

CIA Admits Tolerating Contra- Cocaine Trafficking in 1980s

By Robert Parry

In secret congressional testimony, senior CIA officials admitted that the spy agency turned a blind eye to evidence of cocaine trafficking by U.S.-backed Nicaraguan contra rebels in the 1980s and generally did not treat drug smuggling through Central America as a high priority during the Reagan administration.

“In the end the objective of unseating the Sandinistas appears to have taken precedence over dealing properly with potentially serious allegations against those with whom the agency was working,” CIA Inspector General Britt Snider said in classified testimony on May 25, 1999. He conceded that the CIA did not treat the drug allegations in “a consistent, reasoned or justifiable manner.”

Still, Snider and other officials sought to minimize the seriousness of the CIA’s misconduct – a position echoed by a House Intelligence Committee report released in May and by press coverage it received. In particular, CIA officials insisted that CIA personnel did not order the contras to engage in drug trafficking and did not directly join in the smuggling.

But the CIA testimony to the House Intelligence Committee and the body of the House report confirmed long-standing allegations – dating back to the mid-1980s – that drug traffickers pervaded the contra operation and used it as a cover for smuggling substantial volumes of cocaine into the United States.

Deep in the report, the House committee noted that in some cases, “CIA employees did nothing to verify or disprove drug trafficking information, even when they had the opportunity to do so. In some of these, receipt of a drug allegation appeared to provoke no specific response, and business went on as usual.”

Former CIA officer Duane Clarridge, who oversaw covert CIA support for the contras in the early years of their war against Nicaragua’s leftist Sandinista government, said “counter-narcotics programs in Central America were not a priority of CIA personnel in the early 1980s,” according to the House report.

The House committee also reported new details about how a major Nicaraguan drug lord, Norwin Meneses, recruited one of his principal lieutenants, Oscar Danilo Bandon, with promises that much of their drug money would go to the contras. Meneses and Bandon were key figures in a controversial 1996 series in the *San Jose Mercury News* that alleged a “dark alliance” between the CIA and contra traffickers.

That series touched off renewed interest in contra-drug trafficking and its connection to the flood of cocaine that swept through U.S. cities in the 1980s, devastating many communities with addiction and violence. In reaction to the articles by reporter Gary Webb, U.S. government agencies and leading American newspapers rallied to the CIA’s defense.

Like those responses, the House Intelligence Committee report attacked Webb’s series. It highlighted exculpatory information about the CIA and buried admissions of wrongdoing deep in the text where only a careful reading would find them. The report’s seven “findings” – accepted by the majority Republicans as well as the minority Democrats –

absolved the CIA of any serious offenses, sometimes using convoluted phrasing that obscured the facts.

For instance, one key finding stated that “the CIA as an institution did not approve of connections between contras and drug traffickers, and, indeed, contras were discouraged from involvement with traffickers.” The phrasing is tricky, however. The use of the phrase “as an institution” obscures the report’s clear evidence that many CIA officials ignored the contra-cocaine smuggling and continued doing business with suspected drug traffickers.

The finding’s second sentence said, “CIA officials, on occasion, notified law enforcement entities when they became aware of allegations concerning the identities or activities of drug traffickers.” Stressing that CIA officials “on occasion” alerted law enforcement about contra drug traffickers glossed over the reality that many CIA officials withheld evidence of illegal drug smuggling and undermined investigations of those crimes.

Normally in investigations, it is the wrongdoing that is noteworthy, not the fact that some did not participate in the wrongdoing.

A close reading of the House report reveals a different story from the “findings.” On page 38, for instance, the House committee observed that the second volume of the CIA’s inspector general’s study of the contra-drug controversy disclosed numerous instances of contra-drug operations and CIA knowledge of the problem.

“The first question is what CIA knew,” the House report said. “Volume II of the CIA IG report explains in detail the knowledge the CIA had that some contras had been, were alleged to be or were in fact involved or somehow associated with drug trafficking or drug traffickers. The reporting of possible connections between drug trafficking and the Southern Front contra organizations is particularly extensive.

