

# Contragate: Reagan, Foreign Money, and the Contra Deal

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**T**HE SCANDALS OF THE *CONTRAS*—INVOLVING MURDER, THE SIPHONING OFF OF U.S. financial support, and their involvement in the international narcotics traffic—are by now well known. I propose in this article to tell a similar story about the same scandals, but focusing on different principals: not the benighted *contras*, but their international backers. I shall argue that experienced conspirators and international funds, intervening illegally yet again in the American electoral process, account for Reagan's unwavering commitment to the *contra* operation. The story of Contragate, seen from this perspective, is really a further chapter in the operation of those covert forces that the United States came to know through Watergate.

The events of Watergate, as we look back at them more than a decade later, are still dimly understood; but Watergate was clearly a story of corruption and conspiracy involving the re-cycling of foreign-based funds into U.S. elections, and power disputes between factions whose power depended on relations with the CIA and other intelligence agencies. It may be that, with so much free-floating money in the world today, U.S. democracy will never be wholly free of such influence. We have seen, for example, how the Carter presidency was tainted by the scandals of first "Billygate" and then "Iran-gate." But in the Carter era there was also a concerted effort to cut back on illegal business payoffs, CIA political operations, and U.S. aid to foreign dictators (such as Anastasio Somoza of Nicaragua) who did not hesitate to invest some of the largesse back into the U.S. electoral process (U.S. Congress, 1983: 1587; 1626).

Ironically, this very reform movement, by forcing its opponents into defensive alliance, contributed to what I call Contragate: a scheme (and in part an illegal conspiracy) to reverse the post-Watergate reforms by electing Ronald Reagan and committing him, through the *contra* program, to a resurrection of abandoned CIA covert operations. Though the principal schemers were North American, they did not hesitate to invoke the aid of neofascistic foreigners. I propose to consider the latter first, since they show perhaps more clearly how un-American were the motives for this exploitation of American patriotic energy.

One principal foreign architect of this *contra* commitment appears to have been a former CIA Guatemalan protégé called Mario Sandoval Alarcón, a leader of the World Anti-Communist League (WACL) and the so-called "Godfather" of all the death squads in Central America, including those of his Salvadoran protégé,

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Major Roberto D'Aubuisson. But Sandoval's deals with the Reagan campaign in 1980 appear to have been part of a larger WACL plan involving, at a minimum, Guatemala, Argentina, and Taiwan. In 1980, these three countries shared one lobbying firm, that of Deaver and Hannaford, which for six years had supervised the campaign to make a successful presidential candidate out of a former movie actor, Ronald Reagan.

Still unacknowledged and unexplained is the role which funds from Michael Deaver's Guatemalan clients played in the 1980 Reagan campaign. Although contributions from foreign nationals are not permitted under U.S. electoral law, many observers have reported that rich Guatemalans boasted openly of their illegal gifts. Half a million dollars are said to have been raised at one meeting of Guatemalan businessmen at the home of their President, Lucas Garcia, about the time of the November 1979 trip of Deaver's clients to Washington, when some of them met with Ronald Reagan (Pearce, 1981: 178; 180).<sup>1</sup> A former vice president of Guatemala told the BBC in 1981 that the contributions to Reagan's victory "all in all...went up to 10 million dollars." (*Ibid.*: 180; Simons, 1981: 101; Anderson, 1986: 175).

The Reagan campaign of course never admitted to having received such illegal contributions. But observers of Latin America were struck by the presence at Reagan's first inauguration of several very controversial Guatemalans. Among these were Mario Sandoval Alarcón, the "Godfather" of the Central American death squads (Simons, 1981: 101; Anderson, 1986: 200).<sup>2</sup> On Inauguration Day, before dancing at the President's Ball, Sandoval "announced that he had met with Reagan defense and foreign-policy advisers before the election, and indicated that the Guatemala rightists expect Reagan will honor 'verbal agreements' to resume military aid to Guatemala and put an end to criticism of the regime's human rights record" (*Washington Post*, February 22, 1981).

The existence of these verbal agreements had been disclosed before the election by an American investigative journalist, Alan Nairn, who had learned of them from Guatemalan and U.S. businessmen. On October 30, 1980, Nairn (1980: 11) reported that "perhaps most importantly, the Reagan supporters have agreed to cut back U.S. criticism of the death squads."

One question today for Michael Deaver is whether he knew of these "verbal agreements." Another is whether these agreements included aid and protection to Sandoval's Nicaraguan death squad on Guatemalan soil, one of the original cadres of today's *contras*. At this time, members of this cadre had already gone for terrorist training to Argentina, another country represented by Deaver (Christian, 1985: 197; Anderson, 1986: 176). The cadre leaders were being put up at Sandoval's expense in an apartment house behind his home (Dickey, 1983: 87).

A small group of these men, headed by Somocista Colonel Ricardo Lau, had murdered El Salvador's Archbishop Romero one year earlier, under the direction of D'Aubuisson. Thanks to a captured notebook, some of these facts were soon known to Carter's State Department, so that Sandoval personally had good reason

to fear “criticism” of his own human rights record (*Ibid.*: 88; Anderson, 1986: 202).<sup>3</sup> Carter’s ambassador to El Salvador, Robert White, told Congress in April 1981 that the captured diary gave “the names of people living in the United States and in Guatemala City who are actively funding the death squads.” Three years later, he charged that “the Reagan administration took on a great responsibility when it chose to conceal the identity of Archbishop Romero’s murderer,” and made D’Aubuisson “an honored guest at our Embassy” (Anderson, 1986: 202; 207–208).<sup>4</sup>

But Reagan in 1980 had promised a “housecleaning” of the State Department. Among the first to go were the members of Carter’s Central America team, including Ambassador Robert White. Not only did the new administration issue D’Aubuisson the U.S. visa that Carter had denied him; it promptly used documents supplied by D’Aubuisson to create, in its so-called *White Paper* of February 1981, a pretext for supplying aid to Sandoval’s *contras*. All this was done with a speed which suggests the kind of pre-election verbal agreement Sandoval had referred to (Dugger, 1984: 273; Anderson, 1986: 208).<sup>5</sup>

One need not, of course, look only to financial payoffs to explain Reagan’s initial enthusiasm for the *contra* forces in Nicaragua. Support for them was clearly indicated by both his ideological anticommunism and his geopolitical strategy design for the hemisphere. But where Reagan’s anticommunism elsewhere in the region has been flexible, in the case of the *contras* it has been unbending and politically dangerous. For example, Reagan’s initial support for the García Meza regime in Bolivia waned as that regime was shown to be a mere front for local cocaine barons. Increasing reports of the *contras*’ involvement in the cocaine traffic seem only to have increased the administration’s protectiveness and commitment.<sup>6</sup>

### **Contragate: A Hypothesis**

The difference can be explained by the existence of a powerful coalition which wished to see the United States itself get back into the business of covert political and paramilitary operations. This coalition of course included the foreign beneficiaries of such operations: men like Sandoval in Guatemala (whose CIA connections went back to 1954), and, until his murder in September 1980, Nicaraguan dictator Anastasio Somoza, who in 1954 had been his father’s liaison with the CIA Guatemala operation (Schlesinger and Kinzer, 1982: 11).

Other parts of the world where the CIA had been active had an equal interest in seeing a restoration of CIA covert operations. South Africa wished (and under Reagan obtained) CIA assistance in supporting the UNITA rebels in Angola. Thailand wanted (and under Reagan obtained) CIA help in Kampuchea. Arab countries like Saudi Arabia wanted (and under Reagan obtained) financial support for the tribal resistance in Afghanistan. A global lobby for all of these covert operations, including the *contras*, existed in the form of the World Anti-Communist League, or WACL, of which Mario Sandoval Alarcón had been a long-time organizer and leader.

