to assess the Camper testimony. Nevertheless, in light of the serious questions raised by his statements, the Subcommittee believes the Senate Select Committee on Intelligence should investigate how the Camper case was handled and whether actions of Military Intelligence were appropriate.

Law Enforcement Issues

8. A primary focus of the U.S. drug effort must be on the major narcotics trafficking organizations located in foreign havens. Law enforcement efforts concentrated on the pusher in the streets, the distributor in the U.S., and interdiction at our border have failed to stem the flow of drugs pouring into this country

In recent years, the public has witnessed announcements by federal, state and local authorities of record drug seizures and arrests of major distribution organizations in the United States. Yet, more cocaine than ever before is flooding our streets as evidenced by the continued decline in the price per kilo and the frightening increase in drug-related violence in the U.S.

The current strategy is failing to stem the narcotics tide because law enforcement authorities are focused on the least vulnerable

level of the cartels' operations: the pushers and the distributors. When drug salesmen and distributors are arrested, they are replaced immediately without serious disruption to the overall operations of the cartels themselves.

Witnesses have compared stopping drugs at the border to futile attempts at plugging a funnel at the wide end. In addition, many law enforcement officials doubt whether the current efforts to deploy high tech equipment in interdiction efforts will produce meaningful results. While the United States must continue to develop and implement a strategy for interdiction, the most significant portion of the federal effort should focus on denying the drug cartels comfortable foreign havens where they are protected by private armies and corrupt government officials.

Senate advise and consent to the ratification of a number of mutual legal assistance treaties would not only send a strong signal as to the seriousness with which the U.S. is waging the war on drugs, it would also enable us to deal more effectively on extradition and money-laundering, where the cartels are most vulnerable.

In addition, pursuant to the Omnibus Drug Act of 1986, the Congress provided the Administration with a range of sanctions to apply to foreign governments which harbor drug traffickers, export narcotics or facilitate the laundering of drug money. However, the Congress did not clearly draft language which creates standards by which the Administration can measure the "full cooperation" of other countries. The result has been that the Administration has consistently argued against decertification for such countries as Mexico and the Bahamas.

While sanctions pursuant to the certification process will not end foreign official corruption, they would send a strong signal of U.S. concern and seriousness. Members of the Subcommittee urge the Foreign Relations Committee to again review the certification process and to work with the Executive branch to develop clearer standards and more coherent definition of "full cooperation."

9. The President should deny Customs preclearance for any country identified as a narcotics source or transit country by the U.S. Department of State in its annual International Narcotics Control Strategy Report which does not "fully cooperate" with the U.S. in anti-drug efforts

In the Bahamas, Canada, and Bermuda, the United States provides "pre-clearance" to foreign visitors. In addition, a number of Caribbean nations are currently asking the U.S. to be considered for pre-clearance. Under pre-clearance, persons entering the United States are checked by Customs in the foreign country, rather than when they land in the United States.

Some foreign nations, especially in Latin America and the Caribbean, prefer pre-clearance because it facilitates tourism and the movement of people to and from the United States generally. The Immigration and Naturalization Service also prefers pre-clearance, principally because it allows INS to exclude persons without a valid right of entry before they arrive in the United States.

By contrast, the Customs Service has expressed concerns about pre-clearance, because if any contraband is found it remains in the

foreign country and the person who is carrying it is handled by its law enforcement system rather than that of the United States. For example, the Subcommittee received testimony that drugs seized in the Bahamas by Customs officials of that country were later sold to other narcotics smugglers. Accordingly, the Subcommittee believes that the overall U.S. policy of pre-clearance needs to be re-evaluated in major drug-transit countries with a substantial record of official corruption or a law enforcement system that has proven inadequate to combat narcotics trafficking in the United States.

The United States should consider ending Customs pre-clearance in the Bahamas to force that government to reconsider its approach and attitude toward narcotics trafficking.

10. The existing distrust and competition between law enforcement agencies working on the drug problem and agencies working in the national security arena must be resolved. Ways must be found to make it possible for law enforcement agencies to have access to national security intelligence information

In testimony before the Subcommittee, it was apparent that members of both the law enforcement and the intelligence communities regard each other with suspicion, if not outright distrust.

The intelligence community is legitimately concerned that the information it provides to law enforcement agencies, particularly sources and methods, could be eventually be disclosed in court proceedings. The primary concern of the intelligence community is, therefore, to protect its sources and methods in gathering intelligence which could be critical to successful prosecutions.

It is incumbent upon the executive branch of the government to devise a mechanism whereby a useful intelligence product can assist law enforcement efforts in the war on drugs. A workable system for protecting classified information particularly as it relates to sources and methods in the criminal justice setting must be developed. This issue should receive the serious attention of the Select Committee on Intelligence and the Judiciary Committee, as well as by the new National Director of Drug Policy.

11. U.S. law enforcement agencies should devote more attention to counter-intelligence to prevent drug dealers and organizations from penetrating their operations

The Subcommittee received extensive testimony detailing the manner in which the cartels have penetrated U.S. law enforcement operations at home and abroad. Janitorial and clerical workers have been bribed for access to files; low level officials have been bribed to find out the disposition of ships and aircraft; law enforcement radio frequencies have been monitored and police and federal agents have been placed under surveillance.

The narcotics trafficking organizations leave nothing to chance. They have hired former law enforcement officials, including, police investigators, former federal agents and former prosecutors who now work as private detectives or private lawyers for the cartels. Not only does this give the cartels access to the identity of informants, but also access to significant intelligence on the law enforcement assets directed at their operations.

As with any threat to the security of the United States, the war against the drug cartels must rely heavly on the use of intelligence and counter-intelligence. Intelligence gathering and investigative efforts that are compromised easily, places our law enforcement agencies in a virtually unwinnable situation in this war.

One of the first tasks of the new National Director of Drug policy should be to take the steps necessary to remedy this situation. A strong counter-intelligence capability must be developed as a means of reversing the serious compromise of our law enforcement efforts.

12. Individuals who represent themselves as working for the CIA or other national security agencies of the United States Government, and who in fact do not, should be promptly prosecuted to the full extent of the law

Misrepresenting oneself as a U.S. government official is normally not considered to be a major crime. However, during the course of this investigation, the Subcommittee found that many individuals who became involved in gun running, Neutrality Act violations and even supporting narcotics trafficking did so because they were told that their actions were either on the behalf of, or sanctioned by, the U.S. government.

Given the number of individuals involved in Central America who were by turns, engaged in activities which were legal, illegal, official or unofficial, the proposition that some criminal behavior was officially sanctioned is not surprising. It is evident that many individuals took advantage particularly of the Contra effort for personal gain, while representing that they were either working directly for the U.S. government or undertaking activities with the approval of officials in Washington.

The Subcommittee recommends that the Judiciary Committee develop legislation to provide civil and criminal penalties relating to such misrepresentations. Prosecutions of individuals who so misrepresent themselves could serve as a deterrent to others who may unwittingly become involved in illegal activities they think are officially sanctioned by our government.

13. The State Department should make a special effort to control multiple entry visas from countries which are major transit countries or which harbor drug traffickers

Witnesses told the Subcommittee that one of the most effective ways for controlling drug traffickers is to deny their access to multiple entry visas into the United States. There is not a legitimate reason for the United States to allow anyone suspected of working with drug organizations to enter and exit freely from the United States. An example cited in the testimony is Lionel Wooley, a Haitian national who allegedly controls the Tonton Macoutes organization in Miami and who is viewed as a major player in the Haitian cocaine distribution network in southern Florida.

The State Department should, therefore, reexamine the issuance of visas to foreign nationals with suspected connections to the drug trade and, in cooperation with the Department of Justice, seek the deportation of such individuals.

14. The Federal Aviation Administration should undertake a major effort to inspect the hundreds of substandard aircraft, many of which are used for smuggling illegal narcotics, which are located throughout the United States. Those aircraft which do not meet FAA specifications should be grounded immediately

Former narcotics pilots testified before the Subcommittee that many of the planes they used to fly their illegal cargoes into the United States were substandard. The Subcommittee staff also inspected numerous aircraft used by smugglers that could not even come close to meeting FAA standards. The planes were not maintained, their instrumentation was inoperable and the required logbooks were not kept. One plane, Vortex's famous N22VX, crashed a month after it was discussed in the hearings, killing the pilot and crew.

The members of the Subcommittee believe that if the FAA closely inspected these aging cargo planes each time they appeared at the ramp of a U.S. airport, many would be removed from service permanently. Such an inspection program would make it more difficult for the smugglers to use legitimate air fields and airports in this country.

15. The use of criminals in undercover operations should be limited to intelligence gathering for criminal investigations. Otherwise, our government risks allowing criminals to continue profiting from their illegal activities on a free-lance basis, while using their government connection as a cover

It is an accepted fact that for a drug trafficking informant to be useful he must be involved in the narcotics business. Undercover operatives provide an easy and effective way to gather information and evidence. The danger, however, is that too many informants operate independently of their handlers.

While law enforcement agencies are able, in large part, to control informants, national security agencies have a more difficult task because of the need to protect an entire operation.

The Subcommittee encountered deliberate efforts by criminals to cover their illegal activity through their association with law enforcement and government undercover activity. When an individual criminal supposedly working for the government is arrested for criminal acts, the CIA defense is often raised. According to prosecutors, the defense has become especially commonplace in south Florida and is frequently successful. However, the Subcommittee believes that the pursuit of legitimate foreign policy objectives should not require any agency of the United States government to assist a drug smuggler in any way.

16. Drug traffickers, money launderers, and their criminal enterprises should not receive federal contracts, either by inadvertance or design. Such contracts can be used by drug traffickers or other criminals both as a means of supporting and legitimizing criminal activity

The Subcommittee found that the State Department contracted with four companies controlled by drug traffickers to provide goods and service to the Contras in 1986. The State Department also en-

tered into negotiations with one of these companies on its own behalf, after the company had been identified by the F.B.I. as the headquarters of a major narcotics conspiracy. In each case, federal law enforcement agencies had information from more than one source that the companies were significantly involved in narcotics trafficking.

The payment of funds by the State Department to drug traffickers, while they were under investigation by law enforcement or already indicted, is compelling evidence of our government's failure to coordinate the war on drugs.

The Subcommittee believes that the State Department should institute procedures to ensure that all of its contracts are reviewed by federal law enforcement agencies to insure that public funds are not given to drug traffickers for State Department contracts in the future.

Money Laundering Issues

17. The Treasury Department should begin negotiations on gathering deposit information on large foreign U.S. dollar deposits, as authorized by the 1988 Omnibus Drug Bill

The ability to launder large quantities of U.S. currency is essential to the success of the major narcotics smuggling organizations. The Subcommittee believes that tracking the drug money and aggressive steps to prevent the movement of large amounts of cash are the most effective and efficient ways to damage the cartels. To operate on a global scale, the Colombian cartels rely on banks willing to accept large deposits of U.S. currency while maintaining the anonymity of such transactions.

The 1988 Omnibus Drug Bill calls for negotiations with foreign governments to require foreign banks that accept U.S. dollars to record depositor information. (Banks in the United States must not only record such information, they must report it to the Treasury). The Subcommittee recommends that the President instruct the Secretary of the Treasury to pursue expeditiously and seriously these negotiations.

18. The United States must take the lead in promoting international anti-money laundering regimes and regulations

Money laundering is a global problem of enormous dimensions. However, few of our allies have laws which make money laundering a crime.

Just as the United States has taken the lead in the development of international organizations such as GATT to govern trade, and World Administrative Telephone and Telegraph Conference (WATC) and Intelsat in telecommunications, the Subcommittee believes that United States must persist in pressing for international money laundering control laws. Late last year, the United States became a signatory to the Vienna Convention, which eliminates bank secrecy as grounds for refusing requests for information about financial transactions related to narcotics activity. The Convention obligated parties to take measures making money laundering a criminal offense, and to enact laws for the identification, tracing, seizing and forfeiture of proceeds of narcotics trafficking

and money laundering. In addition, the U.S. supported the adoption of the Basle Committee's statement of principle "for the prevention of the use of banking systems for the purpose of money laundering."

The U.S. government needs to follow up these initiatives with support for detailed, international standards to inhibit money laundering and to facilitate the prosecution and extradition of narcotics money launderers.

Personnel Issues

19. Narcotics law enforcement often takes a back seat to other diplomatic and national security priorities. This is due, in part, because the relevant agencies have little regard for the people working on the drug problem

Foreign service and career officers in the intelligence community have told the Subcommittee that working on drug issues can be detrimental to even the most promising of careers. In fact, young Foreign Service Officers are told by their career advisors that working on as few as two drug assignments can lead to exclusion from consideration for promotion.

One reason that some government officials may not take the drug issue as seriously as other issues, is that those with the skills and qualifications are not rewarded over the course of a career. This attitude within the personnel system must change in order to attract motivated and competent people into the narcotics policy area. Only then will the narcotics issue receive the attention it deserves within the various government agencies.

20. To encourage the most talented and experienced personnel to remain on the job the Federal government must raise the salaries of senior prosecutors and investigators and create special senior positions

The present federal pay scales make it almost impossible for the government to keep its best senior prosecutors. Private practice opportunities offer three times the federal salary and benefits. Private sector working conditions, including clerical and research support, and benefits, are generally far better. Obviously, the federal government cannot meet the private sector pay scale. The gap in salaries, however, has grown far too wide to permit top people from seriously considering a government career.

Similarly, law enforcement agenices encourage early retirement for skilled investigators who do not move into senior management jobs. For the most part, these investigators collect their pension and then earn twice their salary working as private detectives. Consideration should be given to creating a non-management career path to encourage the retention of especially competent investigators.

22. The Senate Judicary Committee should consider prohibiting anyone who has held a policy position on the narcotics issue for the U.S. government from working as a registered agent or lobbyist on that issue for a foreign government

Foreign governments, such as the Bahamas, have sought to improve their image in the United States and to prevent U.S. action against them for their failure to address narcotics issues. A number of foreign governments have hired former officials who have had responsibility for drug issues in the U.S. legislative or executive branches. The Subcommittee learned of situations where these former officials represented their clients on drug issues in meetings with current U.S. government officials.

If the drug issue is taken seriously as a national security matter, the people who worked on the issue inside the American government, and know our law enforcement strategies, should not be able to market that knowledge to governments that are working directly with drug traffickers.