“The second question is what the CIA reported to DOJ [Department of Justice]. The Committee was concerned about the CIA’s record in reporting and following up on allegations of drug activity during this period. ... In many cases, it is clear the information was reported from the field, but it is less clear what happened to the information after it arrived at CIA headquarters.”

In other words, the internal government investigations found that CIA officers in Central America were informing CIA headquarters at Langley, Va., about the contra-drug problem, but the evidence went no farther. It was kept from law enforcement agencies, from Congress and from the American public. Beyond withholding the evidence, the Reagan administration mounted public relations attacks on members of Congress, journalists and witnesses who were exposing the crimes in the 1980s.

In a sense, those attacks continue to this day, with reporter Gary Webb excoriated for alleged overstatements in the *Mercury News* stories. As a result of those attacks, Webb was forced to resign from the *Mercury News* and leave daily journalism. No member of the Reagan administration has received any punishment or even public rebuke for concealing evidence of contra-cocaine trafficking. [For details on the CIA’s internal report, see Robert Parry’s *Lost History*.]

Besides confirming the CIA’s internal admissions about contra-drug trafficking and the CIA’s spotty record of taking action to stop it, the House committee included in its report the Reagan administration’s rationale for blacking out the contra-cocaine evidence in the 1980s.

“The committee interviewed several individuals who served in Latin America as [CIA] chiefs of station during the 1980s,” the report said. “They all personally deplored the use and trafficking of drugs, but indicated that in the 1980s the counter-narcotics mission did not have as high a priority as the missions of reporting on and fighting against communist

insurrections and supporting struggling democratic movements.

“Indeed, most of those interviewed indicated that they were, effectively speaking, operating in a war zone and were totally engaged in keeping U.S. allies from being overwhelmed. In this environment, what reporting the CIA did do on narcotics was often based on one of two considerations: either a general understanding that the CIA should report on criminal activities so that law enforcement agencies could follow up on them, or, in case of the contras, an effort to monitor allegations of trafficking that, if true, could undermine the legitimacy of the contras cause.”

In other words, the CIA station chiefs admitted to the House committee that they gave the contras a walk on drug trafficking. “In case of the contras,” only monitoring was in order, as the CIA worried that disclosure of contra-drug smuggling would be a public relations problem that “could undermine the legitimacy of the contra cause.”

The House report followed this CIA admission with a jarring – and seemingly contradictory – conclusion. “The committee found no evidence of an attempt to ‘cover up’ such information,” the report said.

Yet, that “no cover-up” conclusion flew in the face of both the CIA inspector general’s report and the report by the Justice Department’s inspector general. Both detailed case after case in which CIA and senior Reagan administration officials intervened to frustrate investigations on contra-connected drug trafficking, either by blocking the work of investigators or by withholding timely evidence.

In one case, a CIA lawyer persuaded a federal prosecutor in San Francisco to forego a 1984 trip to Costa Rica because the CIA feared the investigation might expose a contra-cocaine tie-in. In others, Drug Enforcement Administration investigators in Central America complained about obstacles put in their path by CIA officers and U.S. embassy officials. [For more details, see *Lost History*.]

In classified testimony to the House committee, CIA Inspector General Snider acknowledged that the CIA’s handling of the contra-cocaine evidence was “mixed” and “inconsistent.” He said, “While we found no evidence that any CIA employees involved in the contra program had participated in drug-related activities or had conspired with others in such activities, we found that the agency did not deal with contra-related drug trafficking allegations and information in a consistent, reasoned or justifiable manner.”

Even in this limited admission, Snider’s words conflicted with evidence published in the CIA inspector general’s report in October 1998. That report, prepared by Snider’s predecessor Frederick Hitz, showed that some CIA personnel working with the contras indeed were implicated in drug trafficking. The tricky word in Snider’s testimony was “employees,” that is, regular full-time CIA officers.

Both the CIA report and the House report acknowledged that a CIA “contractor” known by the pseudonym Ivan Gomez was involved in drug trafficking. In the early 1980s, the CIA sent Gomez to Costa Rica to oversee the contra operation. Later, Gomez admitted in a CIA polygraph that he participated in his brother’s drug business in Florida.