Before Reagan, the Taiwan-based WACL had been marginal to U.S. foreign policy, partly because of the recurring involvement of its personnel in the international drug traffic. Since 1984, WACL, under its American President General John Singlaub, has moved into overt support (with barely disguised White House connivance) for the *contra* operation, which its members (including Singlaub) apparently sold to the Reagan campaign before the 1980 election.

WACL in Latin America had moved into a particularly fascistic, conspiratorial, and drug-linked phase after 1975–1976, with the establishment of the WACL-backed military dictatorship in Argentina. A new, overtly fascistic branch of WACL in Latin America (the Confederación Anticomunista Latinoamericana, or CAL), coordinated international plotting for a chain of right-wing military coups, notably the Bolivian “cocaine coup” of 1980 (involving the Nazi war criminal turned drug trafficker, Klaus Barbie) and Sandoval’s schemes for the *contras* and D’Aubuisson. Sandoval, “according to one right-wing Salvadoran admirer, was to be the ‘on-site’ manager who would put [CAL’s] plans into action in Central America” (Anderson, 1986: 140).

The mechanics of this network (the so-called Operation Condor) seem to have been masterminded primarily by the secret police of Argentina, Pinochet’s Chile, and Paraguay, while its political use seems to have been planned at CAL meetings. The conspiratorial Italo-Argentine Masonic Lodge, P-2, an outgrowth of old U.S. anticommunist plotting with the Italian drug-trafficking mafia, is alleged to have siphoned millions of dollars into Latin America in support of their antidemocratic politics. Through such right-wing schemes, one Italian veteran of P-2 fascist plotting in Italy, Stefano Delle Chiaie, was able to be part of such scenarios as the murder of Orlando Letelier in Washington, the “cocaine coup” in Bolivia, and the training of the death squads of Sandoval and D’Aubuisson in El Salvador. Thus it was all the more ominous that the invitees to Reagan’s Inaugural Ball in 1981 should include not only Sandoval, the Central American “Godfather,” but Licio Gelli, the Italian head of P-2.<sup>7</sup>

But there was a strong domestic lobby for U.S. covert operations as well. In part, this was long established and familiar: the spokesmen and bankrollers of a “forward strategy” and “political warfare” or “psychological warfare,” grouped for the most part in the most powerful of the manifestations of the military-industrial complex, namely the American Security Council (ASC). It has been shown how in the 1970s, with the increasing dependency of U.S. trade on arms exports, and of U.S. industry on the defense budget, other U.S. business groups joined in the demand for a more aggressively anticommunist foreign policy (Ferguson and Rogers, 1986: 89–100). There was assuredly broad corporate support for “overcoming Watergate” and “ending the Vietnam syndrome”; this could only make it easier to overcome the disfavor into which covert operations had fallen.

But in 1980, the ASC was supported by a more desperate, manipulative, and even conspiratorial group pushing for the restoration of U.S. covert operations.

These were the CIA's veterans of the clandestine services, who (often in mid-career) had been eased or kicked out of the CIA in large numbers after the CIA began to retrench on such operations in 1966 (Ranelagh, 1986: 549, 644).

Of the CIA's five most recent DCI's (CIA Directors) before 1980, four (beginning with Richard Helms) had faced the unpleasant task of creating dangerous enemies by cutting back the CIA's Operations Division, especially after the scaling down of the Vietnam War. A thousand clandestine operators had been fired or forced to retire in 1973, the year of Watergate, by Nixon's DCI, James Schlesinger. But the *coup de grâce* to the clandestine services was delivered on October 31, 1977, in the so-called second Halloween massacre, by Carter's DCI, Admiral Stansfield Turner. By eliminating a further 820 positions, Turner is said to have reduced the clandestine services from 1,200 to 400. "When Turner fired virtually all the operators in the DDO—the whole clandestine service—in effect he eliminated the agency's special-project capability, forcing it to compete with specialized agencies in the burgeoning field of technical intelligence collection and analysis" (*Ibid.*: 644).<sup>8</sup>

These men, as we shall see, were both on good terms with foreign CIA contacts abroad, and (in the Carter era) increasingly forced to seek employment with them. As clandestine services fell more and more out of favor, their operators inside and outside the service resorted to more and more questionable activities. Revelations in the press about such scandals as Edwin Wilson's assassination contracts for Libya's Quaddafi, or the murder in Washington of Orlando Letelier, put several high-level CIA operators at risk. They faced possible prosecution unless (as happened) the election of Reagan and the restoration of CIA covert operations would result in the restoration of a de facto "CIA immunity" to prevent investigation of their past activities.

The story of the *contras*, and of Conragate, is involved with a number of such individuals: men such as Tom Clines, eased out by Turner because of his financial involvement in Ed Wilson's affairs, who then sought work with Nicaragua's Anastasio Somoza. We shall see how, after Reagan was elected, a Reagan appointee, Michael Ledeen, used allusions to a "covert operation" as part of a successful campaign to protect Clines and his suspected co-conspirators, two of whom were still working in the new Reagan administration. These latter colleagues, Richard Secord and Erich von Marbod, were indeed already involved in the covert arms flow to the *contras*, and Secord, following his retirement in 1983, became a private arms supplier to the *contras*, operating much like Wilson (*San Francisco Examiner*, July 27, 1986, *Newsweek*, December 15, 1986, *U.S. News and World Report*, December 15, 1986).

The Iran-*contra* revelations of late 1986 revealed how heavily the Reagan administration, in defying a congressional ban on support of the *contras*, had come to rely on a well-integrated network of military and intelligence veterans of covert operations, many of whom (like Secord) had come to have better relations with foreign groups than with their own government. Secord, Singlaub, Shackley,

Clines—we shall see how all these men came to be trusted by each other, and by the foreign backers of Contragate, more than by their superiors in the Pentagon and CIA.

I shall argue that Contragate, the collusion and conspiracy to install and maintain a U.S. covert operation (despite the expressed will of Congress), can be traced back to the decisions of successive CIA directors to scale down and virtually eliminate clandestine services, and to the “offshore” intelligence operations which grew as the CIA’s operational assets were dispersed. One such operation was the so-called P-2 Masonic Lodge in Italy and Argentina, with which Ledeen had an alleged connection (Gurwin, 1984: 190–191); and which was steering WACL operations in Latin America in conjunction with Sandoval. The major scandals of the Carter-Turner era involving the CIA’s clandestine services—Edwin Wilson, the Sindona/P-2 affair in Italy, the drug-linked Nugan Hand Bank in Australia—all (probably) strengthened the determination of former CIA operatives and their allies to restore their traditional immunity by traditional covert operations.

Michael Deaver, in such a scenario, is less of a central figure than of someone taken on board, a man created by the lobbying business thrown his way, who could be counted on to follow his marching orders. Recognition of this fact in no way lessens the importance of establishing his role in establishing an early Argentine “tilt” to Reagan’s Latin American policy—the chief enduring result of which is the Nicaraguan *contra* operation.

### **Reagan, Deaver’s Amigos, and the Death Squads**

The group that Deaver represented in Guatemala, the Amigos del Pais (Friends of the Country), is not known to have included Sandoval personally. But 10 to 15 of its members were accused by former Guatemalan Vice-President Villagran Kramer on the BBC of being “directly linked with organized terror” (Pearce, 1981: 180).