NEUTRALITY ACT

23. Private citizens should not be permitted to mount expeditions from the United States aganist foreign governments without formal U.S. government approval in advance and prompt notice to law enforcement

As presently worded, a violation of the Neutrality Act is defined as action taken against foreign governments "at peace with the United States." Nevertheless, a variety of private persons became involved in supporting U.S. policy regarding the Contras, in some cases while engaging in non-approved criminal activity. The result was a situation in which it became increasingly difficult for various governmental entities, including law enforcement agencies and the Congress, to determine what activities were authorized and what were not. In criminal cases brought in South Florida since the Iran/Contra affair, prosecutors and judges have had difficulty proving that free-lance activities by American citizens, including gun running, were in violation of the law.

The Subcommittee believes that private mercenary action must be subject to effective prosecution. A mechanism needs to be established to ensure that law enforcement and other relevant governmental entities, including the Congress, can promptly determine in fact whether or not ostensibly "private" military expedition has been authorized by the United States.

The Chairman of the Subcommittee intends to file legislation addressing a number of these concerns as a companion to this Report.

APPENDIX: NARCOTICS AND THE NORTH NOTEBOOKS

SUMMARY

Among the voluminous testimony and documents received by the Iran/Contra Committee was a significant amount of material relevant to matters under investigation by the Subcommittee on Narcotics, Terrorism and International Operations.

In early 1987, the Subcommittee Chairman, Senator John F. Kerry and Senator Daniel K. Inouye, the chairman of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, worked out an agreement under which the staff assigned to the Subcommittee would receive the necessary special security clearances to study all of the documents to which the Iran/Contra committees had access.

In November and December 1987, the cleared Committee staff read thousands of pages of Iran/Contra Committee material, including the "North notebooks," which consisted of 2,848 pages of spiral-bound notes taken by North on a daily basis from September, 1984 through November, 1986 covering his activities, telephone calls and meetings while he was at the National Security Council. In reviewing these notebooks, the Committee staff found a number of references to narcotics, terrorism and related matters which appeared relevant and material to the Subcommittee's inquiry. However, in many of these cases, material in the Notebooks adjacent to the narcotics references has been deleted from the material provided to the Committee.

Upon reviewing the matter with staff of the Iran/Contra Committees, the Subcommittee learned that neither the Iran/Contra Committees nor the White House had had access to uncensored North Notebooks. Instead, North or his attorney had deleted portions of the Notebooks which they considered to be outside the jurisdiction of the Iran/Contra Committees. In all, 1,269 of the pages of the Notebooks were censored to some extent by North or his attorneys prior to being delivered to the Iran/Contra Committees, with 155 pages blacked out completely.

This occurred because North took the Notebooks from the White House in November 1986 before his documents were impounded, and turned them over to his lawyer, Brendon Sullivan. The Notebooks were than subpoenaed by the Iran/Contra Committees. North asserted his Fifth Amendment Constitutional right, and was then given limited immunity by the Committees to compel his testimony. After North was given immunity, his attorneys still objected to furnishing the full Notebooks, contending that they were not relevant to the Committee's investigation and North need only furnish portions which he and his attorneys determined were relevant.

Because of the Iran/Contra Committee's very tight deadlines and the need to have the Notebooks for at least a brief period prior to beginning the questioning of North, the Committees agreed to allow North's lawyers to make deletions from the Notebooks. North or his attorneys blacked out hundreds of Notebook pages and numerous entries. Some of the censored entries were read by the Committee lawyers, but most were not. Most important, the lawyers who read the diaries at that time did not know names, dates and places which would later prove to be important, and therefore were not in a position to determine the relevance of the material deleted.

The Iran/Contra Committees' staff had only a few days to review the material before North was questioned. The thousands of pages were furnished in often illegible copies and would have required weeks of analysis to make sense of under the best of conditions.

Under a fundamental agreement over classification which the Iran/Contra Committees made with the White House, the Notebooks were classified at codeword level and could only be released after a review by a White House declassification team.

Following the review of the diary entries by cleared staff, Senator Kerry read several hundred pages of the North Notebooks and wrote the White House on January 25, 1988 requesting the immediate declassification of 543 pages containing references to drugs and drug trafficking, North's probe of the investigation into North's activities initiated by the Foreign Relations Committee in 1986, and related matters.

A White House declassification team declassified some of the requested materials. Some of the materials were deemed "not relevant to the investigation," and others were not declassified because the White House team could not determine what they meant without reading portions not in their possession since they had previously been censored by North and his attorneys. The White House did not declassify 104 of the pages requested by the Committee staff, contending that all further declassifications would have to await the processing of materials necessary for Independent Counsel Walsh in connection with the prosecution of Admiral John Poindexter, North, Albert Hakim and Richard Secord for alleged criminal activity in connection with their roles in the Iran/Contra affair.

When the Committee staff discussed the problem posed by the high classifications given the materials within the North notebooks, White House Counsel A.B. Culvahouse said the White House considered the Notebooks the property of the federal government and subject to classification at the highest levels.

The Subcommittee chairman, Senator Kerry, wrote the White House to state that if the Notebooks were as sensitive as the White House contended, they should not be allowed to remain in the possession of either North, whose clearances had been terminated and who remained under indictment, or in the hands of his attorneys, who cannot be cleared to the codeword level. While reiterating that it considered the materials to be highly classified, the White House took no steps to secure the materials it contended remained federal property.

Committee Action

On April 26, 1988, the Committee voted 17–1 to approve a subpoena for the full North Notebooks. The subpoena was served on Lt. Colonel North. On May 10, 1988, North's attorney, Brendon V. Sullivan, Jr., appeared before a Committee hearing called for the purpose of receiving the subpoenaed materials. Sullivan provided no materials and asserted North's Fifth Amendment privilege. He further asked the Committee to rescind the subpoena on the grounds that its issuance would jeopardize North's right to a fair trial, and that the material requested was beyond the jurisdiction of the Foreign Relations Committee. After receiving legal advice from the Office of the Senate Legal Counsel, the Committee voted 10–8 to enforce the subpoena on September 14, 1988, but was unable to secure the materials prior to the end of the 100th Congress.

Case Study: The Drug-Related Entries

Because of the extensive delections in the Notebooks made first by North and his attorneys and secondly by the White House, it is difficult to gauge from the non-classified materials of the Notebooks the full extent to which the Notebooks relate to terrorism or narcotics trafficking, the areas of the Subcommitee's direct jurisdiction. However, even in their highly incomplete state, the Notebooks do contain numerous reference to drugs, terrorism, and to the attempts of the Committee itself to investigate what North was doing in connection with his secret support of the Contras.

Among the entries in the North Notebooks which discernably concern narcotics or terrorism are:

May 12, 1984 . . . contract indicates that Gustavo is involved w/drugs. (Q0266)

June 26, 1984. DEA—(followed by two blocks of text deleted by North) (Q0349)

June 27, 1984. Drug Case—DEA program on controlling cocaine—Ether cutoff—Colombians readjusting—possible negotiations to move refining effort to Nicaragua—Pablo Escobar-Colombian drug czar—Informant (Pilot) is indicted criminal—Carlos Ledher—Freddy Vaughn (Q0354)

July 9, 1984. Call from Clarridge—Call Michel re Narco Issue—RIG at 1000 Tomorrow (Q0384)—DEA Miami—Pilot went talked to Vaughn—wanted A/C to go to Bolivia to p/u paste—want A/C to p/u 1500 kilos—Bud to meet w/Group (Q0385)

July 12, 1984. Gen Gorman—*Include Drug Case (Q0400) Call from Johnstone—(White House deletion) leak on Drug (0402)

July 17, 1984. Call to Frank M—Bud Mullins Re—leak on DEA piece—Carlton Turner (Q0418) Call from Johnstone—McManus, LA Times-says/NSC source claims W.H. has pictures of Borge loading cocaine in Nic. (Q0416)

July 20, 1984. Call from Clarridge:—Alfredo Cesar Re Drugs-Borge/Owen leave Hull alone (Deletions)/Los Brasiles Air Field—Owen off Hull (Q0426)

July 27, 1984. Clarridge:—(Block of White House deleted text follows)—Arturo Cruz, Jr.—Get Alfredo Cesar on Drugs (Q0450)

July 31, 1984.—Finance: Libya—Cuba/Bloc Countries—Drugs . . . Pablo Escobar/Frederic Vaughn (Q0460)

July 31, 1984. Staff queries re (White House deletion) role in DEA operations in Nicaragua (Q0461)

December 21, 1984. Call from Clarridge: Ferch (White House deletion)—Tambs-Costa Rica—Felix Rodriguez close to (White House deletion)—not assoc. W/Villoldo—Bay of Pigs—No drugs (Q0922)

January 14, 1985. Rob Owen—John Hull—no drug connection—Believes (Q0977)

July 12, 1985. $14 million to finance came from drugs (Q1039)

August 10, 1985. Mtg w/A.C.—name of DEA person in New Orleans re Bust on Mario/DC-6 (Q1140)

February 27, 1986. Mtg w/Lew Tambs—DEA Auction A/C seized as drug runners.—$250–260K fee (Q2027)

Numerous other entries contain references to individuals or events which Subcommittee staff has determined have relevance to narcotics, terrorism, or international operations, but whose ambiguities cannot be resolved without the production of the deleted materials by North and his attorneys.

Accordingly, the Subcommittee continues to believe that the production of the deleted material could shed important light on a number of issues in connection with foreign policy, law enforcement and narcotics and terrorism. The Chairman of the Subcommittee will urge that further steps be taken to secure the original North notebooks in an uncensored form.

ALLEGATIONS OF INTERFERENCE WITH THE COMMITTEE INVESTIGATION

The current Subcommittee investigation grew out of a probe conducted in the spring of 1986 by Senate staff of the Subcommittee chairman, Senator John Kerry. This investigation moved to the full Foreign Relations Committee following an Executive Session of the Committee June 26, 1986.

The Kerry probe explored a variety of charges from a variety of sources that the contras and their supply operations had engaged in weapons smuggling, narcotics trafficking, misappropriations of funds, and related offenses. The probe also explored allegations that the NSC and Lt. Col. Oliver North were managing Contra military operations and supplies during the period when such activity was proscribed by the Boland Amendment.

Among the specific allegations of criminal activity focused on by Senator Kerry's office were charges relating to alleged weapons shipments involving the Civilian Military Assistance Group and Cuban Americans in Miami active in supporting the Contras, including a number of persons who have since been indicted on Neutrality Act, weapons charges, or narcotics charges.

Beginning in April, 1986, Senator Kerry sought for eight months to convene public hearings regarding these allegations. No such hearings took place, in part because material provided to the Committee by the Justice Department and distributed to members following an Executive Session June 26, 1986 wrongly suggested that the allegations that had been made were false.

On October 5, 1986, the Subcommittee received sworn testimony from an Assistant U.S. Attorney that officials in the Justice Department sought to undermine the attempts by Senator Kerry to have hearings held on the allegations. The Subcommittee also learned that confidential transcripts of Committee proceedings had been provided to the Justice Department without authorization, and placed in the files of the then US Attorney for the Southern District of Florida, Leon Kellner, who was responsible for prosecuting the Miami Neutrality Act cases.

AUSA Jeffrey Feldman, who prosecuted the Neutrality Act cases in Miami related to the Committee's investigation, testified under oath that on November 18, 1987, he met with Tom Marum, assistant head of the Internal Security Division of the Justice Department, and with the head of the Division, John Martin. Feldman testified that at this meeting Marum stated that representatives of the Justice Department, DEA, and FBI met in 1986 "to discuss how Senator Kerry's efforts to get Lugar to hold hearings on the case could be undermined." (Feldman MemCon of November 18, 1987, time-stamped 10:47 am at the Criminal Division of Justice, subpoenaed by Committee; Feldman Testimony, October 5, 1988, p. 24)

Feldman testified before the Subcommittee that as a result of Marum's statements, he:

> Became concerned because I felt that perhaps the reason that my investigation was delayed was because I was looking at the identical allegations that you [the Senate Foreign Relations Committee] was looking at. It made sense that if the Department didn't support your investigation, then they wouldn't support my investigation. I became concerned that my investigation . . . could . . . have been quashed because had they gone forward with

it, it would have lent credibility to the allegations that you wanted to explore. (Subcommittee Testimony of Feldman, p. 29)

Feldman testified that following his meeting with Marum and Martin, he returned to Miami and reviewed documents given to him by Leon Kellner, the former US Attorney for the Southern District of Florida. Feldman testified that in reviewing these files he found a transcript of an Executive Session of the Senate Foreign Relations Committee, documents from the Committee investigation, and memoranda between Deputy Assistant Attorney General Kenneth Bergquist and Committee staff on coordinating efforts "to basically show that what you [Kerry] were saying wasn't necessarily correct." (Subcommittee Testimony of Feldman, p. 29)

Feldman testified that he has a number of questions regarding the information he found in the files provided him by US Attorney Kellner. "If [the Justice Department] opposed your investigation, did Mr. Kellner know about it, and if he did know about it, did he let that factor influence his decision in delaying my investigation? . . . Was my memo revised for disinformation purposes? Was it revised so that it could be used against you? In other words, if going to the Grand Jury would lend credibility to the [Senate] investigation, the opposite decision would take away from it, and if you had a memo to that effect, it would detract from the allegations that you were trying to encourage the Senate to explore." (Ibid., pp. 45–46)

Feldman testified that he had recently learned that his memo, classified "sensitive," had been leaked to the Senate Foreign Relations Committee. He testified that he had recently reviewed a June 26, 1986 memorandum prepared by Committee staff in connection with reviewing the Kerry allegations. Upon reviewing that Committee memo, Feldman determined that it incorporated information from Feldman's memo to Kellner, including some material which was "verbatim." (Ibid., p. 48)

Feldman testified that his memorandum had a "sensitive" classification on it and was prepared because Kellner asked Feldman to produce it, not for the purpose of going to a Grand Jury. (Ibid., p. 51)

Feldman testified that he would not draw conclusions as to the meaning of the documents he found, but that the documents Kellner had given him, taken together with Marum's statements, had aroused "questions in my own mind again about why the memo was changed." (Ibid., pp. 57–58)

Previously, Feldman had testified before the Iran/Contra Committees that a memorandum he wrote recommending that the cases he was investigating be taken to a grand jury had been rewritten without his knowledge in late May, 1986. Feldman testified that the recommendation had been changed to suggest that a grand jury would be merely a "fishing expedition." Before the Subcommittee, Feldman testified that the statements made by Marum could create an inference that the decision not to move to a grand jury had been taken in order to slow down the Foreign Relations Committee inquiry.

