

# foreign policy *in focus*



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## The CIA, Contras, Gangs, and Crack

In August 1996, the *San Jose Mercury News* initiated an extended series of articles linking the CIA's "contra" army to the crack cocaine epidemic in Los Angeles.<sup>1</sup> Based on a year-long investigation, reporter Gary Webb wrote that during the 1980s the CIA helped finance its covert war against Nicaragua's leftist government through sales of cut-rate cocaine to South Central L.A. drug dealer, Ricky Ross. The series unleashed a storm of protest, spearheaded by black radio stations and the congressional Black Caucus, with demands for official inquiries. The *Mercury News*' Web page, with supporting documents and updates, received hundreds of thousands of "hits" a day.

While much of the CIA-contra-drug story had been revealed years ago in the press and in congressional hearings, the *Mercury News* series added a crucial missing link: It followed the cocaine trail to Ross and black L.A. gangs who became street-level distributors of crack, a cheap and powerful form of cocaine. The CIA's drug network, wrote Webb, "opened the first pipeline between Colombia's cocaine cartels and the black neighborhoods of Los Angeles, a city now known as the 'crack' capital of the world." Black gangs used their profits to buy automatic weapons, sometimes from one of the CIA-linked drug dealers

CIA Director John Deutch declared that he found "no connection whatsoever" between the CIA and cocaine traffickers. And major media—the *New York Times*, *Los Angeles Times*, and *Washington Post*—have run long pieces refuting the *Mercury News* series. They deny that Bay Area-based Nicaraguan drug dealers, Juan Norwin Meneses and Oscar Danilo Blandon, worked for the CIA or contributed "millions in drug profits" to the contras, as Webb contended. They also note that neither Ross nor the gangs were the first or sole distributors of crack in L.A. Webb, however, did not claim this. He wrote that the huge influx of cocaine happened to come at just the time that street-level drug dealers were figuring out how to make cocaine affordable by changing it into crack.

Many in the media have also postulated that any drug-trafficking contras involved were "rogue" elements, not supported by the CIA. But these denials overlook much

of the *Mercury News*' evidence of CIA complicity. For example:

- CIA-supplied contra planes and pilots carried cocaine from Central America to U.S. airports and military bases. In 1985, Drug Enforcement Administration (DEA) agent Celerino Castillo reported to his superiors that cocaine was being stored at the CIA's contra-supply warehouse at Ilopango Air Force Base in El Salvador for shipment to the U.S.<sup>2</sup> The DEA did nothing, and Castillo was gradually forced out of the agency.
- When Danilo Blandón was finally arrested in 1986, he admitted to drug crimes that would have sent others away for life. The Justice Department, however, freed Blandón after only 28 months behind bars and then hired him as a full-time DEA informant, paying him more than \$166,000. When Blandón testified in a 1996 trial against Ricky Ross, the Justice Department blocked any inquiry about Blandón's connection to the CIA.
- Although Norwin Meneses is listed in DEA computers as a major international drug smuggler implicated in 45 separate federal investigations since 1974, he lived conspicuously in California until 1989 and was never arrested in the U.S.
- Senate investigators and agents from four organizations all complained that their contra-drug investigations "were hampered," Webb wrote, "by the CIA or unnamed 'national security' interests." In the 1984 "Frogman Case," for instance, the U.S. Attorney in San Francisco returned \$36,800 seized from a Nicaraguan drug dealer after two contra leaders sent letters to the court arguing that the cash was intended for the contras. Federal prosecutors ordered the letter and other case evidence sealed for "national security" reasons. When Senate investigators later asked the Justice Department to explain this unusual turn of events, they ran into a wall of secrecy.

*In my 30-year history in the Drug Enforcement Administration and related agencies, the major targets of my investigations almost invariably turned out to be working for the CIA.*

-Dennis Dayle, former chief of an elite DEA enforcement unit.<sup>3</sup>

The foregoing discussion should not be regarded as any kind of historical aberration inasmuch as the CIA has had a long and virtually continuous involvement with drug trafficking since the end of World War II.

## 1947 to 1951, France

CIA arms, money, and disinformation enabled Corsican criminal syndicates in Marseille to wrest control of labor unions from the Communist Party. The Corsicans gained political influence and control over the docks—ideal conditions for cementing a long-term partnership with mafia drug distributors, which turned Marseille into the postwar heroin capital of the Western world. Marseilles's first heroin laboratories were opened in 1951, only months after the Corsicans took over the waterfront.<sup>4</sup>

## Early 1950s, Southeast Asia

The Nationalist Chinese army, organized by the CIA to wage war against Communist China, became the opium baron of The Golden Triangle (parts of Burma, Thailand, and Laos), the world's largest source of opium and heroin. Air America, the CIA's principal proprietary airline, flew the drugs all over Southeast Asia.<sup>5</sup>