One such person, not named by Villagran, was the Texan lawyer John Trotter, owner of the Coca-Cola bottling plant in Guatemala City. Coca-Cola agreed in 1980 to terminate Trotter’s franchise, after the *Atlantic Monthly* noted that a number of workers and trade union leaders trying to organize his plant had been murdered by death squads (*Ibid.*: 176; *Atlantic Monthly*, January 1980).<sup>9</sup>

One year earlier, in 1979, Trotter traveled to Washington as part of a five-man public relations mission from the Amigos. At least two members of the mission, Roberto Alejos Arzu and Manuel F. Ayau, are known to have met Reagan. (Reagan later described Ayau as “one of the few people...who understands what is going on down there.”)<sup>10</sup>

Roberto Alejos Arzu, the head of Deaver’s Amigos and the principal organizer of Guatemala’s “Reagan for President” bandwagon, was an old CIA contact, from the time when his plantation was used to train the ill-fated mission of Cuban exiles for the Bay of Pigs invasion. Before the 1980 election, Alejos complained that “most of the elements in the State Department are probably pro-Communist.... Either Mr. Carter is a totally incapable president or he is definitely a pro-communist element”

(Nairn, 1980: 5). His friend Sandoval had been one of the CIA's leading political protégés in its 1954 overthrow of Guatemalan President Arbenz.

When asked by the BBC how \$10 million from Guatemala would have reached the Reagan campaign, Villagran named no names: "The only way that I can feel it would get there would be that some North American residing in Guatemala, living in Guatemala, would more or less be requesting money over there or accepting contributions and then transmitting them to his Republican Party as contributions of his own" (Pearce, 1981: 180).

Trotter was the only U.S. businessman in Guatemala whom Alan Nairn could find in the list of Reagan donors disclosed to the Federal Election Commission. Others, who said specifically that they had contributed, were not so listed. Nairn heard from one businessman who had been solicited that "explicit instructions were given repeatedly: 'Do not give to Mr. Reagan's campaign directly.' Monies were instead to be directed to an undisclosed committee in California" (Nairn, 1980: 12).<sup>11</sup>

Trotter admitted in 1980 that he was actively fundraising in this period in Guatemala. The money he spoke of, half a million dollars, was however not directly for the Reagan campaign, but for a documentary film in support of Reagan's Latin American policies, being made by one of the groups supporting Reagan, the American Security Council. The film argued that the survival of the United States depended on defeat of the Sandinistas in Nicaragua: "Tomorrow: Honduras...Venezuela, the Dominican Republic, Mexico...the United States" (Pearce, 1981: 177; 180).

Deaver's Amigos and Trotter were in extended contact with the ASC over this project. In 1979, and again in 1980, the ASC sent retired Army General John Singlaub to meet Guatemalan President Lucas García and other officials. According to one of Singlaub's 1979 contacts, the clear message was that "Mr. Reagan recognizes that a good deal of dirty work has to be done" (Nairn, 1980: 9; Anderson, 1986: 174).<sup>12</sup> On his return to the United States, according to Pearce (1981: 178), Singlaub called for "sympathetic understanding of the death squads." In 1980, Singlaub returned to Guatemala with another apologist for death squads, General Gordon Sumner of the Council for Inter-American Security. Again the message to Lucas was that "help was on the way in the form of Ronald Reagan" (Anderson, 1986: 158).<sup>13</sup>

Jenny Pearce has noted that Singlaub's first ASC visit to Guatemalan President Lucas took place shortly after Lucas' meeting with Guatemalan businessmen, where he is "alleged to have raised half a million dollars in contributions to the [Reagan] campaign" (*Ibid.*). It is now admitted that since the 1984 congressional cutoff of aid to the *contras*, Singlaub, as chairman of the World Anti-Communist League, has been a leading source of private support to the *contras*. He has done this in liaison with both William Casey of the CIA and Col. Oliver North of the National Security Council staff (*Miami Herald*, October 28, 1986; *Washington Post*, October 19, 1986).

But Singlaub's contacts with the World Anti-Communist League go back at least to 1980, when he was also purporting to speak abroad in the name of Reagan.



Did the help from Reagan which Singlaub promised Guatemalans in 1980, like the “verbal agreements” which Sandoval referred to at Reagan’s Inaugural, involve commitments even then from Reagan to that fledgling WACL project, the *contras*?

Mike Deaver should be asked that question, since in 1980 he was a registered foreign lobbyist for three of the *contras*’ most important WACL backers: Guatemala, Taiwan, and Argentina.

### **Deaver, Taiwan, and WACL**

Through his CIA contacts, Sandoval had also become the leader of the Guatemala chapter of the World Anti-Communist League. This chapter, partly organized by Howard Hunt, was a lasting spin-off of the 1954 CIA operation. WACL as a world organization, however, was principally the creation of two Asian governments that owed their survival to their well-organized lobbies in Washington. These two governments are Taiwan, which was represented in 1980 by Deaver; and South Korea, which is represented by Deaver today.

Through his long-time participation in WACL meetings, Sandoval has developed close relations with WACL’s Taiwan organizers. It was largely through WACL that Taiwan picked up the task of training Central American police forces in “political warfare” (i.e., counterterror), about the time that similar U.S. training programs were terminated by Congress in 1974. Today, the Taiwanese embassy in Guatemala is second in size only to the American; and through Guatemala (and Sandoval) Taiwan has extended its influence to other Central American police forces.

Deaver’s double duty as a registered Taiwan agent and Reagan campaign organizer in 1980 helped generate one of the major controversies of that campaign. To understand it, one must go back to the origins of Deaver’s public relations firm, Deaver and Hannaford, organized in 1974. Until that year both Deaver and Peter Hannaford had worked for Reagan in the California Governor’s Office. In 1974, as Reagan retired to private life, the new firm undertook to book Reagan’s speeches, research and sell his radio program, and ghost-write his syndicated column. All this was arranged with an eye to Reagan’s presidential aspirations, which Deaver and Hannaford helped to organize from the outset (Cannon, 1982: 192; 196).

Nothing about this arrangement was especially remarkable until 1977, when Deaver and Hannaford registered with the Justice Department as foreign agents receiving \$5,000 a month from the government of Taiwan. This sum was not particularly large, and notably less than the \$11,000 a month that the firm would receive in 1980 from Guatemala’s Amigos. The fact remains that funds from three closely allied WACL countries, Guatemala, Taiwan, and Argentina, helped pay the Deaver and Hannaford offices which became Reagan’s initial campaign headquarters in Beverly Hills and in Washington.<sup>14</sup>

Questions of conflicting interest were raised when a Reagan column, said to have been written by Hannaford, argued that normalized relations with Mainland China “could prove disastrous, not only for Taiwan, but for the United States itself”



(Dugger, 1984: 272; *Washington Post*, June 6, 1980). When Carter, undaunted, established full relations in late 1978, Reagan became one of the loudest critics of this action. In 1980 Reagan stumped the country with the catch-phrase, "No more Taiwans, no more Vietnams, no more betrayals."

As Reagan's California team was melded into a national one by the infusion of old Nixon supporters like William Casey and his sidekick Richard Allen, Reagan's position on Taiwan appeared to soften. It was Allen's task at the Republican national convention to assure reporters that Reagan did not intend to "turn the clock back" (*Los Angeles Times*, July 11, 1980, quoted in Cannon, 1982: 272).

However, the more balanced position which Allen projected, and which the Eastern establishment press was eager to hear, was misleading. In May, 1980, in Cleveland, almost three months after Casey had become Reagan's campaign chairman, Reagan said in reply to a question that "one of the things I look forward to most if I am successful in this election is to re-establish official relations between the United States Government and Taiwan." Although Reagan did not spell this out, such a step would have involved a repudiation of Carter's 1978 agreement which recognized that "Taiwan is part of China" (*Time*, September 8, 1980; reprinted in Data Center, *The Reagan File*, pp. 558–559).