In testimony under oath, Marum denied having told Feldman that there had been an agreement to undermine the Committee's investigation into the allegations concerning the Contras. Marum also denied that he had ever participated in discussions to undermine or block Senator Kerry's attempts to hold Congressional hearings. Marum said it was true that the Justice Department and the other participants in the meeting were opposed to such hearings taking place. (Subcommittee Deposition of Thomas E. Marum, October 25, 1988, p. 56)

Marum testified that he was "totally unaware of anything that could even be construed as an unethical attempt to mislead the Committee." Marum added that he did "recognize that the Department saw no need to have hearings about a matter which we were handling." (Ibid., p. 75)

On November 7, 1988, Assistant Attorney General Mark Richard testified that Feldman was "wrong" about there being any meeting attended by Richard in which there was any attempt to undermine Senator Kerry's attempts to have hearings. (Subcommittee Deposition of Richard, p. 37) Richard said he was aware of a meeting which had taken place May 2, 1986 regarding the Kerry allegations which he did not attend, and a second meeting on October 15, 1986, which he did attend. Richard testified that the latter meeting, attended by 20 to 25 people, went down the list of outstanding items requested by the Committee to inventory and respond to them. (Ibid., pp. 38–40) Richard recalled that the DEA did not want to provide any of the information the Committee had requested. (Ibid., p. 39) Richard emphasized that his concern was to respond to the Committee's requests, not to block them (Ibid., pp. 99–100)

Richard recalled seeing the transcript of the Foreign Relations Committee Executive Session of June 26, 1986, but could not recall where or from whom he obtained it. (Ibid., pp. 52)

Richard testified that he was "aware of nothing that I would characterize as a sinister effort to frustrate" the Committee. (Ibid., pp. 91)

Former Miami US Attorney Leon Kellner testified before the Subcommittee that he did not recall seeing most of the documents which Feldman testified he had been given as a file by Kellner. Kellner stated that he did recall previously reading the transcript of the June 26, 1986 closed session of the Committee which discussed allegations concerning drug trafficking, weapons violations, corruption and related charges concerning the Contras, but he did not know how he got the material. (Subcommittee Deposition of Leon B. Kellner, November 8, 1988 pp 10–11). Kellner testified that he talked to Justice Department spokesman Pat Korten in May of 1986 after Korten told *The New York Times* that the allegations concerning the Miami Neutrality Act cases had been investigated and found not to be true. (Ibid., pp. 29–30) Kellner testified that he told Korten his statements had not been correct and it was improper to comment on pending investigations. (Ibid.) Kellner said that if any one had come to him and asked him not to go forward with a case because of national security reasons, Kellner would throw the person out of his office. (Ibid., p. 34)

The Subcommittee obtained departmental correspondence from the Miami U.S. Attorney's Office between Associate Attorney General Steve Trott and Deputy Assistant Attorney General Ken Bergquist regarding the Justice Department's response to Committee inquiries in the spring and summer of 1986. These documents show that Bergquist sought to release some material from the Miami investigation in order to put to rest contentions that the Justice Department was engaged in a cover-up. These documents, including memoranda between Trott and Bergquist, further show that the Justice Department closely monitored press accounts of the Committee's interest in the allegations concerning the Contras. The memoranda, together with statements made by Justice Department officials to reporters writing about the allegations, also document that some officials in the Department of Justice sought to discredit both the allegations concerning criminal activity relating to the Contras and the persons making these allegations.

Bergquist testified that he provided the Committee with the arrest records and law enforcement histories of four individuals who had been identified as the key persons making the charges concerning the Contras. (Subcommittee Deposition of Ken Bergquist, September 28, 1987, p. 17)

Bergquist testified that the Office of Legislative Affairs of the Justice Department was provided by July, 1986 with a copy of the "Feldman memo" regarding whether to take the Miami cases to a Grand Jury. He testified he might also have seen it earlier "when Leon Kellner came by." (Bergquist Deposition, p. 59) Bergquist testified that the Feldman memo was the only material he was provided from the investigative files of the Miami investigation, and that he received it from John Bolton who in turn received it from Mark Richards. (Ibid., pp. 60, 82)

Bergquist testified that he never had participated in any effort to interfere with Congress or any committee of Congress, and had never knowingly misled Congress or any committee. (Ibid., p. 65) More recently, Bergquist denied participating in "any deliberate attempt to undermine a Senate probe," but admitted the administration opposed the hearings. (U.S. News & World Report, December 5, 1988)

The testimony before the Subcommittee by these witnesses and the documents provided the Subcommittee by the Justice Department conflict in many essential areas. However, the material does enable the Subcommittee to reach some conclusions as to what happened.

It is clear that:

1. Confidential materials of the Foreign Relations Committee were improperly provided to the Justice Department and to the U.S. Attorney responsible for deciding whether or not to bring allegations being investigated by the Committee to a grand jury.

2. Confidential law enforcement information from the Miami investigation was selectively made available to the Committee while the Miami investigation was pending, at a time when the Justice Department was taking the position that no such material would be provided the Committee on any pending case, and without the knowledge of the AUSA handling the case in Miami.

3. The Justice Department provided information to the Committee that tended to discredit the allegations being investigated. The Justice Department advised the Committee that the persons who had made the allegations to Senator Kerry's staff had significant credibility problems, and that there was no truth to the allegations under investigation by the Committee. Justice Department officials made similar statements to the press, attacking the credibility of potential witnesses and stating that the allegations under investigation by the Committee had been investigated and determined to be false.

4. The Justice Department did not provide information to the Committee that would have corroborated the allegations being investigated by the Committee, although the FBI possessed such information. In light of the information possessed by the FBI, the information that was provided to the Committee by Justice Department officials was misleading. Statements made to the press by Justice Department officials regarding the allegations were also misleading.

The conflicting testimony under oath raises serious questions aobut the actions of Justice Department officials which this Committee cannot answer:

1. Did the US Attorney's Office in Miami decide not to convene a grand jury on allegations of gunrunning and Neutrality Act violations in May, 1986 because of concerns that the convening of a grand jury would increase the probability of an investigation into these allegations by the Foreign Relations Committee?

2. Did Justice Department officials seek to interfere with the Committee investigation, because the investigation might damage the Administration's goal of supporting the Contras?

Related questions are raised by entries in the personal notebooks of Oliver North which appear to concern the Committee and Kerry probes.

The declassified North notebook entries include references to the Kerry and Foreign Relations Committee investigations and investigators on April 18, 1986; April 22, 1986; May 1, 1986; May 13, 1986; June 2, 1986; June 17, 1986; October 15, 1986, November 19, 1986; November 21, 1986.

The entries show that North was provided with information regarding Senator Kerry's attempts to have hearings in the spring and fall of 1986, at a time when the information was Committee confidential.

The North notebook entries raise the further question of whether North and others working with North took steps to interfere with the Committee investigation.

In August, North's courier, Robert Owen, was asked by John Hull to transmit copies of falsified affidavits charging the Kerry staff with bribing witnesses to both the US Attorney's Office in Miami and to the Senate Ethics Committee. The US Attorney then provided a copy of these affidavits to the Justice Department in Washington. Shortly thereafter, these false charges against Kerry staff appeared in press accounts, while the Committee investigation was pending.

Taken together, these facts raise the question of whether North, Owen, and Justice Department officials may have sought to discredit the Kerry investigation because of concerns that it might harm the Administration's efforts to support the Contras.

The Subcommittee views the allegations—that high ranking officials, including officials in the Justice Department, may have acted in concert to obstruct the Committee investigation—to be quite serious. When high ranking officials deliberately provide false or misleading information to Congressional investigation, the result is that the Congress cannot carry out its constitutionally mandated responsibilities, and our system of government is put at risk.

The following chronology details a number of events and facts relevant to any further investigation of these matters.

Chronology

May 4, 1983.—Ramon Milian Rodriguez, a self-professed money launderer for the Medellin cocaine cartel, is arrested by DEA agents while attempting to leave Fort Lauderdale aboard his personal jet with $5 million in his personal jet. Prior to his arrest on money laundering charges, for which he was later convicted, he told federal agents that "the money was all the proceeds of narcotics transactions," and he provided a list of narcotics traffickers whose taxes he prepared. Among those he named were "Luis Rodriguez." Records of Milian Rodriguez seized by federal agents when he was arrested May 6, 1983 included numerous references to the services he provided "Luis Rodriguez," and showed Luis Rodriguez' address to be 535 SW 98th Place in Miami, the corporate address for "Ocean Hunter," a seafood import business. (Trial documents, *U.S. v. Rodriguez*, SD Florida 1983)

May 27, 1983.—While investigating the bombing of the Continental Bank in Miami, Miami police detectives receive allegations regarding Contra operations in Costa Rica being supported by narcotics funds involving a company called "Ocean Hunter," which is traced to Luis Rodriguez, a Miami based Cuban American, who has been named as a drug trafficker earlier that month by his indicted accountant, Ramon Milian Rodriguez. The address for the company was 535 SW 98th Street, the same address shown in the records seized by the government in its prosecution of

Ramon Milian Rodriguez. (On September 26, 1984, this material is approved to FBI Intelligence SA George Kiszynski and recorded in an FBI 302)

March 2, 1984 and April 13, 1984.—Luis Rodriguez is interviewed by IRS agents regarding Ocean Hunter, drug trafficking and money laundering and takes the Fifth Amendment on almost every question. (Documents on file in *U.S. v. Rodriguez*, ND of Florida, 1988)

June 26, 1984.—North notebook entry reads: "Call from Owen—John Hull—protection . . . John now has "private army of 75-100"—Cubans involved in drug—up to 100 more Cubans expected. (Redaction) (Iran/Contra Q344)

July 20, 1984.—North notebook entry reads: "Call from Clarridge: Alfredo Cesar re drugs—Borge—Owen leave Hull alone. (Iran/Contra 426)

July 23, 1984.—Oliver North notebook entry reads: "Call from Rob Owen—call from John Hull . . . Pastora convinced that Hull has "sold out." Q0432

September 1, 1984.—Two Americans die in the downing of a helicopter by Nicaragua. The two Americans are members of Civilian Military Assistance Group ("CMA"). The helicopter was equipped with rocket pods and an M/60 machine gun. The attack is part of a Contra assault on a Nicaraguan base at Santa Clara. Following the downing, members of CMA meet with a representative of the US Embassy in Honduras, who "instructed them in a cover story," directing them to say they were not involved in combat, but on a humanitarian mission, because the true story was "not in the interests of the United States." (FBI 302 of Thomas V. Posey, 8/6/87)

October 12, 1984.—The Boland Amendment is signed into law, prohibiting "direct or indirect" support by the United States for the Contras.

October 25, 1984.—FBI SA George Kiszynski interviews Rafael Torres Jimenez, who states that he has been working with Contra leader Eden Pastora in Costa Rica to fight the Sandinistas, as part of a group of Miami Cubans including Frank Castro and Rene Corbo, who established a military camp in Costa Rica. Jimenez states that some of the Cuban Americans had obtained weapons and explosives in Florida for foreign operations. (FBI 302 of 12/17/84)

November 29, 1984.—FBI SA George Kisyznski interviews Joseph Marcos in connection with the Continental Bank bombing investigation. Marcos advises him that a group of Cuban Americans have established a military camp in Naples, Florida, and that Mariel Boat Cubans ("Marielitos") and Contras were being trained in the camp before going to Costa Rica to receive additional military training and to participate in military operations against the Sandinistas. (FBI 302 of 12/17/84)

December 12, 1984.—Frank Camper, who operates a mercenary training school in Dolomite, Alabama, reports to the FBI that there are approximately "one dozen U.S. citizen volunteers and fifty or more FDN trainees training for deep penetration raids into Nicararagua," and that the operation involves Posey and members of CMA, along with a "Colonel Flaco." (Camper Document, subpoenaed by Subcommittee)

Mid-December 84.—Meeting at Adolpho Calero home in Miami to discuss Southern Front operations of Contras. The attendees discussed what CMA could do on the Southern Front with Hull as the coordinator. Attendees: Adolpho Calero, John Hull, Robert Owen, Phillipe Vidal Santiago "Morgan," Enrique Bermudez, Joe Adams "Tiradon," Jack Terrell "Flaco," Lanny Duyck "Doc Zorro," Aristide Sanchez, Donald Lacey, and Frank Chanes. (Subcommittee Depositions of Terrell and Adams, Iran/Contra Deposition of Robert Owen, Appendix B, Vol. 20, pp. 799–800)

January 14, 1985.—North notebook entry: "Rob Owen, John Hull—no drug connection—believes." (Iran/Contra, North Notebook Q0977)

January 24, 1985.—Rene Corvo tells FBI SA George Kiszynski that he is the military leader of a Contra training camp in Naples, Florida, working with Francisco Chanes and Moises Nunez, together with "John Hall" [sic] who is assisting the Contras from his Costa Rican ranch. (FBI 302, March 1, 1985)

February 15, 1985.—Frank Castro, a Cuban American who had previously been convicted on marijuana importation charges in connection with a spinoff of the DEA "Grouper Case," tells FBI SA George Kiszynski that he is backing actions against Communist targets outside of the United States and has been providing Rene Corvo's military camp with military gear. Castro tells Kiszynski about the involvement in the Contra war of "John Hall" [sic] who has large holdings of farm lands in Costa Rica. (FBI 302 3/8/85)

February, 1985.—Life Magazine identifies Bruce Jones as "a CIA man in Nicaragua," and describes his 55-acre citrus farm in the jungles of northern Costa Rica, 30 miles from the Nicaraguan border, a farm which is actually controlled by John Hull. (February 1985 LIFE)

February, 1985.—CMA leader Tom Posey is arrested in Miami on weapons charges, where he meets Jesus Garcia, a booking officer, who offers to work with Posey in providing assistance to the Contras. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 42)

February, 1985.—At Howard Johnson's Motor Lodge in Miami, group of American mercenaries associated with CMA are introduced to Rene Corbo and others involved in Cuban American operation in support of Contras and discuss Contra training activities in Central America. Mercenary Steven Carr agrees to go to Costa Rica to help train Contras. (See Iran/Contra Deposition of Owen, Appendix B, Vol. 20, p. 799; Kerry staff interview of Stephen Carr in La Reforma Prison, San Jose, Costa Rica, March 9, 1986)

Late February–Early March, 1985.—Owen goes to Costa Rica at the request of Colonel North to coordinate meeting of Contra groups. He is accompanied by Frank Gomez of International Business Communications and Jonathan Miller of the NSC. (Iran/Contra Deposition of Owen, Appendix B, Vol. 20, pp. 658–660)

March 3, 1985.—Soldier-of-fortune Steve Carr and Cuban named "Papito" load van full of uniforms, boots and medicine aboard cargo plane at Fort Lauderdale-Hollywood Airport. (FBI 302's of Francisco "Papito" Hernandez, 6/17/86 and 6/24/86)

March 6, 1985.—In Miami, Carr picks up 14-foot 20mm cannon with 150 rounds, a box of 30 G-3 automatic rifles and a box of M-16s, two 60mm mortars and 80–100 mortar rounds, and a .50 caliber machine gun with 250 rounds of ammunition. Carr, Corbo, Thompson and Carr aboard flight from Ft. Lauderdale/Hollywood airport. Flight is on American Flyers, a Ft. Lauderdale air charter company, owned by Daniel Vazquesz III, twice convicted of running guns to Cuba in the 1950s and 1960s. Plane flies in to Ilopango, military airfield in El Salvador. No customs checks. Material is offloaded. Includes 14' long 20 mm cannon, AK-47 automatic rifles, etc. These weapons were collected from the residences of Corbo and of Frank Chanes of "Ocean Hunter," the partner of Luis Rodriguez (FBI 302's of Corbo, "Papito," documents produced by FBI in *U.S.* v. *Corbo, et. al,* SD Florida 1988, including false Customs declaration, cargo manifest, and records of Florida Aircraft Leasing Corp.)