## 1950s to early 1970s, Indochina

During U.S. military involvement in Laos and other parts of Indochina, Air America flew opium and heroin throughout the area. Many GI's in Vietnam became addicts. A laboratory built at CIA headquarters in northern Laos was used to refine heroin. After a decade of American military intervention, Southeast Asia had become the source of 70 percent of the world's illicit opium and the major supplier of raw materials for America's booming heroin market.<sup>6</sup>

## 1973 to 1980, Australia

The Nugan Hand Bank of Sydney was a CIA bank in all but name. Among its officers were a network of U.S. generals, admirals and CIA men, including former CIA Director William Colby, who was also one of its lawyers. With branches in Saudi Arabia, Europe, Southeast Asia, South America and the U.S., Nugan Hand Bank financed drug trafficking, money laundering and international arms dealing. In 1980, amidst sev-

eral mysterious deaths, the bank collapsed, \$50 million in debt.<sup>7</sup>

## 1970s and 1980s, Panama

For more than a decade, Panamanian strongman Manuel Noriega was a highly paid CIA asset and collaborator, despite knowledge by U.S. drug authorities as early as 1971 that the general was heavily involved in drug trafficking and money laundering. Noriega facilitated "guns-for-drugs" flights for the contras, providing protection and pilots, safe havens for drug cartel officials, and discreet banking facilities. U.S. officials, including then-CIA Director William Webster and several DEA officers, sent Noriega letters of praise for efforts to thwart drug trafficking (albeit only against competitors of his Medellín cartel patrons). The U.S. government only turned against Noriega, invading Panama in December 1989 and kidnapping the general, once they discovered he was providing intelligence and services to the Cubans and Sandinistas. Ironically, drug trafficking through Panama increased after the U.S. invasion.<sup>8</sup>

## 1980s, Central America

The *San Jose Mercury News* series documents just one thread of the interwoven operations linking the CIA, the contras, and the cocaine cartels. Obsessed with overthrowing the leftist Sandinista government in Nicaragua, Reagan administration officials tolerated drug trafficking as long as the traffickers gave support to the contras. In 1989, the Senate Subcommittee on Terrorism, Narcotics, and International Operations (the Kerry committee) concluded a three-year investigation by stating: "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. . . . U.S. officials involved in Central America failed to address the drug issue for fear of jeopardizing the war efforts against Nicaragua. . . . 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. . . . Senior U.S. policy makers were not immune to the idea that drug money was a perfect solution to the contras' funding problems."<sup>9</sup>

In Costa Rica, which served as the "Southern Front" for the contras (Honduras being the Northern Front), there were several CIA-contra networks involved in drug trafficking. In addition to those servicing the Meneses-Blandon operation (detailed by the *Mercury News*) and

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Noriega's operation, there was CIA operative John Hull, whose farms along Costa Rica's border with Nicaragua were the main staging area for the contras. Hull and other CIA-connected contra supporters and pilots teamed up with George Morales, a major Miami-based Columbian drug trafficker who later admitted to giving \$3 million in cash and several planes to contra leaders.<sup>10</sup> In 1989, after the Costa Rica government indicted Hull for drug trafficking, a DEA-hired plane clandestinely and illegally flew the CIA operative to Miami, via Haiti. The U.S. repeatedly thwarted Costa Rican efforts to extradite Hull to Costa Rica to stand trial.<sup>11</sup>

Another Costa Rican-based drug ring involved a group of Cuban Americans whom the CIA had hired as military trainers for the contras. Many had long been involved with the CIA and drug trafficking. They used contra planes and a Costa Rican-based shrimp company, which laundered money for the CIA, to channel cocaine to the U.S.<sup>12</sup>

Costa Rica was not the only route. Guatemala, whose military intelligence service—closely associated with the CIA—harbored many drug traffickers, according to the DEA, was another way station along the cocaine highway.<sup>13</sup> Additionally, the Medellín cartel's Miami accountant, Ramon Milian Rodriguez, testified that he funneled nearly \$10 million to Nicaraguan contras through long-time CIA operative Felix Rodriguez, who was based at Ilopango Air Force Base in El Salvador.<sup>14</sup>

The contras provided both protection and infrastructure (planes, pilots, airstrips, warehouses, front companies, and banks) to these CIA-linked drug networks. At least four transport companies under investigation for drug trafficking received US government contracts to carry nonlethal supplies to the contras.<sup>15</sup> Southern Air Transport, "formerly" CIA-owned and later under Pentagon contract, was involved in the drug running as well.<sup>16</sup> Cocaine-laden planes flew to Florida, Texas,

Louisiana, and other locations, including several military bases. Designated as "Contra Craft," these shipments were not to be inspected. When some authority wasn't apprised and made an arrest, powerful strings were pulled to result in dropping the case, acquittal, reduced sentence, or deportation.<sup>17</sup>

### Mid-1980s to early 1990s, Haiti

While working to keep key Haitian military and political leaders in power, the CIA turned a blind eye to their clients' drug trafficking. In 1986, the Agency added some more names to its payroll by creating a new Haitian organization, the National Intelligence Service (SIN). SIN's mandate included countering the cocaine trade, though SIN officers themselves engaged in trafficking, a trade aided and abetted by some Haitian military and political leaders.<sup>18</sup>