Though the national press generally ignored Reagan's Taiwan position in May, they could not when on August 16 he repeated his pledge to establish "an official governmental relationship" with Taiwan. The occasion could not have been calculated to receive better press attention: Reagan's remarks were made as he was bidding *bon voyage* to his running mate George Bush, as he left on an image-building mission to Beijing. As *Time* observed disapprovingly, Reagan's remarks "managed to infuriate Beijing," and "create the impression of a rift between Reagan and Bush." When an embarrassed Bush tried to assure Beijing officials that Reagan was not talking of relations "in a diplomatic sense," Reagan (in *Time*'s words) "undercut" Bush by telling a reporter he still stood by his Taiwan statement. In the end, Reagan grudgingly backed off ("I misstated"), while an embarrassed Casey tried to dismiss the whole episode as "semantic mishmash" (*Ibid.*).

Reflecting the concern of the Eastern Republican establishment, *Time* analyzed the problem as one of divisions between Reagan's "uncoordinated" staff. It claimed that the top echelon of California insiders (among whom it specifically named Deaver) were "insensitive," with "little Washington or national campaign experience. The outsiders—like Campaign Director Casey—do have that valuable experience but exercise less influence over the candidate."

On the crunch level of foreign policy decision-making, the lack of coordination appears to have been primarily between Richard Allen, who carried the title of Foreign Policy Advisor, and Deaver. There was some irony in this, since Deaver and Hannaford were busy projecting images of Reagan and themselves as pragmatists, while Allen had once been under CIA surveillance for his links to

Taiwan's Vietnam allies, and had subsequently been relegated by Nixon to a minor role (Lukas, 1976: 238–284).

On the issue of Taiwan, however, Deaver and Hannaford were the ideologues, and Allen relatively a pragmatist. (Allen was even more of a registered foreign agent than Deaver and Hannaford; and underlying Reagan's Taiwan flap was the irony that the great American patriot's foreign policy formulation was at this stage almost exclusively in the hands of registered foreign lobbyists.)<sup>15</sup> But Allen had more varied and mainstream clients to worry about than Deaver—notably Japan, which had every interest in preventing Carter's China policy from being derailed. Twice Reagan's California team would use the pretext of Allen's Japan business profits to drop him—once five days before the election, and again permanently a year later. Little noticed at the time was the fact that the key architect in the plans for Allen's permanent removal was Deaver (Barrett, 1983: 233; Cannon, 1982: 399).

### **Deaver, Argentina, and Arm Sales**

Deaver's double duty as Taiwan agent and deputy campaign director was reported in the U.S. press, while his lobbying for Guatemalan businessmen has been noticed by radical Latin America watchers. To my knowledge, no one has ever noted that through the 1980 campaign Deaver and Hannaford had one other international account: the military dictatorship of Argentina, by far the most notorious of Latin America's death squad regimes.

Argentina's image problem in America was even more acute than Guatemala's. How to put a constructive face on the disappearance and presumed murder of between 6,000 and 15,000 persons? The response of Deaver and Hannaford was to bring to America as apologist the junta's leading civilian, Economy Minister Martínez de Hoz, and allow him to address the United States through Reagan's radio broadcasts. Here is a sample of their description of what they called "one of the most remarkable economic recoveries in modern history."

Today, Argentina is at peace, the terrorist threat nearly eliminated. Though Martínez de Hoz, in his U.S. talks, concentrates on economics, he does not shy from discussing human rights. He points out that in the process of bringing stability to a terrorized nation of 25 million, a small number were caught in the cross-fire, among them a few innocents.... If you ask the average Argentine-in-the-street what he thinks about the state of his country's economy, chances are you'll find him pleased, not seething, about the way things are going.<sup>16</sup>

Distasteful as this Deaver-Hannaford apologetic for murder may seem today, the real issue goes far beyond rhetoric. Though Deaver and Hannaford's three international clients—Guatemala, Taiwan, and Argentina—all badly wanted a better image in the U.S., what they wanted even more urgently were American

armaments. Under Carter, arms sales and deliveries to Taiwan had been scaled back for diplomatic reasons, and cut off to Guatemala and Argentina because of human rights violations.

When Reagan became president, all three of Deaver's international clients, despite considerable opposition within the administration, received their arms. This under-reported fact goes against the public image of Deaver as an open-minded pragmatist, marginal to the foreign policy disputes of the first Reagan administration, so that his pre-1981 lobbying activities had little bearing on foreign policy. The details suggest a different story.

Argentina could hardly have had a worse press in the United States then when Reagan took office. The revelations of Adolfo Pérez Esquivel and Jacobo Timerman had been front-page news for some time. This did not deter the new administration from asking Congress to lift the embargo on arms sales to Argentina on March 19, 1981, less than two months after coming to office. General Roberto Viola, one of the junta members responsible for the death squads, was welcomed to Washington in the spring of 1981. Today he is serving a 17-year sentence for his role in the "dirty war."

Though the American public did not know it, the arrangements for U.S. aid to Argentina included a *quid pro quo*: Argentina would expand its support and training for the *contras*, as there was as yet no authorization for the United States to do so directly. "Thus aid and training were provided to the *contras* through the Argentine defense forces in exchange for other forms of aid from the U.S. to Argentina" (Ranelagh, 1986: 681). Congressional investigators should determine whether the contemporary arms deals with Deaver's other clients, Guatemala and Taiwan, did not contain similar kickbacks for their *contra* protégés.

But aid for the *contras* was only one part of a covert Reagan grand design for Central America in which Argentina would play the active role. This involved, among other things,

the training of more than 200 Guatemalan officers in "interrogation techniques" (torture) and repressive methods...participation in the training at U.S. military bases of officers and elite troops of the Salvadoran Army... training and combat leadership for incursions by Somocista bands based in Honduras...logistic and economic support for the...plot to overthrow the Sandinista regime...the despatch of at least 50 more officers to Honduras as paramilitary troops to intervene in counterrevolutionary activities throughout the region, particularly against Nicaragua...the supply of arms and ammunition to the Guatemalan regime...direct participation in torture sessions in Guatemala, and—together with Israeli officers—the creation of an "intelligence center" in that country (Dabat and Lorenzano, 1984: 80–81).

Argentina eventually became one of the two principal reasons why Reagan's first Secretary of State, Alexander Haig, resigned on June 25, 1982. (The other area of disagreement was over Israel's invasion of Lebanon.) Haig later charged that his official policy of siding with Britain against Argentina (supported by Reagan, whose closest personal ally abroad was Margaret Thatcher) had been seriously undercut, not just by Ambassador Jeane Kirkpatrick, but by someone above her in the White House.

There were contacts made with Argentinean officials by the White House which were neither discussed with me nor cleared with me and which had the practical effect of confusing the issue.... This helped confirm that the outcome [the Falkland Islands war] would be inevitable (Barrett, 1983: 238).

William Clark, Reagan's official national security adviser, purported to refute this charge by saying that all of *his* contacts with foreign officials had been cleared with Haig.

However, Haig suspected Deaver, not Clark, of offsetting his policy against Argentina. "At an NSC session...Haig had observed Kirkpatrick passing Deaver a note. Concluding that Kirkpatrick was using Deaver to prime Reagan...Haig told Clark that a 'conspiracy' was afoot to outflank him" (*Ibid*: 239).<sup>17</sup> Haig's paranoia may have been justified. Soon Deaver (allied with Clark, whom Deaver had selected as Allen's replacement) was to play a principal role in dropping Haig, as he had earlier in dropping Allen (*Ibid*: 236).

What reason could anyone in the White House have for putting U.S. relations with Argentina ahead of relations with the United Kingdom? It is hard to think of any reason more urgent than that of agreement for covert Argentine support of the *contras*, "which was broken by U.S. support for Britain in the 1982 Falklands War" (Ranelagh, 1986: 680). Although some Argentine advisers remained in Honduras, the pullout of the Argentine government produced a temporary setback in *contra* operations, followed in December 1982 by a major shake-up in the *contras*' nominal political leadership (Christian, 1985: 202; 286).

Restoring arms deliveries to Guatemala proved a little more difficult than to Argentina.