March 9, 1985.—Hull pays to fly British mercenary Peter Glibbery from Miami to Costa Rica in support of Contra military activities. (Iran/Contra Deposition of Robert Owen, Appendix A, Vol. 20, p. 797)

March 1985.—John Hull says he has a friend at the National Security Council who puts $10,000 a month in Miami bank account for him. Hull also tells Carr and Glibbery around March 17 or 18th that he had gotten a call from his friend at the NSC who told him the FBI was investigating him for drug trafficking, and that his friend "for god sakes tell me if you are so we can do something . . ." (Kerry Staff interview of Peter Glibbery, March 9, 1986 and May 26, 1986; Owen confirms $10,000 a month came fron Contra funds maintained by Adolfo Calero, Iran/Contra Deposition, Appendix B, Vol. 20, pp. 650–651) Owen later testifies that a film producer named Larry Spivey had told Owen he had talked with the FBI and that "the FBI is watching [Hull] for drug trafficking." (Iran/Contra Deposition of Owen, Appendix B, Vol. 20, p. 821)

March 20 or 24, 1985.—Small plane lands at Hull's airstrip with an ARDE pilot. In plane are clothes, boxes, US Army manuals written in Spanish from Special Forces school. Pilot was to bring supplies north, but had landed on wrong field. Hull, Owen, Davies and Glibbery and ARDE pilot fly in the ARDE plane and Hull's to the wrong strip, 50 miles away, and find the plane. In the plane is a 50 cal. browning, boxes of uniforms and other materials. Arms are then sent to right airstrip. (Iran/Contra Deposition of Robert Owen, Appendix B, Vol. 20, pp. 664–665; see also Kerry staff interview of Peter Glibbery, March 9, 1986 and may 26, 1986)

April 24, 1985.—Carr, Glibbery and three other mercenaries are arrested in Costa Rica on property controlled by John Hull following an April 9 raid on Nicaragua. (See Iran/Contra Deposition of Currier, Appendix B, Vol. 8, pp. 199–200)

April 26, 1985.—The State Department confirms that two U.S. citizens have been arrested by Costa Rican police. Diane Dillard, State Department Spokesman in office of Consular Affairs, states "all we know is that they are in jail and that the consular officer from the embassy is visiting them." Dillard cites press reports that Hull denied the men were on his property, and suggests that Hull "happens to have his farm in the wrong neighborhood." (Inter Press Service, April 26, 1985)

June 7, 1985.—Adolpho Calero meets with Robert Owen to conclude purchase of weapons and ammunition for Contras, after telephone calls involving General Singlaub, who was providing the weapons, and Lt. Col. North, who was overseeing the purchase. (Iran/Contra Testimony of Robert Owen, May 14, 1987, pp. 343–346)

July 8, 1985.—Following a July 7, 1985 press conference at La Reforma Prison in Costa Rica, *The New York Times* and *Miami Herald* report that two mercenaries

claim to have flown out of Ft. Lauderdale March 6 on flight loaded with weapons for the Contras. The mercenaries, Steven Carr and Peter Glibbery, name John Hull as the chief liaison to the Contras in Costa Rica. (July 8, 1985 *New York Times*; July 21, 1985 *Miami Herald*)

July 28, 1985.—FBI Agent Currier initiates Neutrality Act investigation on basis of reading July 21, 1985 article in Miami Herald quoting Carr and Glibbery's statements about supporting the Contras from South Florida. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, pp. 198–199)

August 8, 1985.—New York Times reports on front page that contras are getting advice from White House on operations and that NSC aides were helping contras raise money from private sources. It describes the contras as "the account" of an unnamed "military officer" in the NSC. (New York Times)

August 9, 1985.—Following meeting with Robert Owen, North notebook entry reads: DC-6 which is being used for run out of New Orleans is probably being used for drug runs into U.S. (North Doc #36336)

August 10, 1985.—North notebook entry reads: "Southern Front . . . John Hull to arrange for [redacted] training." (Iran/Contra Appendix A, p. 374) Later entry for that date reads: "Mtg. w. A.C.—Name of DEA person in New Orleans re bust on Mario DC-6." (Iran/Contra Appendix A p. 376)

August 15, 1985.—Garcia is arrested on machine gun charges. He tells ATF arresting officers that MAC-10 and silencer were intended to be shipped to Honduras for the Nicaraguan contras and he was part of a paramilitary group that was going to attack the Embassy in Managua, Nicaragua. He also states that he was a close friend of Tom Posey, the head of CMA, and that Garcia had given firearms and ammunition to Posey in the past to be shipped to the contras and Americans in Central America. (Statement of Dennis Hamburger, ATF arresting officer, August 27, 1985, in *U.S.* v. *Garcia,* SD Florida, 1985).

August 25, 1985.—*The New York Times* reports that John Hull is reportedly helping Contras and is acting as the FDN contact in Costa Rica. (August 25, 1986 *New York Times,* "New Anti-Sandinista Unit Forming on South Border," p. 3)

October 11, 1985.—*Financial Times* of London publishes interviews with Carr and Glibbery in which they claim that Hull said he was receiving $10,000 per month from the National Security Council. (*Financial Times,* "Soldiers Fail to Find Their Fortune, p. 5)

December 20, 1985.—AP states "Reports Link Nicaraguan Rebels to Cocaine Trafficking," describing case of Sebastian Gonzalez and alleged involvement of Eden Pastora in using drug money to buy supplies. (AP, Nexis)

January 7, 1986.—The Miami U.S. Attorney's Office begins to investigate the cases after Garcia was interviewed by FBI at MCC in Miami, alleging a plot hatched in 1985 in Miami to assassinate U.S. Ambassador Tambs and to pick up a reward from Colombia Medellin cartel member Jorge Ochoa. In the interview, Garcia placed Tom Posey of Civilian Military Assistance (CMA), Stephen Carr, Peter Glibbery, Sam Hall and Bruce Jones in the plot. The FBI "had very very good information of what actually had occurred regarding gun running [already]. The truth regarding the flight and other flights, extremely good information. We were aware of Miami Cubans involved in gun running, weapons, ammunition, several occasions from Miami to Central America, the people involved, where the guns had been stored, how the money was raised." (Iran/Contra, Deposition of Currier, Appendix B, Vol. 8, pp. 205–206)

January 9, 1986.—The State Department begins making payments from the U.S. Treasury to Frigorificos de Puntarenas, a money-laundering and drug smuggling operation controlled by Cuban Americans working on Contra supply efforts with Rene Corbo, on behalf of the Contras, from funds appropriated for humanitarian assistance by the Congress. The payments continue in installments to April 20, 1986, totalling $261,932. (GAO Analysis of NHAO Payments; FBI Memorandum of Interview in Re: Luis Rodriguez, April 3, 1987 with Carlos Soto, from *U.S.* v. *Rodriguez;* FBI 302's of George Kiszynski produced in *U.S.* v. *Corbo.*)

January 14, 1986.—Garcia is polygraphed. The first FBI agent reviewing the polygraph determines that Garcia had passed. A second review in Washington concludes that Garcia's answers were inconclusive on the existence of plot, and false on Tom Posey's involvement. (Iran/Contra Deposition of Mark Richard pp. 78–79, Currier, Vol. 8, pp. 205–206)

January 22, 1986.—AUSA Jeffrey Feldman's notes on Garcia allegations include Rene Corbo and John Hull. (Feldman, 20) Between that date and mid-March, the FBI continued its investigation: The FBI agents involved, Kevin Currier and George Kiszynski, discussed impaneling a grand jury as early as February. The name of

Oliver North comes up in FBI Miami Corbo/Garcia investigation in this period. (Iran/Contra Deposition of Currier, Appendix B Vol. 8, pp. 211-212)

February 7, 1986.—Senator Kerry learns of Garcia's allegations regarding private assistance efforts on behalf of the Contras involving alleged weapons and narcotics violations. Senator Kerry asks his staff to meet with Jesus Garcia at Metropolitan Correctional Center in Miami. Garcia suggests Senate staff interview Carr and Glibbery to confirm his allegations.

March 5, 1986.—GAO's Frank Conahan testifies before Subcommittee on Western Hemisphere Affairs of House that $7.1 million of humanitarian aid distributed by NHAO contains no audit trail showing payments from brokers' accounts to suppliers, and only partial documentation of shipments from the suppliers to the resistance forces. Records subpoenaed by House Subcommittee reveal payments by the State Department to Frigorificos de Punterenas, with the signatories on the bank account being Luis Rodriguez, Frank Chanes, and Moises Nunez. Chanes and Nunez have previously been cited in FBI investigative reports for their involvement with the Contras in Central America; Chanes has been named as a narcotics trafficker to the FBI; and Luis Rodriguez has been named as a narcotics trafficker and previously taken the Fifth Amendment in response to questions by the IRS. (NHAO documents and GAO analysis of bank records subpoenaed by House Subcommittee; FBI 302 of George Kiszynski, September 24, 1984; IRS interview on file in *U.S. v. Rodriguez*, ND Florida (1988)

March 8, 1986.—Senator Kerry's staff interview Carr and Glibbery at La Reforma prison in Costa Rica. At that meeting, Carr and Glibbery repeat allegations they had made in the past to the press regarding the presence of explosives and mines on Hull farm, and the connections between North's courier Robert Owen, Hull, and the Cuban Americans providing support to the Contras.

March 13, 1986.—Assistant Director of FBI Oliver B. "Buck" Revell sent an urgent inquiry to FBI Miami about Costa Rican and Miami Neutrality case, asking for a summary of the Corbo investigation "expeditiously." A 38 page "LHM" or letter head memorandum is sent in March to Revell from Currier and Kiszynski in response to Revell's request. It mentions Owen's name, as well as Hull and Sam Hull as among the targets of the grand jury that Currier and Kiszynski are then anticipating. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8 p. 229). In addition to Revell, the original LHM was sent to US Attorney's Office in Miami, to Customs in Miami and to HQ. (Ibid., p. 230).

March 14, 1986.—Assistant AG Mark Richard calls Miami US Attorney Kellner to ask him about a case involving allegations of an alleged plot to assassinate the Ambassador to Costa Rica and a variety of other allegations, including blowing up embassies. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14 p. 1031).

FBI Agent Kevin Currier and Miami public defender John Mattes, Garcia's lawyer, meet with Feldman. Feldman brings Custom's declaration forms on March 6 flight and hotel bills confirming Garcia's claim that Carr and Thompson were at Howard Johnson's hotel in Miami. Kellner appeared at meeting, asking, "does anybody know anything about these mercenaries in Costa Rica?" It was Feldman's impression that he asked this as a consequence of a phone call from Justice. As a result of Kellner's interest, Feldman decides the case was more important than he previously thought. Kellner and Feldman agree that Feldman will go to Costa Rica to check the case out. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 55) Feldman tells Mattes that he hopes to impanel a grand jury on case. (Ibid., p. 117).

According to FBI Agent Currier, Kellner states he had been on the phone with high ranking officials in the U.S. Department of Justice regarding Garcia and the mercenaries incarcerated in La Reforma prison in Costa Rica. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8 p. 213).

March 17, 1986.—Kellner is called by Mark Richard of Justice, to request a continuance in Garcia's sentencing hearing. According to Feldman, "between March 14 and 17, it was a lot of momentum building up." Feldman files for a continuance at Justice's request. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 60; Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1034).

March 18, 1986.—The San Francisco Examiner reports that "one or two contras may have dealt cocaine." The article cites a State Department official, William Walker, as acknowledging that a few contras might have been involved who were associated with the ARDE group, but could provide no details. (Examiner, p. A-12).

March 18, 1986.—Feldman's notes refer to Daniel Vazquez, Jaime Ortega, and other possible targets of neutrality probe, include Rene Corbo, Frank Castro, Francisco Chines (sic) [Chanes], Philepe (sic) [Felipe] Vidall, Juan Perez Franco, Steven Carr, Peter Glibbery. According to Feldman, George Kiszynski discovers that Corbo and other Cubans might not only have been involved in bombing the Continental Bank in Miami but also in training people at paramilitary camps and sending them down to Costa Rica. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 63).

March 18, 1986.—Feldman draws up list of witnesses which includes the pilot of the March 6 weapons flight plane, Daniel Vasquez, Martha Honey, Tony Avirgan, John Mattes, Jesus Garcia, Jack Terrell and Alan Saum. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 64).

March 20, 1986.—Deputy Attorney General Lowell Jenson sends letter from FBI Assistant Director Oliver "Buck" Revell regarding "NEUTRALITY MATTERS" investigations. Content of entire memo redacted before sent to Iran/Contra committee. (See Iran Contra Exhibit EM-73).

March 21, 1986. Feldman makes note to make travel arrangements to meet with Jack Terrell in New Orleans. Terrell has previously given a statement to an FBI officer in New Orleans. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 66).