### 1980s to early 1990s, Afghanistan

CIA-supported Mujahedeen rebels engaged heavily in drug trafficking while fighting the Soviet-supported government, which had plans to reform Afghan society. The Agency's principal client was Gulbuddin Hekmatyar, one of the leading drug lords and the biggest heroin refiner, who was also the largest recipient of CIA military support. CIA-supplied trucks and mules that had carried arms into Afghanistan were used to transport opium to laboratories along the Afghan-Pakistan border. The output provided up to one-half of the heroin used annually in the United States and three-quarters of that used in Western Europe. U.S. officials admitted in 1990 that they had failed to investigate or take action against the drug operation because of a desire not to offend their Pakistani and Afghan allies.<sup>19</sup> In 1993, an official of the DEA dubbed Afghanistan the new Colombia of the drug world.<sup>20</sup>

*Written by William Blum, a Washington, DC based writer on foreign policy and intelligence matters. Author of Killing Hope: U.S. Military and CIA Interventions Since World War II.*

<sup>1</sup> Gary Webb, "Dark Alliance" series, *San Jose Mercury News*. Beginning August 18, 1996.

<sup>2</sup> Celerino Castillo, *Powder Burns: Cocaine, Contras and the Drug War* (Mosaic Press, 1994). *Los Angeles Times* lengthy series of articles, October 20, 21, 22, 1996. Roberto Suro and Walter Pincus, "The CIA and Crack: Evidence is Lacking of Alleged Plot" (*Washington Post*, October 4, 1996). Howard Kurtz, "Running with the CIA Story" (*Washington Post*, October 2, 1996). Douglas Farah and Walter Pincus "CIA, Contras and Drugs: Questions on Links Linger" (*Washington Post*, October 31, 1996). Tim Golden, "Though Evidence is Thin, Tale of CIA and Drugs Has a Life of Its Own" (*New York Times*, October 21, 1996).

<sup>3</sup> Peter Dale Scott & Jonathan Marshall, *Cocaine Politics: Drugs, Armies, and the CIA in Central America* (Berkeley: University of California Press, 1991) pp. x-xi.

<sup>4</sup> Alfred W. McCoy, *The Politics of Heroin in Southeast Asia* (New York City, New York: Harper & Row, 1972, chapter 2).

<sup>5</sup> Christopher Robbins, *Air America* (New York City, New York: Avon Books, 1985) chapter 9. McCoy, *Politics of Heroin*.

<sup>6</sup> McCoy, *Politics of Heroin*, chapter 7. Robbins, *Air America*, p. 128 and chapter 9.

<sup>7</sup> Jonathan Kwitny, *The Crimes of Patriots: A True Tale of Drugs, Dirty Money and the CIA* (New York City, New York: W.W. Norton & Co., 1987). William Blum, *Killing Hope: U.S. Military and CIA Interventions Since World War II* (Monroe, Maine: Common Courage Press, 1995) p. 420, note 33.

<sup>8</sup> Scott & Marshall, *Cocaine Politics*; John Dinges, *Our Man in Panama* (NY, New York: Random House, 1991); Murray Waas, "Cocaine and the White House Connection", *Los Angeles Weekly*, Sept. 30-Oct. 6 and Oct. 7-13,

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<sup>9</sup> "Kerry Report": *Drugs, Law Enforcement and Foreign Policy*, a Report of the Senate Committee on Foreign Relations, Subcommittee on Terrorism, Narcotics and International Operations, 1989, pp. 2, 36, 41.

<sup>10</sup> Martha Honey, *Hostile Acts: U.S. Policy in Costa Rica in the 1980s* (Gainesville, Florida: University Press of Florida, 1994).

<sup>11</sup> Martha Honey and David Myers, "U.S. Probing Drug Agent's Activities in Costa Rica," *San Francisco Chronicle*, August 14, 1991.

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<sup>14</sup> Martha Honey, "Drug Figure Says Cartel Gave Drugs to Contras" *Washington Post*, June 30, 1987.

<sup>15</sup> Kerry report, *Drugs*.

<sup>16</sup> Scott & Marshall, *Cocaine Politics*, pp. 17-18.

<sup>17</sup> Scott & Marshall, *Cocaine Politics*, Waas, "Cocaine and the White House"; NSA, *The Contras*

<sup>18</sup> *New York Times*, Nov. 14, 1993; *The Nation*, Oct. 3, 1994, p. 346.

<sup>19</sup> Blum, *Killing Hope*, p. 351; Tim Weiner, *Blank Check: The Pentagon's Black Budget* (New York City, New York: Warner Books, 1990) pp. 151-2.

<sup>20</sup> *Los Angeles Times*, Aug. 22, 1993

# sources for more information

## Organizations

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## World Wide Web

### San Jose Mercury News

<http://www.sjmercury.com/drug>

### Washington Post

<http://www.washingtonpost.com>

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