In separate testimony, Nicaraguan drug smuggler Carlos Cabezas fingered Gomez as the CIA’s man in Costa Rica who made sure that drug money went into the contra coffers.

Despite the seeming corroboration of Cabezas’s allegation about Ivan Gomez’s role in drug smuggling, the House committee split hairs again. It attacked Cabezas’s credibility and argued that the Gomez drug money could not be connected definitively to the contras. “No evidence suggests that the drug trafficking and money laundering operations in which Gomez claimed involvement were in any way related to CIA or the contra movement,” the House report said.

What the report leaves out is that one reason for this lack of proof was that the CIA prevented a thorough investigation of Ivan Gomez's drug activities by withholding the polygraph admission from the Justice Department and the U.S. Congress in the late 1980s. In effect, the House committee now is rewarding the CIA for torpedoing those investigations.

In one surprise disclosure, the House committee uncovered new details about the involvement of Nicaraguan drug smuggler Oscar Danilo Bandon in trafficking intended to support the contras financially. Bandon, a central figure in the *Mercury News* series, said he was drawn into the drug business because he understood profits were going to the contra war.

In a deposition to the House committee, Bandon described a meeting with Nicaraguan drug kingpin Norwin Meneses at the Los Angeles airport in 1981. "It was during this encounter, according to Bandon, that Meneses encouraged Bandon to become involved with the drug business in order to assist the contras," the House report stated.

"We spoke a lot of things about the contra revolution, about the movement, because then he took me to the drug business, speaking to me about the drug business that we had to raise money with drugs," said Bandon. "And he explained to me, you don't know, but I am going to teach you. And, you know, I am going to tell you how you will do it. You see, you keep some of the profit for you, and some of the profit we will help the contra revolution, you see. ... Meneses was trying to convince me with the contra revolution to get me involved in drugs. Give a piece of the apple to the contras and a piece of the apple to him."

Bandon accepted Meneses's proposal and "assumed the money he had given Meneses was being sent by Meneses to the contra movement. However, Bandon stated that he had no firsthand knowledge that this was actually occurring," the House report said.

Though Bandon claimed ignorance about the regular delivery of cocaine cash to the contras, other witnesses confirmed that substantial sums went from Meneses and other drug rings to the contras. A Justice Department investigation discovered several informants who corroborated the flow of money.

One confidential informant, identified in the Justice report only as "DEA CI-1," said Meneses, Bandon and another cohort, Ivan Torres, contributed drug profits to the contras.

Renato Pena, a money-and-drug courier for Meneses, also described sharing drug profits with the contras, while acting as their northern California representative. Pena quoted a Colombian contact called "Carlos" as saying "We're helping your cause with this drug thing. ... We're helping your organization a lot."

The Justice report noted, too, that Meneses's nephew, Jairo, told the DEA in the 1980s that he had asked Pena to help transport drug money to the contras and that his uncle, Norwin Meneses, dealt directly with contra military commander Enrique Bermudez.

The Justice report found that Julio Zavala and Carlos Cabezas ran a parallel contra-drug network. Cabezas said cocaine from Peru was packed into hollow reeds which were woven into tourist baskets and smuggled to the United States. After arriving in San Francisco, the baskets went to Zavala who arranged sale of the cocaine for contra operatives, Horacio Pereira and Troilo Sanchez. Cabezas estimated that he gave them between \$1 million and \$1.5 million between December 1981 and December 1982.

Another U.S. informant, designated "FBI Source 1," backed up much of Cabezas's story. Source 1 said Cabezas and Zavala were helping the contras with proceeds from two drug-trafficking operations, one smuggling Colombian cocaine and the other shipping cocaine through Honduras. Source 1 said the traffickers had to agree to give 50 percent of their profits to the contras.

The House report made no note of this corroborating evidence published in the DOJ report.

The broader contra-cocaine picture was ignored, too. The evidence now available from government investigations over the past 15 years makes clear that many major cocaine smuggling networks used the contra operation, either relying on direct contra assistance or exploiting the relationship to gain protection from U.S. law enforcement.