March 24, 1986.—Assistant Attorney General Stephen S. Trott writes Assistant AG Mark Richard to "Please get on top of this—DLJ [Lowell Jensen] is giving a heads up to the NSC. He would like us to watch over it. Call Kellner, find out what he is up, and advise him that decisions should be run by you." (Iran Contra Exhibit EM-73) (Iran/Contra Deposition of Richard, Appendix B, Vol. 23 p. 55) Jenson testifies that he then briefed Admiral Poindexter in the NSC about the allegations made by Jesus Garcia, including Neutrality Act violations and alleged Contra gunrunning. It was the only time Jenson ever briefed Poindexter on a case. (Iran/Contra Deposition of Jenson, Appendix B, Vol. 14, pp. 582-593) Richards says this memo was justified because NSC should be alerted about a plot to attack U.S. facilities, and "it's natural that somebody in this context better tell the NSC . . . assuming you give any credence to the allegations." (Ibid., 56) Richards says that the memo meant that decisions on the case to prosecute or not prosecute, the ultimate decision to indict or not indict, should be run by him. (Ibid. 63-63) Richards says he has no idea why the case was being treated so seriously, that one would have to ask Trott or Jenson. (Ibid. 64) Richards has written on undated note from this period "Hull—CIA". (Ibid. 71).

After March 24, 1986.—North is provided an FBI investigative report on the Miami investigation written by Kiszynski, according to Justice Department spokesman. The report is later found in North's files at the NSC after the Iran/Contra affair is uncovered. The exact date North received the document is unspecified. (See AP, "North Got FBI Report on Contra-Supply Probe, Officials Say," April 14, 1987)

March 25, 1986.—Feldman and FBI SA Kiszynski meet with disaffected contra mercenary Jack Terrell in New Orleans, who describes paramilitary activities of CMA, Terrell, Posey. Terrell is questioned for 14, hours. Feldman said Owen was CIA. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 69; Deposition of Currier, Vol. 8, p. 217).

March 26, 1986.—Assistant Attorney General Mark Richards notes that he "spoke to Kellner, AUSA not back from N.O. File, contra folder." According to Richard, Kellner said story was "something being manipulated by a couple of reporters" and by Garcia to mitigate his sentence, and involved "CIA involvement in this transaction, government irregularities, and what have you." (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 66)

March 27, 1986.—Feldman meets with Kellner, discusses Terrell interview and confusion about "thousands of allegations" flying around, including assassination plot on Ambassador, mercenaries in Honduras, and common threats were people who were attempting to assist the contras. According to Feldman, Kellner and Feldman were both very confused about allegations. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 70)

March 28, 1986.—Feldman meets with Kellner for six hours. Kellner has no recollection of substance of meeting. Feldman has no recollection of substance of meeting. It ends with Kellner advising him to go to Costa Rica. Feldman cannot recall whether he discussed Oliver North or Feldman with Kellner at meeting. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 71; Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 10,40)

Prior to March 30, 1986.—Feldman has developed chart showing Oliver North, National Security Council, Staff Intelligence Adviser, CIA; Rob Owens, State Department, something AID, John Hull. From Hull are lines to Bruce Jones, Jim Denby. Then a line from Hull to FDN and from FDN to Cuban (sic) allegience [Legion] [Rene Corbo's organization]. Feldman states that his "earliest notes showed

a reference to North." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 72-73)

March 31, 1986.—Feldman, Currier and Kiszynski fly to Costa Rica and go to U.S. Embassy, where they are advised by Assistant Security office Jim Nagel that Ambassador Tambs wishes to speak to them. Feldman "pulled out my little chart with Oliver North, Rob Owen and John Hull. The Ambassador turned white . . . The only ting he said when I pulled out the chart was 'Get ['Castillo'] in here.' (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 79; Deposition of Currier, Vol. 8, p. 222)

March 31, 1986.—'Thomas Castillo' is introduced to Feldman as CIA station chief in Costa Rica, with Tambs present. 'Castillo' tells Feldman that Hull was classified U.S. equipment prior to 1984, and used by U.S. military to deliver supplies to contras prior to the Boland Amendment. (Iran Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 80-81) 'Castillo' tells Feldman Hull hasn't been involved in any military capacity for USG or contras since March of 1984, but that Corbo is a renegade without any ties and has 50 people operating in Costa Rica out of Hull's ranch. 'Castillo' requests that Feldman or Justice contact him if Justice is to take action against Hull. Acccuses Honey and Avirgan of being tied into "September murder," and of being Sandinista agents. 'Castillo' tells Feldman that "I can tell you for a fact that John Hull knows both Rob Owen and Oliver North," and that North "is the person who introduced me to the President of the United States last week." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 82-83)

March 31, 1986.—According to Currier, 'Castillo' said Corbo was in Costa Rica near Upala worked with Fernando El Negro Chamorro, that the CIA had an association with Chamorro and Vidal, but that Corbo was a renegade, and that the CIA used Hulls farm until March 1984. (Deposition of Currier, Vol. 8, p. 224)

March 31, 1986.—Feldman concludes that 'Castillo' is directing Justice to go after Corbo and leave the other people alone. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 85)

March 31, 1986.—North notebook entry states "Call from (redacted) . . . Assistant U.S. Attrorney/2 FBI and resident agent—Rene Corbo, Terrell (Flako), CMA—Guns to (redacted)." (North notebook #Q2078)

April 2, 1986.—Feldman becomes increasingly certain he is being watched while in Costa Rica. Nagel, security officer of State at Embassy, advised Kiszynski that "the U.S. Ambassador is the law and [Feldman, Kiszynski etc] are here through his graciousness, there are other agencies that had their operational requirments, and we should not interfere with the work of these agencies." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 86)

April 3, 1986.—Hull calls Feldman, tells him he won't speak to him on advise of counsel. Feldman asks whether anyone at the U.S. Embassy had advised him not to talk. Hull denies this. Kirk Kotula at the embassy then admits 40 minutes later that Kotula advised Hull not to talk. Feldman testifies that he has caught Hull in a "dead lie." (Feldman 59) But Feldman tells Currier that Embassy staffer Fitzgerald has told him that Hull went to the embassy, spoke to Tambs, and that Hull had been in contact with the NSC regarding the FBI/Justice inquiry. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, p. 227)

April 3, 1986.—State Department officer Nagel advises Feldman that "Hull is a friend of Ronald Reagan, if you understand what I mean." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 89 "They [at the embassy] seemed very protective of Mr. Hull and the others. They didn't interfere, but they were reluctant to help." (Currier, Ibid., p. 224)

April 3, 1986.—Feldman is told by Vice Consul Paul Fitzgerald at Embassy that Hull had been contacted by the National Security Council and the Voice of America during Feldman's visit. (Iran/Contra Deposition of Feldman, Appendix B, Vol 10 p. 89) Nagel is then following Feldman around remainder of trip, which has Feldman increasingly unhappy. According to Feldman, after *The Miami Herald* writes about this incident, Kotula told reporters Feldman lied about what happened at Embassy, and the Embassy treated John Hull like they would treat any other citizen. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 90-91)

April 4, 1986.—Feldman, Kiszynski and Currier return to Miami. Currier contacts FBI HQ's international terrorist unit to report what Tambs, Castillo and the others had told him while he was in Costa Rica. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, p. 228) Feldman asks questions and raises issues about Boland Amendment at meeting with Ana Barnett, Larry Sharf, Richard Gregorie and Leon Kellner, asking whether there were criminal penalties attached to Boland. They ask David Leiwant to pull a copy off the machine, and he enters meeting. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 97-98) Kellner can't remember who

the government officials were that were being discussed as being involved in connection with looking at the Boland Amendment. Kellner recalls they were looking at the National Security Council, but does not recall them looking at Oliver North. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1128-1130) Gregorie recalls that the meeting lasted two hours, and that Feldman mentioned Oliver North's name as "this fellow North who is behind all of this" in the bureaucracy. (Iran/Contra Deposition of Gregorie, Appendix B, Vol. 12, p. 1164) Mark Richard calls Gregorie several times after this meeting, asking Gregorie to check with Kellner to see what the progress of the investigation is." (Ibid., p. 1166)

April 4, 1986.—Feldman says that it was at this meeting that newspapers [David Leiwant] say Kellner told him to go slow, but that he has no memory of that taking place. He left the meeting with an order to write a memo so that they could study the assassination and gun plots. Kellner expresses little interest in Neutrality violation. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 98)

April 4, 1986.—Kellner remembers the meeting as including Barnett, Sharf, Gregorie, Fieldman and himself, and that Feldman showed him a diagram and discussed the Boland Amendment with him at that meeting. This chart has the name "North NSC" and "Robert Owen" on it. Feldman tells Kellner and the rest of the group about his meeting with the CIA Station Chief Castillo. Kellner does not register surprise. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1041-1050) Richard says he talked to Kellner in this period regarding Garcia case, but did not ever ask Kellner to slow it down. (Iran/Contra Deposition of Richard, Appendix B, Vol 23 p. 93) Richard says to his knowledge, no one else did, either. Richard is asked whether he discussed with Kellner the implications of the Garcia/Neutrality Act case in regard to any pending votes in the Congress. Richard does not answer question directly. Instead, Richard testifies there was "always controversy on one aspect of another of the contra matter" but "from my perspective, in dealing with something with—the administration issuing all sorts of statements saying. 'look the CIA is not doing this. The NSC is not doing this. We were fighting [sic] by the Boland Amendment. We're doing this. We're acting in good faith in compliance with the laws' . . , we take the investigation where the facts take us . . . and then we take the heat when it's not a particularly popular judgment." (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, pp. 93-94) Richard testifies that his understanding was that the CIA was denying any relationship with John Hull, that it had previously terminated. (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 97).

April 7, 1986.—Rob Owen writes Oliver North, describing in detail the Feldman investigation and the Feldman, Currier and Kiszynski visit to Costa Rica, based on a conversation he had with CIA station chief 'Thomas Castillo.' Owen notes that "Feldman looks to be wanting to build a career on this case. He even showed ['Castillo'] and the Ambassador a diagram with your name at the top, mine underneath and John [Hull's] underneath mine, then a line connecting the various resistance groups in C.R. . . . Feldman stated they were looking at the "big picture" and not only looking at a possible violation of the neutrality act, but at possible unauthorized use of government funds. (Exhibit TC-15, Iran/Conta committees) Owen testifies that he received his information regarding the Justice Department investigation from Hull, CIA Station chief 'Thomas Castillo,' and possibly from Ambassador Tambs. (Iran/Contra, Appendix B, Vol. 20, p. 832).

April 7-May 2, 1986.—Feldman works on memo about Garicia case, gun-running and assassination plot. (Iran/Contra Deposition of Feldman, Appendix B, Vol. p. 99)

April 11, 1986.—The Associated Press reports that a federal investigation is under way into assertions that Nicaraguan rebels and some of their non-governmental American backers have engaged in gun-running and drug trafficking. The AP says the inquiry was "examining assertions that cocaine was smuggled to help finance the rebels' war effort, and that the Neutrality Act was violated. The article quoted Jack Terrell as stating he had been interviewed by the FBI on allegations concerning weapons shipments from the U.S. to contra base camps in Central America, involvement of contras in drug smuggling, and a reported conspiracy to assassinate the U.S. Ambassador to Costa Rica, Lewis Tambs. AP report appears in *The New York Times* and *Washington Post*.

April 11, 1986.—*The Boston Globe* reports that U.S. Attorney's Office in Miami is investigating allegations of extensive criminal activity by soldiers-of-fortune working with the contras, that include gun-running and a plot to attack U.S. Embassy in Costa Rica. Story quotes Ana Barnett, spokesman for Kellner, as saying "it is a very hot topic." Article quotes Senator Kerry as saying "over the past few months my office has engaged in an investigation of alleged drug-smuggling, gun-running, Neutrality Act violations, and other equally, if not more serious offenses. To date, we

have received substantial corroboration for these activities. . . . It's vital for Congress to investigate these matters fully in order to uncover the truth."

April 11, 1986.—Feldman discusses Associated Press article with Lellner and Barnett. Feldman tells Kellner the Miami cases are a "hot potato." Kellner replies, "politics are not for me to consider, the only thing that I need to consider is the evidence and the law." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 100)

April 11, 1986.—Poindexter writes memorandum of "Senior Staff" meeting, to discuss "FBI story on drugs and gun running by contras." Poindexter Exhibits, Iran/Contra Committees, p. 000041.

April 12, 1986.—Attorney General Meese visits Miami and meets with Kellner in course of visiting FBI agents hospitalized after a shoot-out. Kellner meets Meese at airport and drives in convoy to hospital. At the hospital, Meese calls Kellner aside and asks him about the Garcia case, referring to the assassination plot. Kellner replies that there is no evidence for the assassination plot but that the gunrunning was still under investigation. The conversation lasts only three minutes and Meese asked no follow up questions. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1052–1054)

April 13, 1986.—Memo sent from Trott to Richard and Toensing of Justice referring to the Boland Amendment and requesting a memorandum on the amendment. It is triggered by "one of many Congressional requests for appointment of special prosecutor." (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 48)

April 17, 1986.—*The Washington Post* reports that the Reagan Administration acknowledges that some rebels "may have engaged in" drug trafficking, but were not acting on the orders of their leaders. According to the Post, Elliott Abrams developed a three page document for Congressman Charles Stenholm stating that "individual members of the resistance . . . may have engaged in such activity but it was, insofar as we can determine, without the authorization of resistance leaders." (Post, A–40)

April 17, 1986.—Senator Kerry writes Senator Lugar, provides a summary of allegations of criminal activities connected to contra supply operations, and asks for a formal Senate Foreign Relations Committee investigation. Among the activities cited by Senator Kerry are the Tambs murder conspiracy, the La Penca bombing, drug smuggling connecting Columbia, Costa Rica, Nicaragua and the U.S., weapons smuggling involving CMA and Brigade 2506, transport of arms from Miami and New Orleans to contras in Central America. (Kerry-Lugar Correspondence)

April 18, 1986.—Oliver North writes in his notebook: "Sheenan investigating La Penca in consort with Sen. Kerry trying to get evidence linking RR to La Penca." (North Notebook Q2109)

April 21, 1986.—Stephen Carr writes Feldman, care of Kotula at U.S. Embassy in Costa Rica, asking for opportunity to cooperate so that he can get out of jail. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 105)

April 22, 1986.—Kerry staff provides detailed information on its investigation, including a list of targets, to Committee staff of the Senate Foreign Relations Committee. Entry in North notebook reads: Bill Perry—Kerry investigation—violations. (North notebook Q2111)

April 24, 1986.—Feldman meets with Kellner. No notes of what was discussed. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 106)

April 25, 1986.—Feldman again meets with Kellner. No notes of what was discussed. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 105)

April 26, 1986.—Feldman again meets with Kellner, no notes of what was discussed. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 105) Feldman works on first draft of his prosecutoral memo, down playing the investigation, but recommending a grand jury. It was the first of many versions of the Feldman memo, all dated May 14. There are six in all (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, pp. 233–235)