The election of Reagan coincided with the bloodiest outbreak of Guatemalan death squad actions in history. Almost five hundred deaths a month, almost all attributed to the right, were being reported by the American Embassy, but even that figure was considered low by most other monitoring groups. Piles of mutilated bodies were being discovered every morning throughout the country (Anderson, 1986: 177).

President Lucas García, said to have personally raised half a million dollars from Deaver's Guatemalan businessmen for the Reagan campaign, was alleged in

February 1981 by the *New York Times* (citing Amnesty International) to be directly supervising the security agency in charge of the death squads (*New York Times*, February 18, 1981; Pearce, 1981: 178).

The May 4 hearing of the Senate Foreign Relations Committee, in which the administration announced that it was disposed to give aid to Guatemala, followed two days of hard-hitting stories in the press about that country's increasing violence, including the murders of 76 leaders of the moderate Christian Democratic Party. When Congress balked at certifying that Guatemala was not violating human rights, the administration acted unilaterally by simply taking the items Guatemala wanted off the restricted list (Anderson, 1986: 178).

On the issue of restoring arms sales to Argentina and Guatemala, there was no dissent within the Reagan administration, all of whom were eager to repudiate Carter's human rights policies as quickly as possible. The arguments against arms sales to Taiwan, however, were geopolitical as well as ideological. The more seriously one chose to believe in a Soviet threat, the more important it seemed to bolster the growing strategic relationship between Washington and Beijing.

Reagan was confronted with this geopolitical consensus as soon as he took office. After a year of fumbling, Haig (State), Weinberger (Defense), and Casey (CIA) united on a recommendation to Reagan: Taiwan should not receive the new weapons it was asking for. In August 1982, the State Department, after another visit to Beijing by George Bush, announced a joint communiqué with China, in which the United States undertook to "reduce gradually its [weapons] sales [to Taiwan]... leading over a period of time to a final resolution" (quoted in Barrett, 1983: 290).

This result appeared to experts to represent a victory of "geopolitics over ideology" (Garrett, 1983: 265). But while the communiqué called for a reduction, arms sales to Taiwan in fact increased to new levels of \$530 billion in 1983, and \$1,085 billion in 1984. Each new arms sales announcement was greeted with loud protests from Beijing, and with increasing rumors and reports of Sino-Soviet rapprochement (Dugger, 1984: 373, citing *New York Times*, March 18, 1983). Once again, we now know that on the issue of Taiwan arms sales, Haig was being over-ruled by the Reagan White House staff (Barrett, 1983: 289–291; 333).

### **Deaver, WACL, and the *Contras***

The lobbying for increased U.S. arms sales came of course from at home as well as from abroad, and primarily from the American Security Council, the chief real-life incarnation of that military-industrial complex which President Eisenhower warned us about a quarter of a century ago. Two prominent backers of the ASC (oilmen A.C. Rubel and Henry Salvatori) were also part of the trio of Los Angeles millionaires who had launched Reagan into politics after the Goldwater debacle of 1964 (Cannon, 1982: 103).<sup>18</sup> The third member, Holmes Tuttle, lent his weight to the small meeting of May 1974 in Reagan's home where the decision was made for

Reagan to begin his drive for the presidency. Four of Reagan's top aides attended that meeting: Meese, Nofziger, Deaver, and Hannaford. The Deaver and Hannaford agency was launched in 1974 as part of that presidential strategy.

The international clients taken on by Deaver and Hannaford—Taiwan, Guatemala, and Argentina—were long-time causes of the ASC as well.<sup>19</sup> More importantly, the ASC helped out Taiwan's foreign policy creation, the World Anti-Communist League, by setting up an American affiliate for it, the American Council for World Freedom. The young executive secretary of the ACWC, Lee Edwards, was by 1980 the registered lobbyist for WACL's Taiwan chapter, and also of Argentina. Edwards also wrote a Reagan biography.

In 1976, Edwards' ACWC pulled out of WACL on the grounds that it was becoming racist. The new U.S. WACL chapter, the Council on American Affairs (CAA), was however also headed by an ASC man: Roger Pearson of ASC's editorial board. By 1980, thanks to Pearson, WACL had been largely taken over by former Nazis, SS men, Nazi collaborators, outspoken anti-Semites. Most embarrassing, from the point of view of a "law and order" candidate like Reagan, was the presence at WACL conferences of wanted right-wing terrorist murderers, and, perhaps worse, bank-robbers (Anderson, 1986: 95–102).

The Reagan team, both before and after the 1980 election, appears to have adopted a two-fold approach to the problem of right-wing WACL terrorism. On the one hand, they fostered a careful program to improve WACL's image, badly tarnished after British and American WACL members had protested WACL's penetration by anti-Semites. On the other, they moved through Deaver's clients in Guatemala to make selected terrorists the lynchpins of the Reagan administration's policies in Central America.

Two men appear to have been central in this double policy: General John Singlaub, who after Reagan's election became WACL's new world chairman, and Mario Sandoval Alarcón. The public relations work for both men, at least prior to the election, was in the hands of Mike Deaver.

Singlaub was a long-time veteran of CIA and DOD "unconventional warfare" operations, which he once explained as including "terrorism, subversion and guerilla warfare...sabotage...support to resistance groups...black and gray psychological operations" (*Ibid.*: 150). Singlaub was little-known until 1978, when he was retired from his Army Command in South Korea for publicly denouncing Carter's announced plans to withdraw U.S. troops from that area. A spirited defense of Singlaub and his position was promptly prepared for one of Reagan's 1978 broadcasts by Deaver and Hannaford (Dugger, 1984: 529). As we have seen, Singlaub then began a series of coordinated visits to Central America, with Generals Graham and Sumner, laying the basis for Reagan's current support of the *contras*.

Singlaub's link-up with Sumner in 1980 was particularly significant to the Guatemalans, since for a year Sumner had been one of the most prominent *contra*

contacts in Washington who were “looking for some way to help Nicaraguans who wanted to fight” the Sandinistas (Dickey, 1983: 62–63). After the election, that most prominent supporter would become Singlaub himself, by a series of events that seem to have been pre-arranged.

The most important event was the creation of a new United States chapter of WACL, to replace one that had been taken over by crackpots and racists. Singlaub did this on November 22, 1981, four days after a secret approval by Reagan of a CIA plan to begin direct assistance to the *contras* (Anderson, 1986: 150–152; Dickey, 1983: 112).

The weeks after Reagan’s election had seen a number of rapid developments. Some of Sandoval’s *contra* group, headed by Colonel Enrique Bermúdez who had been Sumner’s contact, departed for training in Argentina. This was training in terrorism; and one of the trainers is now wanted for his leadership of a cell attempting, by bombings and kidnappings, to destabilize the new Argentine civilian government (*Boston Globe*, August 3, 1986: A20). Roberto D’Aubuisson entered the United States illegally (the Carter administration refused to issue him a visa), and had conferences “with members of the Reagan transition team and with members of the staff of...Senator Jesse Helms” (Buckley, 1984: 103).

Meanwhile Singlaub flew to Australia to address the Asian People’s Anti-Communist League (APACL). He correctly predicted that there would be closer relations between the U.S. and WACL countries, and hinted that he himself would be helpful even though he would not be a member of the new administration (*Asian Outlook*, November 1980: 19). Another Reagan supporter at the Conference, Congressman Daniel Crane, said that Carter’s Nicaraguan policy had been, in General Sumner’s word, “treason”; he promised that Reagan would strive to ensure that the “State Department will be swept clean of communists and fellow travelers” (*Ibid.*: 15).

This public healing of the rift between WACL and the United States had begun the previous July in Geneva, when the nominal head of WACL’s U.S. chapter (a white racist who had once urged his state of Mississippi to secede from the Union) was upstaged by the presence at the WACL Conference of Singlaub’s close friend Ray Cline. Cline was another strong Reagan supporter and a foreign policy adviser; he flew to Taiwan after the election to convey the message that “the new Reagan administration will enhance U.S. relations with Taipei without damaging ties with Peiping” (*Ibid.*: 45).