Sworn testimony before an investigation by Sen. John Kerry, D-Mass, in the late 1980s disclosed that the contra-drug link dated back to the origins of the movement in 1980. Then, Bolivian drug lord Roberto Suarez invested \$30 million in several Argentine-run paramilitary operations, according to Argentine intelligence officer Leonardo Sanchez-Reisse.

The Suarez money financed the so-called Cocaine Coup that ousted Bolivia's elected government in 1980 and then was used by Argentine intelligence to start the contra war against Nicaragua's leftist government. In 1981, President Reagan ordered the CIA to work with the Argentines in building up the contra army.

According to Volume Two of the CIA report, the spy agency learned about the contra-cocaine connection almost immediately, secretly reporting that contra operatives were smuggling cocaine into South Florida.

By the early 1980s, the Bolivian connection had drawn in the fledgling Colombian Medellin cartel. Top cartel figures picked up on the value of interlocking their operations with the contras. Miami-based anti-Castro Cubans played a key matchmaker role, especially by working with contras based in Costa Rica.

U.S. agencies secretly reported on the work of Frank Castro and other Cuban-American contra supporters who were seen as Medellin operatives. With the Reagan administration battling Congress to keep CIA money flowing to the contras, there were no high-profile crackdowns that might embarrass the contras and undermine public support for their war.

No evidence was deemed good enough to justify sullyng the contras' reputation. In 1986, for example, Reagan's Justice Department rejected the eyewitness account of an FBI informant named Wanda Palacio. She testified that she saw Jorge Ochoa's Colombian organization loading cocaine onto planes belonging to Southern Air Transport, a former CIA-owned airline that secretly was flying supplies to the contras. Despite documentary corroboration, her account was dismissed as not believable.

Another contra-cocaine connection ran through Panamanian Gen. Manuel Noriega, who was recruited by the Reagan administration to assist the contras despite Noriega's drug-trafficking reputation. The CIA worked closely, too, with corrupt military officers in Honduras and El Salvador who were known to moonlight as cocaine traffickers and money-launderers.

In Honduras, the contra operation tied into the huge cocaine-smuggling network of Juan Ramon Matta Ballesteros. His airline, SETCO, was hired by the Reagan administration to ferry supplies to the contras. U.S. government reports also disclosed that contra spokesman Frank Arana worked closely with lieutenants in the Matta Ballesteros network.

Though based in Honduras, the Matta Ballesteros network was regarded as a leading Mexican smuggling ring and was implicated in the torture-murder of DEA agent Enrique Camarena.

The CIA knew, too, that the contra-cocaine taint had spread into President Reagan's National Security Council and into the CIA through Cuban-American anti-communists who were working for two drug-connected seafood companies, Ocean Hunter of Miami and Frigorificos de Puntarenas in Costa Rica. One of these Cuban-Americans, Moises Nunez,

worked directly for the NSC.

In 1987, the CIA asked Nunez about allegations tying him to the drug trade. “Nunez revealed that since 1985, he had engaged in a clandestine relationship with the National Security Council,” the CIA contra-drug report said. “Nunez refused to elaborate on the nature of these actions, but indicated it was difficult to answer questions relating to his involvement in narcotics trafficking because of the specific tasks he had performed at the direction of the NSC.”

The CIA had its own link to the Frigorificos/Ocean Hunter operation through Felipe Vidal, a Cuban-American with a criminal record as a narcotics trafficker. Despite that record, the CIA hired Vidal as a logistics coordinator for the contras, the CIA report said. When Sen. Kerry sought the CIA’s file on Vidal, the CIA withheld the data about Vidal’s drug arrest and kept him on the payroll until 1990.

These specific cases were not mentioned in the House report. They also have gone unreported in the major news media of the United States.

Now, with the Democrats on the House Intelligence Committees joining with their Republican counterparts, the official verdict on the sordid contra-drug history has been delivered – a near full acquittal of the Reagan administration and the CIA. The verdict is justified as long as no one reads what’s in the government’s own reports.