April 28, 1986.—Feldman submits first draft to Kellner, who advises him that he does not like it because it is not sufficiently detailed. Feldman rewrites it. Feldman says "investigation has dispelled Garcia's story, [but] we have learned CME (sic) [CMA] actively assisted FDN in Honduras, Costa Rica between November '84 and April '85. There is no question Rene Corbo and CME [sic] actively recruited individuals in the U.S. to train and/or fight with the FDN and contras; further investigation may also verify Carr's claim the weapons were among the items shipped from the U.S. to Salvador." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 106)

April 28, 1986.—Kellner says Feldman memo started in middle and its conclusion, "further investigation may also verify Carr's claim that weapons were among the items shipped from the United States to San Salvador, El Salvador," was inadequate, Kellner says he intended it to go to Washington, and wanted it to be clear and formal. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1059–1060)

April 30, 1986.—*Miami Herald* reports that North's activities may have violated Boland Amendment, citing his involvement in fund-raising for contras. (Miami Herald, 8–A) Sometime in this period, Feldman shows Currier revised memorandum. Feldman tells Currier that Kellner had told him to change the recommendation for the grand jury and that instead it concluded that the grand jury was premature. This version did not include the "fishing expedition" language, and that language was not included in the version the FBI was given in June of 1986. Currier never sees the "fishing expedition" version until after Iran/Contra came to light. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, pp. 234–235)

May 1, 1986.—Pat Korten, public affairs, U.S. Department of Justice tells AP that there is no substance to gunrunning charges. "It's a classic case of much ado about nothing. The U.S. Attorney and the FBI have conducted an inquiry into all of the charges and none of them have any substance. It's unfortunate the junior Senator from Massachusetts puts more credence in them than we do. All leads were completely exhausted. Interviews were conducted in Florida, Louisiana Central America and turned up absolutely nothing. We ran it down and there isn't anything there." (AP) Currier testifies that the FBI never interviewed Owen or Posey, two targets of the investigation. However, the FBI had by then interviewed Corbo and corroborated the fact that flights had occurred weapons were on board, and Corbo and others were recruiting individuals from Miami to fight with the contras. (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, pp. 237–239)

May 1, 1986.—North notebook entry reads: "Mtg w/(redacted) re Kerry travel. (Q2127)

Early May, 1986.—Kellner is annoyed at press reports saying there was no investigation of Garcia case and asks Barnett to call Washington and say it was wrong that in fact there was an investigation going forward. Barnett calls Pat Korten. Kellner decides that he will send Feldman memo to Washington to counter these misstatements. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1055–1056)

May 2, 1986.—Representatives of the FBI, Justice Department, DEA, and Statement Department meet to discuss the approach of their Agencies to responding to Senator Kerry's attempts to convene hearings on allegations concerning the Contras. (Subcommittee Deposition of Tom Marum, October 25, 1988)

May 5, 1986.—National Public Radio reports that Senator Kerry's staff has been investigating charges of illegal activity involving not only contras but American officials with ties to the National Security Council, and names Lt. Col North. NPR piece includes statement of Jack Terrell that he has seen direct involvement of CIA in the field and NSC money going to Costa Rica. NPR piece includes statements by officials at Justice Department who say that inquiry stopped "a month ago." According to NPR, a Justice spokesman said that "U.S. Attorney in South Florida and the FBI conducted an inquiry into all of these charges and none of them have any substance. All leads were completely exhausted, and interviews in Florida, Louisiana and Central America turned up absolutely nothing."

May 5, 1986.—Kellner and Feldman meet to discuss memo again. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 107)

May 6, 1986.—Republican Foreign Relations staff member Rick Messick sets up meeting or representatives of FBI, Justice, CIA, State Department, DEA, and NHAO to meet with Senator Kerry's staff (Rosenblith, McCall and Winer) regarding allegations. Senator Kerry's staff details allegations about Neutrality Act violations in Florida. CIA representatives state that the allegations are false. The CIA representatives state that they have information regarding the specific flights involved cited by the Kerry staff, specifically including a March 6, 1985 flight. The CIA representatives state that no weapons were aboard the planes. Tom Marum of Justice states that Justice is conducting an ongoing investigation of the charges. Ken Bergquist states that the public statements by the Justice Department to the contrary are "inaccurate." (Winer Memcom, 5/6/86; Marum Memcom, 5/6/86; Messick Memcom, 5/6/86, Subcommittee Files)

May 6, 1986.—A spokesman for Justice Department tells *The New York Times* that charges regarding gunrunning are false, that "all leads have been completely exhausted" and that no further investigation is needed. (*The New York Times*, A–6)

May 9, 1986.—After previously meeting with FBI Assistant Director Oliver B. Revell, North meets with FBI agents, and asks them to investigate half a dozen people whose activities he believed were tied to foreign agents, including Terrell and Senator Kerry. (FBI documents, Iran/Contra Appendix A, pp. 798–800)

May 12, 1986.—Justice writes Senator Kerry asking him to provide evidence of allegations. (Justice-Kerry correspondence)

May 12, 1986.—John Hull writes George Kiszynsky and Kevin Currier of FBI to advise them that he has been told the investigation against him has "been dropped for lack of evidence." (Hull-FBI correspondence)

May 13, 1986.—John Hull writes Ambassador Tambs asking for advice from the political and legal department of the U.S. Embassy, and advising Tambs that Hull will not mail letter to Kiszynsky and Currier of May 12 (which Hull encloses) without the permission of Tambs and CIA station chief 'Thomas Castillo.' (Hull-Tambs correspondence)

May 13, 1986.—North notebook entry reads: "19:30—Call from Rick Messick—Terrell told not to talk to FBI, Jonathan Winer [sic, reference to Kerry aide] (redacted). Q2146

May 13, 1986.—Deputy Assistant Attorney General Ken Bergquist writes memorandum to Assistant Attorney General Steve Trott regarding the "Upcoming 'Contra' Hearings in the Senate Foreign Relations Committee." Bergquist provides Trott with a list of the participants in the May 6, meeting with Senator Lugar's and Senator Kerry's staff, and an outline of what was discussed at the meeting. Bergquist advises Trott that "the obvious intent of Senator Kerry is to try to orchestrate a series of sensational accusations against the 'Contras' in order to obtain massive press coverage at about the time of the next 'Contra Aid' vote. It does not matter that the accusations are unfounded as long as they are uncontested at the time they are presented. If we are unable to immediately and effectively provide the true facts in each allegation at the time of the hearing, perception will defeat reality and the true story will never be heard or appreciated." Bergquist recommends that Justice provide information to the Committee regarding the individuals identified by Kerry as making the charges concerning the Contras. Bergquist states that "Senator Kerry will take every opportunity to make the implication or express claim that there is a conspiracy within the Administration to cover up illegal activities of the 'Contras' and their supporters," and suggests that Justice work instead to show the "true story." (Bergquist-Trott memo)

May 14, 1986.—Senator Kerry writes Justice that he would be glad to have his staff meet again with Justice to discuss such allegations further. Justice does not respond to this letter until June 24. (Justice-Kerry correspondence)

May 14, 1986.—Miami Herald reports that Senator Kerry's staff is looking into charges of gunrunning and drug smuggling as well as White House involvement with the contras during the time such involvement was prohibited by Boland Amendment.

May 14, 1986.—AUSA Feldman and FBI Agent Currier meet, go over memo line by line, and both conclude that they should go forward with a grand jury investigation. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 107)

May 14, 1986.—Draft of "Feldman memo" setting forth the prosecution's case in connection with the Miami Neutrality Act prosecution of Rene Corvo, *et. al.*, states "a grand jury investigation would ultimately reveal gun running activity, including gun running and neutrality violations. Due to the political nature of this case, I am not sure such violations could be sucessfully prosecuted in South Florida." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 108) Kellner scribbles out last paragraph and inserted, "I concur, we have sufficient evidence to institute a grand jury investigation into the activities described herein." (Iran/Congra Deposition of Feldman, Appendix B, Vol. 10, pp. 108–109; Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1060

May 20, 1986.—Sharf, Barnett, Kellner and Feldman meet. Sharf expresses opposition to going to grand jury. At end of meeting, Kellner asks Feldman to change conclusion of memo and he agrees to do so. At end of meeting, Feldman rewrites memo to state, "I conclude that we have sufficient evidence to continue the investigation into the activities described herein. At present it would be premature to take this matter to the grand jury, some background work still needs to be finished. Upon completion of this work, I believe a grand jury investigation may be in order." Kellner emphasizes that he is concerned about not destroying reputations. Feldman says he had concerns about what they were doing, because "there were articles in the New York Times, and "I questioned in my own mind at that point whether or not there was some fishy business going on." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 113–115)

May 20, 1986.—Gregorie recalls being at above meeting, that Feldman had the facts together, that "there were all kinds of unanswered questions, people obviously lying, individuals who had given us half the facts and half truths. . . . up to that time, he had some wild stories that were concocted by freelance newspaper reporters about mercenaries who were unreliable, and I did not think it was appropriate to go into the grand jury." (Iran/Contra Deposition of Gregorie, Appendix B, Vol. 12, p. 1179) Gregorie testified that Feldman's case in May was "thoroughly confused and had no direction." (Iran/Contra Deposition of Gregorie, Appendix B, Vol. 12, p. 1181)

May 22, 1986.—Feldman choose to leave signature off final revised draft of Feldman prosecution memo, "I don't know why." He notes that at this point, they are not looking at North, but are looking at the gun shipment and the neutrality violation that Corbo was involved in and perhaps CMA was involved in." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 116–117)

May 22, 1986.—ABC News Tonight reports that at least one shipment of weapons was smuggled from U.S. to Central America from Ft. Lauderdale airport to Ilopango to Costa Rica.

May 23, 1986.—Deputy Assistant AG Bergquist writes Assistant AG Trott to pass on requests for information regarding Steven Carr, Jack Terrell and Jesus Garcia in preparation for Foreign Relations hearings. The information requested is for arrest records and any statements made to the FBI by each of these individuals. (Bergquist-Trott memo) Bergquist also provides Trott with a summary of "Key Stories on Contras Involvement in Crime." The summary "Key Stories on Contras Involvement in Crime." The summary lists 39 stories which appeared in the press from 12/13/84 to 5/22/84. (Kellner File Provided to AUSA Jeffrey Feldman, subpoenaed by Subcommittee)

May 24, 1986.—FBI 302 of interview with Francisco Hernandez a/k/a Papito, who confirms that he assisted Rene Corvo in supporting Eden Pastora, Alfonso Robelo and other Contras in Costa Rica, including shipments of weapons from the United States which went from Fort Lauderdale through Ilopango Air Force Base in El Salvador.

May 27, 1986.—Feldman makes list of interviews that need to be conducted. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 118)

June 1, 1986.—Miami Herald reports that a special investigative unit will be set up within the House Judiciary Committee to probe allegations of criminal activity by contras. Article quotes a Justice Department official as saying FBI and DEA have "run down each and every one" of the allegations regarding gunrunning, murder plots, drug trafficking, and corruption connected to contras and found "no credible or substantive evidence" warranting prosecution of contra leaders." The Justice Department describes the allegations as those of "disgruntled people with an ax to grind who have little credibility," and said congressional efforts to investigate the allegations smacked of 'McCarthyism," and that some congressional aides "were seeking to destroy the contras by innuendo in the press." The Justice official quoted said "I can state categorically that the attorney general did not, at any time, ask or instruct any U.S. prosecutor to slow down or in any other way impede any investigations on the contras." The article said that a contra official admitted that North and the NSC helped the rebels raise private aid, find sources for weapons and ammunition, and developed strategy and tactics. (Miami Herald, p. A–28).

June 2, 1986.—Kellner assigns Feldman to work on Thai heroin case. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 121)

June 2, 1986.—AUSA Sharf resubmits Feldman's memo for "corrections" which he does not show Feldman. He makes changes on memo without Feldman's permission. Feldman notes that the major change was in the conclusion. Feldman believed when the background work was done, "the grand jury investigation may be in order." Sharf rewrites this to say "a grand jury investigation at this point would represent a fishing expedition with little prospect that it would bear fruit." Feldman notes that some of Sharf's changes were "reaching," but that Feldman was never shown them before it went out to Mark Richard at the Justice Department in Washington (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 121–124)

June 3, 1986.—*The Washington Times* reports, "Anti-contra witness said to fabricate story," regarding Jack Terrell's charges of Neutrality Act and weapons violation involving American supporters of the Contras and the involvement of the CIA.

June 3, 1986.—Kellner sends Feldman memo to Justice, never hears back from them, and never calls about any reaction. He testifies that "the purpose of the memo was not for them to do anything; the purpose of the memo was to give them the information of what I was doing." (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1073 According to Richard, in the course of an earlier conversation with Kellner, he had requested that Kellner keep him appraised of the status of case and developments. In response, Kellner provided him both the Feldman memo and a copy of the Christic Institute lawsuit naming Secord. (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 95)

June 3, 1986.—FBI Agents meet with Oliver North who "expressed specific concern as to why no action has been taken regarding . . charges placed by Senator Kerry against North, nor any attempt to obtain the information presently at the Department of Justice (DOJ) involving Senator Kerry's allegations." In a June 11, 1986 memo relating to this meeting, the FBI Agents conclude to the Director that "WFO [FBI's Washington Field Office] has no predication into this investigation." (Iran/Contra, Appendix A, Vol. 1, p. 805)

Sometime after June 2, 1986.—The Feldman memo is leaked to the press and to Congressional staff. In his testimony before the Iran/Contra Committees, Feldman is asked who leaked it. He says he does not know, but that "the memo was stolen out of my cabinet," because a note attached to it about [Thomas] Castillo and John Hull showed up under his door several months later. That note was the "most sensitive footnote in the entire memorandum" because it suggested that Hull was an operative for the CIA. Feldman notes that he didn't lock his office or file cabinet, because both were in a secure area, and "all you are locking your door from are your colleagues." Feldman notes, "I wasn't cynical enough." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 129)

June 4, 1986.—FBI 302 report on interview with Rene Corvo states that Corvo told FBI "the only crime he has committed are United States neutrality violations for shipping weapons from South Florida to Central America. These weapons were destined for the 'contras'." Corvo confirms details of allegations made by Carr regarding the shipment of weapons from Ft. Lauderdale on March 6, 1985, and involvement of Salvadorean military officials in his contra supply operation. (FBI 302 released in *U.S.* v. *Corbo*, SD Florida, 1988) (On May 6, 1986, the CIA had advised the Senate Foreign Relations Committee that it had specific intelligence that these allegations regarding Corvo were false.)