Cline’s son-in-law, Stefan Halper, was coincidentally a member of the Reagan campaign who became a principal suspect in the later congressional investigation of “Debategate,” the illegal transmission of documents from the campaign of President Carter (U.S. Congress, 1984: 36–40). According to Elizabeth Drew, some former Reagan aides told her that in his intelligence-gathering operation for the campaign, Halper “was receiving information from the C.I.A.” Halper vigorously denied this; and so, for good measure, did Cline (Drew, 1985: 130–131; 133–134).



### **The Contras, Padded Arms Sales Contracts, and the Wilson Scandal**

The activities of Cline and Singlaub on behalf of WACL and the *contras* appear to have had the backing of that CIA minority of psy-war “cowboys” (mostly veterans, many of them fired by Jimmy Carter’s CIA Director Stansfield Turner) who wished to see the agency return to the business of covert and proxy warfare. There is no doubt that many CIA veterans like Cline and Singlaub were actively supporting the Reagan-Bush ticket; and at least one senior CIA officer, Security Chief Robert Gambino resigned from the CIA to join the Bush and Reagan campaigns (under Halper). The fact that under Carter the clandestine service had been reduced by 820 positions (reportedly from 1,200 to 400) had produced, among men well trained in political warfare, a concerted will for revenge. Cline was a leader among those ex-CIA people who “now looked on with worry and concern” (Ranelagh, 1986: 636; Goulden and Raffio, 1984: 15; 176).

The clandestine service included the CIA’s “cowboys,” who had been decimated by Carter’s CIA Director, Admiral Stansfield Turner. In particular, Turner went after those officials who had been involved in two interlocking scandals: the case of Michael Townley, the assassin of the Chilean Minister Orlando Letelier, and that of Edwin P. Wilson, the renegade ex-CIA agent turned arms dealer and assassination specialist for Libya. Cline’s friend and associate, Michael Ledeen, published an article in the *New York Times*, March 3, 1980 (at the beginning of the Carter-Reagan campaign) “savaging Admiral Stansfield Turner for forcing Ted Shackley [one of Edwin P. Wilson’s senior CIA contacts, a veteran of the anti-Allende operation] out of the agency” (Maas, 1986: 247).

The election of Reagan meant a reprieve for the clandestine services. Michael Ledeen, in his new capacity as the Reagan State Department’s expert on terrorism, was now in a position to help close off the investigation of those still in government who had been involved with Edwin Wilson, perhaps the world’s most notorious ex-CIA terrorist (*Ibid.*).

But if the appointment of Ledeen signaled a cooling of the heat against them, the renewed U.S.-WACL alliance, and support for the WACL *contra* operation, signified that the clandestine services (CS) would be back in business. Ledeen later tried to sell the line that the Sandinistas, rather than WACL and the *contras*, had organized “a vast drug and arms-smuggling network to finance their terrorists and guerrillas, flooding our country with narcotics.”<sup>20</sup> The WACL front for coordinated intelligence activities represented one of the CS’ more extended assets; it had gone astray in the Carter years and Nicaragua appeared to be the most likely vehicle for getting both the CS and WACL operations back on track.

The *contra* operation appears to have been used to contain the expanding Justice Department investigation into the illegal activities of the ex-CIA terrorist and arms dealer Edwin Wilson. Government auditors had learned that one of Wilson’s companies (EATSCO), which had been set up to gain shipping contracts for U.S.

arms sales to Egypt, “had fraudulently billed the Pentagon for some \$8 million, in addition to the big profits it was already making” (Maas, 1986: 279). Larry Barcella, the federal prosecutor on the case, had broadened the EATSCO investigation to include two CIA clandestine service veterans driven out by Turner, Tom Clines and Theodore Shackley, and two high-level personnel still in the Pentagon, General Richard Secord and Erich von Marbod. Witnesses told Barcella that the four men and Wilson each had a 20% share in the company, whose seed money was supplied by Wilson. Clines and Shackley joined EATSCO after leaving the CIA; Secord and von Marbod, who generated the contracts, were hidden partners (*Ibid.*: 139; 278).

These were much bigger fish than Wilson. Shackley had headed the CIA’s JM/WAVE Cuban station in Miami, and then run the CIA’s “secret war” in Laos, in both cases with Clines’ assistance. Shackley had also been tipped to become CIA Director if Gerald Ford had been re-elected president; he told Barcella that, but for the investigation, Shackley could have been either the CIA Director or Deputy Director under Reagan (*Ibid.*: 8; 233).

When auditors discovered the EATSCO fraud, von Marbod abruptly resigned, and General Secord, “the only one still in government service, was removed from his key position in the sale of arms to the Middle East, pending a polygraph.” At this point, Ledeen asked Barcella to lay off Shackley and von Marbod, saying that the “billing abuses...might have gone for a covert operation.” Secord was reinstated by former CIA Deputy Director Carlucci, who is now the head of the National Security Council, after having served as the number two man in the Defense Department. Then Barcella was taken off the EATSCO investigation, which ended with Clines (the only defendant) paying by plea bargain a \$10,000 fine (*Ibid.*: 247; 280).

By this point in Barcella’s investigation, Secord and von Marbod were indeed party to a covert operation which was paid for by padded arms sales contracts. This was the controversial sale of AWACS radar airplanes to Saudi Arabia, another deal, similar to EATSCO, where funds were siphoned off. According to intelligence sources, millions from this \$8.5 billion contract have gone to arm the *contras*; and perhaps another \$250 million for another WACL country project, the war in Afghanistan (*San Francisco Examiner*, July 27, 1986).

Lt. Colonel Oliver North, “the administration’s point man on the AWACS sale,” acted as the White House’s chief liaison with the *contras*—working with Singlaub and Secord. (Although Secord officially retired in 1983, at the end of the Wilson *affaire*, he is now a member of the Pentagon’s Special Operations Policy Advisory Group.) Both Singlaub and Secord have worked for the *contras* to be supplied with modern counterinsurgency STOL (short-takeoff-and-landing) aircraft; and four STOL planes have been delivered, via one of Secord’s companies, to the *contras* in Honduras (*Ibid.*).<sup>21</sup>

Ledeen suggested to Barcella that the falsified billings might have been a cover for a covert operation. But that hypothesis can also be turned around. A covert operation, such as the *contras*, can become a justification for putting back into business

a clandestine service that has been all but banished from government because of past excesses. All that has of course happened. Because of the *contras*, the CIA airlines are flying again, the “swift boats” are being launched from their mother ships, and all this is once again being coordinated out of a possibly illegal CIA operations station in Miami. This is an almost certain formula for the involvement of CIA personnel in the drug traffic—perhaps the chief reason why Shackley’s JM/WAVE covert operations were closed down.

But a covert operation can also become a “CIA defense”—a cover for fraudulent profits from arms sales, and even for their diversion into illegal campaign contributions. Is it possible that some of that \$8 million from EATSCO’s false billings in 1979–1980 might have gone to defeat Carter, whose CIA Director had forced both Clines and Shackley out of the CIA? Alternatively, is it conceivable that Clines and Shackley would not have taken some such steps to prevent the criminal investigation of Wilson from reaching themselves as well? What dealings did Shackley have with Reagan’s campaign staff that led him to anticipate high office in the new administration? And who authorized Ledeem’s extraordinary intervention into a criminal investigation, and the ensuing cover-up?

These would be appropriate questions for the current investigation of Deaver, who by all appearances was the top WACL-Arab friend in the White House, as well as the protector of the *contra* connection.