June 8, 1986.—*Miami Herald* runs front-page story by Alfonso Chardy, stating that NSC and CIA managed contras during Boland Amendment, in a network overseen by North with help from CIA. Chardy story cites Owen and Singlaub as among those helping North, and naming Hull as one of Owen's contacts. (Miami Herald)

June 10, 1986.—AP rtuns story by Robert Parry and Brian Barger alleging that Reagan Administration managed 'private' contra aid network through North, using Robert Owen as a "buffer," and John Hull in Costa Rica. (AP)

June 10, 1986.—Feldman discusses Mattes and Garcia with Kellner. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 130)

June 11, 1986.—FBI Agents report to Director that the Christic Institute complaint filed in Miami names individuals who "are presently aiding the Contra effort under Colonel North's direction." (Iran/Contra, Appendix A, p. 803)

June 11, 1986.—Associated Press reports that "U.S. Allegedly Ran Private Network to Arm Contras." The article stated that "the White House, working through outside intermediaries, managed a private aid network that provided military assistance to Nicaraguan rebels during last year's congressional aid ban, according to government officials, rebel leaders and their American supporters." (*Baltimore Sun*, p. 1)

June 12, 1986.—*Washington Times* reports that Kerry contra probe is "witch hunt."

June 13, 1986.—FBI 302 interview of Rene Corbo, in which Corbo again confirms his transport of weapons from South Florida into Central America for the contra on March 6, 1985 and June 16, 1985. Corbo also confirms that John Hull provided assistance to his and other Contra support groups in Northern Costa Rica.

June 17, 1986.—FBI 302 interview of Francisco Hernandez, in which Hernandez again confirms involvement in Contra support operations in Northern Costa Rica involving Rene Corvo. Hernandez states that he and other supporters of the Contras were assisted from military officials at Ilopango in El Salvador.

June 17, 1986.—North writes in notebook, "Gene Wheaton wants to talk to PFIAB—has talked to Kerry." Q2223

June 20, 1986.—Feldman leaves for Thailand. He remains "out of pocket" until August 1. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 131)

June 24, 1986.—After Kerry staff contacts Rick Messick of FRC to say that Justice has never called to gather further information regarding allegations, Justice sends another letter to Kerry reaffirming its interest in "vigorously and expeditiously" investigating any evidence to support allegations of criminal activity. (Kerry-Justice correspondence)

June 25, 1986.—Senator Kerry makes a presentation before a closed door session of the Committee. In that presentation, Senator Kerry states that in looking at allegations concerning the Contras he had found that "some American officials decided to circumvent the clear prohibitions of the Boland Amendment, as a result of that it

appears that the contras and the infrastructure set up to support them determined that they had a license in a sense, to violate laws . . ." He also reviews allegations regarding narcotics trafficking involving the Bahamas and Panama and calls for an investigation of the links between narcotics trafficking, law enforcement and foreign policy. At conclusion of session, Richard Lugar announces publicly that Foreign Relations Committee has ordered a "staff inquiry" to review allegations of drug running involving contras and Sandinistas.

June 26, 1986.—Kerry responds to Justice letter, again inviting Justice to contact his staff to set up a meeting to provide further information on the allegations concerning criminal activity in connection with the Contras. Justice never responds. (Kerry-Justice correspondence)

July 11, 1986.—Glenn Robinette meets Jack Terrell, as part of an investigation of Terrell on behalf of the Secord enterprise. (Iran/Contra Appendix A, Vol. 1, pp. 819–833)

July 14, 1986.—CBS Evening News broadcasts a tape which includes a segment on Oliver North's alleged involvement as a liaison between the White House and the Contras. On July 18, 1986, Special Agents of the FBI review the July 14, 1986 broadcast regarding North in connection with their investigation of Jack Terrell. (Iran/Contra, Appendix A, Vol. 1, p. 814)

July 15, 1986.—FBI reports to Director of alleged threat to assassinate President Reagan by Jack Terrell from a source not specified. (Ibid., p. 819) (Later Terrell is polygraphed on the issue and the FBI concludes the allegation is false.)

July 17, 1986.—FBI agents meet with Glenn Robinette "believed to be working in an unspecified government capacity" regarding Terrell and Robinette's surveillance of Terrell on behalf of the Secord's enterprise. (Ibid., pp. 820–829) Robinette advises the FBI of Terrell's ties to the Kerry investigation, notes that Terrell stated that he received no funds from Senator Kerry, and that he was aware of Secord's involvement in covert air support on behalf of the Contras. (Iran/Contra Appendix A, Vol. 1, p. 832)

July 18, 1986.—A dozen FBI agents meet in Washington and agree to undertake full-time FBI Special Operations Group surveillance of Jack Terrell. (Iran/Contra Appendix A, Vol. 1, p. 812)

July 18, 1986.—CIA advises FBI that subjects of Miami Neutrality Act investigation Corbo, Carr, Thompson, Posey and Garcia are not CIA assets. No mention is made of Hull or Felipe Vidal. (Letter to Director Webster regarding Jack Terrell allegations.)

July 21, 1986.—Kerry writes Attorney General Meese, enclosing an article in *The Boston Globe* which reports that the CIA provided financial and other assistance for mercenaries fighting with the contras. Kerry asks for a summary of any investigations Justice has undertaken into Neutrality Act or Boland Amendment allegations in connection with the contras. The Attorney General does not respond to the request. (Kerry-Justice correspondence)

July 22, 1986.—North is interviewed by FBI agents in connection with their investigation of Jack Terrell. North advises the FBI that "Terrell's name had surfaced in connection with a staff investigation being conducted by Massachusetts Senator John Kerry," and denies that he is involved with managing Contra support efforts. (Iran/Contra, Appendix A, Vol. 1, pp. 878–879)

July 24, 1986—State Department issues a Report to the Congress which states that "the available evidence points to involvement with drug traffickers by a limited number of persons having various kinds of affiliations with or political sympathies for [the Contra] resistance groups." (State Department Document #5136c)

July 24, 1986.—Robinette meets with FBI officials regarding Terrell, expressing concerns that the FBI had targeted Robinette "as being a 'plumber' for the White House . . . and leaking information to the media concerning his contact with him." He confirmed knowing North and working for Secord. (Iran/Contra Appendix A Vol. 1, pp. 852–853)

July 25, 1986.—North writes Admiral Poindexter that Associate FBI Director Oliver "Buck" Revell had called and asked for any information which NSC might have regarding Terrell. According to North, FBI believes Terrell could be a paid asset of Nicaraguan Intelligence Service. (N45907, Iran Contra committees)

July 28, 1986.—North writes memo from Poindexter to President Reagan regarding Terrell, initialed and presumably read by the President, which describes "anti-contra and anti-U.S. activities by U.S. citizens Jack Terrell. Memo describes allegations about Tambs bombing, alleged activities of CMA including weapons and narcotics trafficking, states that Terrell's charges are at the center of Senator Kerry's investigation in the Senate Foreign Relations Committee, and that the Operations Sub-Group (OSG) of the Terrorist Incident Working Group (TIWG) has made avail-

able to the FBI all information on Mr. Terrell from other U.S. government agencies to consolidate it for investigating Terrell. (N454896, Iran/Contra committees) Poindexter memo to President states "it is important to note that Terrell has been a principal witness against supporters of the Nicaraguan resistance both in and outside the U.S. government," and "since it is important to protect the knowledge that Terrell is the subject of a criminal investigation, none of those with whom he has been in contact on the Hill have been advised." (N–45897, Iran/contra committees)

July 28, 1986.—FBI Special Agents conduct surveillance of Jack Terrell at Mariott Hotel in Miami and go through his trash when he leaves his hotel room. They find a newspaper with an article torn from it concerning statements by Admiral John Poindexter that "the relationship between the Nicaraguan Contras and Colonel Oliver North did not violate a congressional prohibition on United States involvement with the rebels." (FBI 302 reprinted in Appendix A, Iran/Contra)

July 31, 1986.—Feldman receives "PROS" memo, or prosecution memorandum, from Kevin Currier of FBI, who was "looking for a way to pressure Leon into making a decision." (Feldman 102) According to Currier, the memorandum ran 200 pages and was written "to force their hand." Currier describes it as "a 200 page prosecutive report which outlines the violations and the evidence we had obtained to that time to support the prosecution of this matter." (Iran/Contra Deposition of Currier, Appendix B, Vol. 8, p. 238) However, "nothing happened in response to the prosecutor's report. Nothing." Currier testified that "Kellner told Feldman to do nothing on case until he made a decision on the prosecutor's report. The U.S. Attorney's office was dragging its feet on this matter. We frequently went to Feldman's office or the USA's office to pressure Feldman to make a decision, calling two or three times a week." (Currier, Ibid., pp. 238–244) Among the names which came up in the investigation were Enrique Bermudez, Mario and Adolfo Calero, Felix Rodriguez, Ramon Medina [Luis Posada], Richard Miller, Rafael Quintero, Richard Secord, Ted Shackley and John Singlaub. (Currier, ibid., pp. 255–261)

August 5, 1986.—Richard Lugar and Claiborne Pell, as chairman and ranking member of Senate Foreign Relations Committee, jointly request information from Justice Department regarding 27 individuals for its investigation of narcotics trafficking. The request, based on a list supplied by Senator Kerry, included requests for information on John Hull, Robert Owen, Tom Posey, Luis Rodriguez, Frank Chanes, and Frank Castro. (FRC records)

August 8, 1986.—John Hull sends a letter to Leon Kellner, Senator Rudman and Senator Lugar, charging Senator Kerry's staff with bribing witnesses to lie about Hull, North, and the Contras. The letter mentions "Democratic funds." (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1091) Hull asks Robert Owen, North's courier, to transmit the letter to Kellner and to the Senate Ethics Committee. (Iran/Contra Deposition of Robert Owen, Appendix B, Vol. 20, p. 856)

August 11, 1986.—John Bolton, on behalf of Justice, writes Lugar and Pell to tell them that Justice will not disclose information gathered during pending investigations and therefor will not provide any information in response to the request, but "we remain convinced that further rambling through open investigations gravely risks compromising those efforts." (FRC files)

August 18, 1986.—Feldman gives Kellner the PROS memo, from which he concludes there is clearly sufficient evidence to go forward. Corbo has admitted there were weapons on the March 6 shipment. Feldman believes they have enough to go forward, noting that he believed that in May, but that now they clearly had enough to satisfy Kellner. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 132) Kellner describes PROS memo as being "quite thick," puts a little yellow sticker on it and sends it to First Assistant US Attorney Richard Gregorie. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1078–1079)

August 18–August 29, 1986.—Feldman goes to Kellner on several occasions in response to pressure from FBI Agent Currier, "nagging him to make a decision." Kellner states that he must still read the memo and makes no decision. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 133)

August 19, 1986.—Justice sends letter to Senators Lugar and Pell, informing them that Justice would examine its files, but would only make information available on the one closed case, involving Cabezes and Zavala (Frogman Case.)

August 20, 1986.—Feldman has his "only" conversation with people at Justice, with Joe Tafe, who is in charge of neutrality violations. Tafe "gave me hints." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 133)

August 27, 1986.—Kellner says this is the day he actually received August 8 letter from John Hull charging that Kerry staff had engaged in misconduct. Kellner "had difficulty with those documents." (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1082)

August 29, 1986.—Feldman returns to Kellner for fourth time or so in August saying "I have to know." Kellner tells Feldman to "sit on the case until he gets back from Washington DC," because "politics are involved." Feldman says, "Leon that really upset me because he told me on April 11, during the day of the FBI shooting, that politics were not a consideration." Kellner tells Feldman, "politics aren't a factor for you to consider but they are a factor for me to consider." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 134) As of this date, Feldman concludes the case is dead. It sits on a box on his table. Kellner never gets back to him about it. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 138)

September 3, 1986.—Kellner takes Hull affidavits regarding Kerry to Mark Richard in Justice, and on his return gives them to Feldman. He brings back some memos on the Neutrality Act, and asks Feldman to check them and to investigate the affidavits concerning Senator Kerry. Kellner says that Richard read affidavits about Senator Kerry in his presence but said nothing. Kellner believed the affidavits were "amateurish," and "did not make sense," and that he was "being set up by somebody," but "couldn't figure out who." Kellner believed someone was trying to have him investigate a Senator, either to embarrass Kellner or to embarrass the Senator." After meeting with Richard, Kellner told Richard he would "check out the truth" of the affidavits by investigating the affidavits, although neither he nor Feldman believed them. Kellner describes the allegations as being that Senator Kerry's staff was paying witnesses to lie. Kellner says he did not believe these allegations, but it "would impact on the investigation." (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, pp. 1082–1094) Kellner testifies that he went to Washington with charges about Senator Kerry "because this was an allegation of a crime," and didn't do so with the allegations regarding the Garcia case because "we were still questioning whether or not there was a crime involved in what they were doing." (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1146) Richard says Kellner told him this "package" reflected all sorts of questionable activities by the senator's staff, attempts by reporters to influence testimony and suborn perjury and the like. (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 88) Richard testifies that he forwarded it to Steve Trott with a note that it be handled by either the Publice Integrity Section of Justice or to first interview Hull. Ultimately it was decided to ask the FBI to see whether Hull was willing to submit to an interview. Richard says he had no idea what happened after that, and whether the FBI did anything or not. Richard says Kellner told him the package from Hull "vindicated his assessment" that Kellner was being manipulated by political forces where everyone had their own agenda, with "Kerry's staff attempting to discredit the actions of—I don't know who—the CIA, the contras, or what." (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 89)

September, 1986.—Feldman checks out the allegations against Senator Kerry's staff and determines, after talking to "as many people as he could contact" that "they weren't true." Kellner notes that "there were additions to the affidavits and that at least in one case the signature was not accurate." In addition, "not only did they not write some of these statement, but it was not factually true in any event." Feldman told Kellner that at least one of the persons said he wrote the affidavit defaming Kerry and Kerry's staff because it was a way to get out of Costa Rica. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1093)

September 15, 1986.—Garcia is sentenced. Feldman states that Garcia's allegations are irrelevent to his sentencing. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 140)

Early October, 1986.—Mark Richard convenes a meeting, attended by 19 members of FBI and Justice, including Ken Bergquist, Leon Kellner, Chuck Sapho and George Schenck. Bergquist and Schenck had previously met with Kerry staff on May 6, 1986, regarding the allegations. Present are representatives of narcotics and fraud sections of Justice. Group spent most of meeting discussing fraud issues related to NHAO humanitarian aid. (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 82)

October 6, 1986.—Gregorie sends PROS memo back to Kellner on day of Hasenfus crash, recommending that Kellner convene a grand jury. As Kellner concludes, the crash may have figured in his decision to move forward. (Iran/Contra Deposition of Kellner, Appendix B, Vol. 14, p. 1081) When Hasenfus plane crashes, Feldman concludes "it really wasn't any great revelation because it was apparent [in May] that there was much more to this whole network than Renee Corbo . . . if for some reason . . . the United States Government may be exposed or Oliver North's network may be exposed, as far as I was concerned, that had already been done. It is jsut that it hadn't received the public attention the Hasenfus crash brought out." Although Feldman does not find memo until November, Richard Gregorie, Assistant

U.S. Attorney to Kellner, sends memo to Feldman on this day authorizing him to go to grand jury. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 140, 143)

October 7, 1986.—William Weld asks Richard what he knows about Hasenfus crash, who calls Tom Marum about Miami Neutrality investigation. Richard contacts Kellner and asks Kellner what is going on. Kellner is angry, because he is "getting hit with press inquiries and knew nothing about the pending investigation." (Iran/Contra Deposition of Richard, Appendix B, Vol. 23, p. 106)

October 14, 1986.—Senator Kerry releases staff report describing "Private Assistance and the Contras." Report refers to activities of North, Owen, Secord, Singlaub, Felipe Vidal, Hull, and others. Includes statement that "Max Gomez [Felix Rodriquez] was managing contra supply operations out of Ilopango having allegedly been placed there by NSC."

October 15, 1986.—Washington Post prints story about Kerry Report and describes its allegations against persons named above.

October 15, 1986.—Oliver North writes in notebook "Kerry +2," below that is something redacted, and below that a notation "Max Gomez/VP." North Q2583.

October 15, 1986.—Oliver North Notebook describes June 25th closed session of Foreign Relations Committee regarding narcotics trafficking and contras. Notebook states "list of 27 witnesses, early August 8—sent to DOJ—Ken Bergquist, Vicky Toennsing—46 boxes of transcripts of SF Frogman case, Justice never provided. In April/May, (illegible) Rick Messick . . . John Kerry—has 8 votes. Scott Armstrong, Natl Security Archives, Jack Blum. (North Notebook, Q2531

October 24, 1986. North writes in notebook about 6:30 pm meeting with Assistant Secretary of Defense Richard Armitage, that Senate Foreign Relations Committee investigation has taken trips to Miami, Costa Rica, San Francisco and Honduras. (North notebook Q2566)

October 30, 1986. Feldman meets with Justice Public Integrity Section. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 140

Early November, 1986.—Feldman receives authorization to go to the grand jury.

November 18, 1986.—Feldman takes Neutrality Case to Grand Jury. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 143)

November 19, 1986.—North notebook entry reads "Tom Dowling re Kerry Hearings." (North Notebook Q2646)

November 21, 1986.—North notebook entry describes concerns about information known by Gene Wheaton, who has "chart" regarding Secord's involvement in both Iran and contra initiatives, and who has provided information to Senator Kerry.

November 22, 1986.—Iran/contra diversion memorandum is found by Justice Department investigators in North's safe at the NSC.

December 2, 1986.—Feldman meets with Kellner, Sharf, Gregorie, Barnett, about Garcia case, and they tell Feldman to stay away from Jose Coutin case. (Coutin was being held as the supplier of the weapon used to kill DEA informant Barry Seale, but had originally helped the FBI in the Garcia case). Feldman gets authorization to take Robert Owen to a grand jury. He finds out that Owen was at "tons" of meetings with "players involved in both the Cuban and CMA organizations." (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, pp. 147, 149)

December 29, 1986.—Grand Jury halts in order that case may be reviewed by Independent Counsel Walsh. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 149)

January 21, 1987.—Independent Counsel Walsh declines Miami Neutrality Act cases and Feldman proceeds. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 149)

April 7, 1987.—Feldman is interviewed by Independent Counsel Walsh's office. (Iran/Contra Deposition of Feldman, Appendix B, Vol. 10, p. 150)

August 10, 1987.—FBI 302 of Frank Castro. Castro states that in 1985 he went to Costa Rica to meet with John Hull at Hull's farm, and that he was working with Frank Chanes and Moises Nunez with Rene Corvo and other Cubans, and that this group had taken a number of Mariel boat Cubans from their training camp in Naples, Florida to Central America to fight the Sandinistas.

August 20, 1987.—FBI 302 of Frank Castro. Castro reaffirms statements regarding involvement of Corbo and others in military training in Naples, Florida before going to Central America to fight Sandinistas.

September 30, 1987.—The Justice Department indicts Luis Rodriquez as a drug trafficker, for smuggling which took place between November 1980 and January 1983. (*U.S.* v. *Luis Rodriquez*, 87-01044, U.S. District Court for the Northern District of Florida)

November 18, 1987. AUSA Jeffrey Feldman goes to Washington to meet with John Martin and Thomas Marum, the head and assistant head of the Justice Department's Internal Security Division. At a meeting between 9:30 am and 10:20 am, Feldman reviewed the previous questions that had been raised about the Justice Department's handling of the Miami investigations, including the allegations made by David Leiwant concerning a phone call allegedly made on April 4, 1986 asking Kellner to delay with the cases; the revisions of the Feldman memoradum; and the delay in prosecuting the case between August and November, 1986. According to Feldman, after further discussions, Marum "mentioned that he, Joe Tafe, Mark Richard, Leon Kellner, and reps from DEA and FBI met in Richard's office sometime last year to discuss how Senator Kerry's efforts to get Lugar to hold hearings in this case could be undermined. Marum did not re: date." Feldman then makes a contemporaneous memorandum of the meeting with Martin and Marum and time stamps it at the Criminal Division of the Justice Department at 10:47 AM November 18. (Feldman Memcom, subpoenaed by Subcommittee)

April 5, 1988.—The Justice Department indicts Luis Rodriquez for tax evasion in connection with the laundering of money through Ocean Hunter from June 1979 through April 1985. (*U.S.* v. *Luis Rodrequez*, 88-0222 CR-King, US District Court Southern District of Florida) Grand jury statements on file in Northern District of Florida narcotics case against Luis Rodriguez state that Ocean Hunter was established to launder money for a narcotics smuggling enterprise involving Frigorificos de Punterennas.

July 13, 1988.—The Justice Department indicts Mario Calero, Jack Terrell, Tom Posey, and others on Neutrality Act and weapons violation in connection with CMA's support for the Contras.

July 27, 1988.—The Justice Department indicts Rene Corvo, Frank Castro and others on Neutrality Act and weapons violations in connection with the Naples, Florida training camp and Cuban-American military assistance to the Contras.

Witnesses [1]

Aguado, Marcos. A Nicaraguan living in Costa Rica who served as a pilot for the ARDE contra organization located on the Southern Front of the Contra/Sandinista war.

Awan, Amjad. A marketing manager for the Bank of Credit and Commerce International (BCCI).

Bannister, Gorman. The son of Everett Bannister, a Bahamina political operative, currently in the Federal Witness Protection Program.

Berguist, Kenneth P. Former Deputy Assistant Attorney General, Legislative Affairs, Justice Department.

Betzner, Gary Wayne. A federal prisoner, convicted of running a continuing criminal enterprise for trafficking in cocaine, now serving a sentence of 27 years and two months.

Biamby, Roger E. An exile from Haiti, currently employed as the Executive Director of the Haitian-American Community Association of Dade County, Miami Florida.

Blandon, Jose. Former Panamanian Consul General, based in New York from 1986-1988, and political confidant of General Manuel Antonio Noriega; served as a federal witness in the 1988 indictments brought against General Noriega by two Florida grand juries; currently in the Federal Witness Protection Program.

Camper, Franklin Joseph. A federal prisoner, convicted in 1987 of RICO, weapons and conspiracy charges, now serving a sentence of 14 years; former owner and operator of the Recondo Mercenary Training School in Dolomite, Alabama.

Carlton, Floyd. A federal prisoner, convicted in 1987 on narcotics charges; formerly the personal pilot of General Noriega in Panama; testified against Noriega before the federal grand jury leading to indictments of Noriega in January, 1988; currently in the Federal Witness Protection Program.

Cash, Thomas V. Special Agent in Charge of the Miami Field Division of the Drug Enforcement Agency.

[1] This list includes all witnesses who appeared in public, or whose testimony in closed session has since been released by the Subcommittee in the four part edition of S. Hrg. 100-773, "Drugs, Law Enforcement and Foreign Policy." Additional witnesses who appeared before the Subcommittee in closed hearings or depositions not yet released are listed separately under "Depositions" at the conclusion of this list.

Cesar, Octaviano. A Nicaraguan living in Costa Rica who served as a political official of the ARDE contra organization on the Southern Front; brother of Nicaraguan Resistance director Alfredo Cesar.

Chamorro, Adolfo Jose "Popo". A Nicaraguan living in Miami, Florida; formerly the logistics chief and second in command of the ARDE contra organization on the Southern Front.

Crone, William. A U.S. citizen living in Costa Rica; a farmer and former business associate of John Hull.

Feldman, Jeffrey B. Former Assistant U.S. Attorney for the Southern District of Florida, assigned to handle prosecution of Miami Contra Neutrality Act and weapons cases.

Garcia, Luis. A Miami-based narcotics trafficker who became a federal informant from 1984-1987.

Gorman, General Paul (U.S.A.-Ret). Former Commander of the U.S. Southern Command based in Panama (1983–1985); consultant to the President's Commission on Orgnized Crime (1985–1986).

Gregorie, Richard D. Former Chief Assistanct U.S. Attorney (1987-1989), chief of Criminal and Narcotics Divisions (1982–1987), Southern District of Florida, Miami, Florida.

Holwill, Richard. Deputy Assistant Secretary of State for the Carribbean.

Hood, Louella. A resident of Bradenton, Florida who hired John Hull to manage farm property for her in Costa Rica.

Kellner, Leon B. Former U.S. Attorney for the Southern District of Florida.

Lawn, John C. Administrator, the Drug Enforcement Agency.

Loeb, Gerald. A former pilot for Eastern Airlines; currently Chairman of Legislative Affairs for the Airline Pilots' Association.

Lotz, Werner. A Costa Rican who became the personal pilot for Robert Vesco, former Costa Rican President Carazo and Costa Rican President Daniel Oduber; owner of an air taxi service in Costa Rica; convicted in the U.S. for conspiracy to import drugs in 1985 and sentenced to four years in prison; deported at the conclusion of his sentence to Costa Rica.

Marum, Thomas E. Deputy Chief of Internal Security Division, Justice Department.

Mayer, Martin P. An authority on banking, and author of such books as "The Bankers and "The Fate of the Dollar."

McCann, John H. A federal prisoner convicted in 1987 for running a continuing criminal enterprise in connection with cocaine trafficking; sentenced to life without parole plus 110 years; formerly a lawyer and county judge.

McNeil, Ambassador Francis. Former U.S. Ambassador to Costa Rica (1980–1983), and former Deputy Assistant Secretary of State for Intelligence and Research (1984–1987).

Morales, George. A federal prisoner convicted in 1986 for running a continuing criminal enterprise in connection with cocaine trafficking; sentenced to 16 years.

Morgenthau, Robert. District Attorney for New York County.

Murphy, Admiral Daniel P. (U.S.N. Ret). Former Chief of Staff to Vice President George Bush; chief of the South Florida Drug Task Force; chairman, working group of the National Narcotics Border Interdiction System (all 1982–1985); currently president of Murphy & Demory Ltd., a Washington, D.C. consulting firm.

Palmer, Michael B. Former Delta Airlines flight engineer and copilot; became a narcotics trafficker in 1977 with the Carroll marijuana smuggling ring; later became an informant for the Drug Enforcement Agency; Vice President of Vortex, Inc., a company which provided services to the Contras as a contractor of the Nicaraguan Humanitarian Assistance Organization (NHAO).

Prado, Karol. A Nicaraguan living in Costa Rica who served as chief of communications for ARDE under Eden Pastora.

Quintana, Osvaldo. President of Ocean International Seafood of Miami, Florida; a federal witness in the 1988 grand jury indictment of Haitian Colonel Jean-Claude Paul in Miami.

Rehman, Aziz. A former employee of the Bank of Credit and Commerce International in Miami, Florida.

Richard, Mark. Former Deputy Attorney General, Criminal Division, Justice Department.

Rodriguez, Felix Ismael. A veteran of the Bay of Pigs and former officer of the Central Intelligence Agency; assigned by Oliver North in September 1985 to maintain Contra resupply operations at Ilopango Air Force base in El Salvador.

Rodriguez, Ramon Milian. A federal prisoner, convicted of running a continuing criminal enterprise in connection with laundering drug money and narcotics trafficking; sentenced to 43 years.

Sanchez, Nestor. A former Central Intelligence Agency Latin American Division Chief (1980–1981); former Deputy Assistant Secretary of State for Latin American Affairs; Department of Defense (1981–1987) and currently consultant to the Department of Defense.

Sosa, Hon. Juan. Ambassador to the United States from Panama.

Vogel, Michael P. A federal prisoner, convicted of running a continuing criminal enterprise in connection with narcotics trafficking; sentenced to 25 years.

Zepada, Tom. A narcotics field advisor to the Bureau of International Narcotics Matters; formerly a Drug Enforcement Agency field director.

Writs and Subpoenas Issued During Investigation

WRITS (13)

Antonio Aizparua
Gary Wayne Betzner
Frank Camper
Floyd Carlton
Werner Lotz
John McCann
Ramon Milian Rodriguez
George Morales
Leandro Sanchez Reisse
Leigh Ritch
Michael Vogel
Zavala/Cabezas Wiretap Documents

SUBPOENAS (23)

Antonio Aizparua
Bank of Credit and Commerce International (4) [Awan, Shafi, BCCI Ltd., BCCI Intl.]
Gorman Bannister
Popo Adolfo Jose "Popo" Chamorro
Raoul Diaz
Jeffrey Feldman
Norman Faber
First City Foreign Currency Corp.
General Paul Gorman
Greenberg Bros.
Marta Healey
John Hull
Intercontinental Detective Agency
"Miami Attorney"
Oliver North Notebooks
Michael Palmer
Felix Rodriguez
Nestor Sanchez
Sarkis Soghenalian
Vortex Corp.

CLOSED DEPOSITIONS AND HEARINGS

Joe Adams
"Miami Attorney"
Kenneth Bergquist
Richard Brennecke
"Wanda Doe"
Michael Harrington
Leon Kellner
Thomas Marum
Mark Richard
Leandro Sanchez-Reisse
Jack Terrell