### **Singlaub, WACL, and the CIA**

In the light of WACL’s subsequent importance to the Reagan policy of supporting the *contras*, it is significant that the approaches of Cline and Singlaub to WACL began before the 1980 election. Singlaub and Cline were the logical team to do this. Singlaub had first met Cline, along with Howard Hunt, in a small OSS mission to China. All three men went on into the CIA and in the 1950s served in Asia: Cline as station chief in Taiwan (1958–1962), Singlaub as deputy station chief in South Korea (*circa* 1950–1952), and Hunt as a psychological warfare operator against mainland China based in Tokyo. Cline is said to have helped Taiwan found its Political Warfare Cadres Academy at Peitou, the most famous of whose many Central American graduates is Roberto D’Aubuisson (Anderson, 1986: 56; 194). Former U.S. intelligence officers have also suggested that the funding of APACL, and of the initial preparatory meetings in 1958 for WACL, came from U.S. Embassy Counterpart Funds in Taiwan to which Cline had access (*Ibid.*: 54–55).

It is certain that in 1954, when APACL was founded in Taiwan, its first Latin American affiliate was founded in Mexico City by Howard Hunt. Hunt did so in his capacity as political and propaganda chief of the CIA operation in Guatemala; but his creation (the Interamerican Council for the Defense of the Continent, or CIADC) would survive to be involved in other CIA-backed coups as well, notably that against Brazil in 1964. The CIADC soon became a vehicle for the international plotting of two of Hunt’s young Guatemalan protégés: Leonel Sisniega Otero, who

in 1954 was employed on clandestine radio operations by Hunt's assistant David Phillips, and Sisniega's mentor, the future "Godfather," Mario Sandoval Alarcón (Phillips, 1977: 38; U.S. Congress, 1954).<sup>22</sup>

By accident or by design, the simultaneous creation of APACL and CIADC in 1954 also had the effect of creating a conspiratorial China Lobby for Taiwan overseas, at precisely the time that the activities of the old conspiratorial China Lobby in Washington were being exposed and neutralized. When the first provisional steering committee for a combined WACL was announced from Mexico City in 1958, its General Secretary was veteran China Lobbyist Marvin Liebman, who earlier had organized Washington's "Committee of One Million" in support of Taiwan. Lee Edwards, Liebman's successor at the Committee of One Million, organized the first U.S. chapter of WACL.

From the China Lobby bribes of the early 1950s to the *contra* raids of the 1980s, there have been continuing reports linking Taiwan's and WACL's activities to profits from the international narcotics traffic. The situation was aggravated by the evolution of the 1950s China Lobby into the 1960s Cuba-Somoza Lobby, particularly when ex-CIA Cubans like Orlando Bosch, dropped from the CIA for their terrorist and/or drug trafficking activities, were simply picked up by Somoza.

It made sense that Somoza, given that his long-time backers were abandoning him in 1979, should have tried to hire Shackley's associate Tom Clines to work for him, along with Bosch. Shackley and Clines, by coincidence or not, personified the CIA-drug-mafia connection that successive CIA directors found impossible to eliminate. When Richard Helms closed the JM/WAVE station in Miami, dispersed its U.S. and Cuban personnel, and sent Shackley and Clines to manage the covert war in Laos, the two men were simply moving from a local drug-linked operation to a more distant one. Significantly, the Florida mob went with them. Two years after they were transferred to Laos in July 1966, Santos Trafficante, a key figure in the CIA-mafia assassination plots against Castro, was seen contacting local gangsters in Hong Kong and Saigon (McCoy, 1972: 215–216).

But the Shackley-Clines links to Latin America increased as their former agents were dispersed there. One of these men was John Martino, an old mafia casino associate of Santos Trafficante in Havana. In 1970, posing as a mafia representative, John Martino became a business associate of President Arana, and the CIA control for Mario Sandoval Alarcón—two of the Guatemalans who attended Reagan's 1981 Inaugural Ball.

### **CAL, P-2, Drugs, and the Mafia**

Reports linking WACL to drugs became particularly flagrant in the period 1976–1980, as the rift between WACL and Carter's CIA widened, and as a new Argentine-dominated affiliate of WACL in Latin America (the Confederación Anticomunista Latina, or CAL) plotted to extirpate radical Roman Catholic priests and prelates with their liberation theology.

A high-point or low-point of the CAL plotting was reached in 1980, when Argentine officers, bankrolled by the lords of Bolivia's cocaine traffic, installed the Bolivian drug dictatorship of Luis García Meza. Two of the Argentine officers involved turned out to be wanted Italian terrorists, Stefano Delle Chiaie and Pierluigi Pagliai; together with the veteran Nazi fugitive and drug trafficker Klaus Barbie, the neofascists seized the radio station as a signal to launch the coup (Linklater et al., 1984: 266–284).

Barbie and Delle Chiaie were both deeply involved in the CAL project to identify and exterminate radical priests, a project said to have been approved by both CAL and an element of Carter's CIA. Through this project, Delle Chiaie had advised D'Aubuisson by 1979; and at the September 1980 meeting of CAL in Argentina, Delle Chiaie and D'Aubuisson met and arranged for weapons and money to be sent to D'Aubuisson in El Salvador (*Ibid.*: 269–270, 288–89; Anderson, 1986: 144–145, 204).

That 1980 CAL Conference was presided over by Argentine General Suarez Mason, today a fugitive wanted on charges arising from the Argentine junta's death squads. In attendance were Bolivia's dictator, García Meza, wanted by U.S. drug authorities for his involvement in cocaine trafficking, and Argentine President Videla, today serving a life sentence for his policies of mass murder and torture. A featured speaker at the conference was Mario Sandoval Alarcón, who had brought his protégé D'Aubuisson and arranged for him to be put in touch with Delle Chiaie.

What was being brokered at the September 1980 CAL Conference was nothing less than an "Argentine solution" of death squad dictatorships from Buenos Aires to Guatemala City. The inspiration and financing of this scheme was, however, not just Argentine, but truly international, involving the Italo-Argentine secret Masonic Lodge P-2 (of which General Suarez Mason was a member), and through them the financial manipulations by insiders of the Milan Banco Ambrosiano and Vatican Bank.<sup>23</sup>

The P-2's support for Latin American terror seems to have been in part a matter of internal Vatican politics: an attempt to use right-wing death squads to eliminate the Church's liberation theologians and moderate Christian Democrats. Both the *contras* and Mario Sandoval Alarcón were part of the anti-liberationist campaign: the *contra* radio maintained a steady propaganda campaign against the Maryknoll Sisters in Nicaragua; Lau of the *contras* murdered Archbishop Romero of El Salvador; and Lau's patron Sandoval, at the 11th WACL Conference in 1978, denounced the "intense Marxist penetration...acting within the highest echelons of the Catholic hierarchy" (Dickey, 1983: 88; Anderson, 1986: 144).<sup>24</sup> During the two years after the CAL adopted the Banzer Plan in 1978, "at least twenty-eight bishops, priests, and lay persons were killed in Latin America; most of their murders were attributed to government security forces or rightist death squads. That number multiplied after 1980 as civil war spread through Guatemala and El Salvador" (Anderson, 1986: 145–156). We have already seen how Reagan's

termination of the Carter “human rights” policies was followed by the decimation of the Guatemalan Christian Democrats.

The CAL/P-2 connection was and remains a drug connection as well. This appears to have been originally put together by former Argentine Interior Minister José Lopez Rega, a P-2 member and Gelli intimate who was responsible for restoring Peron to power in 1973 and arranging for European experts in “dirty war” tactics to launch death squad tactics against the terrorist Left. Lopez Rega was later said to have been directly involved with other P-2 members in the Argentine-Paraguayan cocaine traffic, and to have used French members of the Ricord drug network as terrorists for his underground AAA (Alianza Argentina Anticomunista) (Kruger, 1980: 114).<sup>25</sup> Ex-CIA Cuban exile terrorists involved in the drug traffic, like Orlando Bosch, also worked with the AAA, as well as for Somoza (Kruger, 1980: 11).

Paraguayan Intelligence Chief Pastor Coronel, a CAL participant and death squad coordinator, was also a smuggling partner of the Corsican drug kingpin in Latin America, Auguste Ricord, whose network trafficked with the Gambino Mafia family in New York (Anderson, 1986: 141–142; Kruger, 1980: 85; 106; 110). Michele Sindona, the author of the Ambrosiano-Vatican Bank connection to P-2, had his own connections to the Gambino family, which surfaced when in 1979 he used them to stage his own “abduction” to avoid a New York court appearance (Lernoux, 1984: 179; Kruger, 1980: 224). According to Penny Lernoux, “the P-2 crowd obtained money from the kidnappings of well-to-do businessmen in Europe and from the drug traffic in South America. Sindona’s bank laundered money from the notorious [Italian] Mafia kidnappers of *Anonima Sequestri*, who worked with Delle Chiaie’s Ordine Nuovo.”<sup>26</sup> Significantly, Mario Sandoval Alarcón has also been accused of resorting to the kidnapping of rich coffee-growers in Guatemala to get financing for his political faction.<sup>27</sup>

### **P-2, the Republicans, the Calvi Scam, and Nicaragua**

But P-2 had equally strong links to both the CIA and the Republican Party. Under President Nixon, the man who didn’t “give a fuck about the *lira*,” the CIA allocated \$10 million for centrist and right-wing parties in the 1972 Italian elections. The U.S. Embassy in Rome was acutely divided over whether the money should go through Sindona, who appeared to have “a direct line to the [Nixon] White House,” or Italian Intelligence Chief Vito Miceli, implicated in a 1970 CIA-financed coup attempt with Delle Chiaie. Both Sindona and Miceli, as it happened, were part of the P-2 connection (Lernoux, 1984: 188–189).<sup>28</sup>

Italian sources have noted that Sindona’s U.S. investments were partnered by the Continental Illinois bank headed by Nixon’s first Treasury Secretary, David Kennedy, and that his interests were represented by the law firm of Nixon and his Attorney General John Mitchell. “In Italy, Sindona orchestrated the efforts of the



neofascist deputy Luigi Turchi to garner support for Nixon's election campaign. Sindona even offered \$1 million, on condition of anonymity, to CREEP treasurer Maurice Stans. The offer was refused" (Kruger, 1980: 225). Turchi's efforts were coordinated by Philip Guarino of the Republican National Committee, a P-2 associate later implicated in the plotting to help Sindona escape prosecution.<sup>29</sup>

It is obviously a convenient arrangement when P-2 contributions to a right-wing U.S. President can be followed by the release of \$10 million in unvouchered CIA funds for political use by P-2. No doubt their knowledge of such arrangements must have fueled the zeal of Carter and Turner to cut back on the CIA's clandestine services. Conversely Michael Ledeen's zeal to close off and contain the Edwin Wilson investigation is more understandable if, as European journalists have suggested, "Ledeen had links with Gelli and the P-2, and that Ledeen, on behalf of the State Department, had tried to buy 480 P-2 files photocopied by the Uruguayan interior ministry" after a raid provoked by the P-2 scandal revealed by the investigation of Sindona.<sup>30</sup>

Conversely, the CIA's cutback on clandestine operations and subventions spelt both political and financial disaster for parallel operations, such as Wilson's and Sindona's, which had fattened on CIA handouts. The end of U.S. intelligence subsidies to the U.S. company, Consultants International, is clearly responsible for Wilson's move into the illegal Libyan deals for which he was eventually jailed. The same drying up of the CIA cash flow to right-wing assets appears to have contributed to the failure of Calvi's Banco Ambrosiano; and of another intelligence-related bank whose operations interlocked heavily with Wilson's, the drug-linked Nugan Hand Bank of Australia.<sup>31</sup> Thus, CIA reforms had the effect of building a powerful coalition of both Americans (ousted CIA clandestine operators, the Taiwan-Somoza lobby, the ASC) and foreigners (WACL, P-2), determined to restore the clandestine operations which had been cut back by four different directors of central intelligence (Helms, Schlesinger, Colby, and Turner).<sup>32</sup>

Whatever the details, it appears that the P-2 Republican connection remained as healthy in 1980 as it had been in 1972. Licio Gelli, the head of P-2, "was invited by Republican bigwig Phil Guarino to Reagan's Inaugural Ball, which Gelli attended, and Miguel Angel Napout, reputedly Paraguay's biggest smuggler, with links to Nixon's confidant, Bebe Rebozo, and South American heroin traffickers. Napout received an invitation to attend the Republican Convention, where he interviewed presidential candidate Reagan" (Lernoux, 1984: 217).

By 1980, the fate of Calvi's Banco Ambrosiano (and hence indirectly of P-2) depended largely on an anticommunist turnaround in Central America. In 1977, Calvi had developed close relations with the increasingly isolated Nicaraguan dictator Anastasio Somoza, and opened a subsidiary (the Ambrosiano Group Banco Comercial) in Managua. Through another of his Ambrosiano-controlled companies, Central American Service, Calvi began prospecting for minerals and oil. As the Nicaraguan situation deteriorated in 1978–1979, Calvi's Managua subsidiary received



a steady flow of funds from Calvi's Bahamas subsidiary, which had come under the scrutiny of Italian government investigators (Gurwin, 1984: 56–57; Cornwell, 1983: 94–95). By 1979, "Calvi (probably with Gelli's intercession) was on good terms not only with the then dictator Anastasio Somoza, but also with the ever more menacing Sandinista opposition. To the end of his life [in 1982] he retained a Nicaraguan diplomatic passport, and in 1979 Calvi attempted to lobby the Rome government for an increase in coffee imports from Nicaragua.... Of the foreign banks in Managua at the time of the left-wing takeover in...1979, Ambrosiano's subsidiary was the only one not to be nationalized by the new revolutionary regime" (Cornwell, 1983: 95). Calvi had obviously established a bridge to the Sandinista junta's bankers, Alfredo Cesar and Arturo Cruz, and their allies such as Alfonso Robelo. By 1982, both Cruz and Robelo were working with the *contras*.<sup>33</sup>

In every account of the P-2/Banco Ambrosiano billion-dollar scam, the role of Somoza's Nicaragua is prominent. According to one source, it was Gelli who "smoothed the way" for Calvi's use of Somoza's offer of bank secrecy, "after several million dollars had been dropped into the dictator's pocket" (Yallop, 1985: 320). In this period the Italian construction magnate Mario Genghini (whose name was also on Gelli's P2 lists) was "one of the biggest foreign investors in Nicaragua" (Gurwin, 1984: 56; 59–60). In 1978, to avoid an investigation by the Bank of Italy, Calvi "moved the axis of [his international] fraud to Nicaragua"; one year later, as Somoza's position worsened, the fraud was moved to Peru (Yallop, 1985: 326; Gurwin, 1984: 56–57; Cornwell, 1983: 95).

In 1981, Bishop Paul Marcinkus of the Vatican Bank "held a number of secret meetings with the convicted Calvi, which resulted in the Vatican Bank officially admitting an increase in its outstanding debts of nearly \$1 billion. This was the sum that was owed to the Calvi banks in Peru and Nicaragua as a result of their having loaned, on Calvi's instructions, hundreds of millions of dollars" to companies allegedly under Marcinkus's control (Yallop, 1985: 333–334). Just one of these companies, Bellatrix, received \$184 million for P-2's political purposes, which included Gelli's purchase of Exocet missiles for Argentina during the Falkland Islands War (*Ibid.*: 327).

P-2's political purposes also clearly involved the election of Ronald Reagan in 1980:

On April 8, 1980, Gelli wrote from Italy to Phillip Guarino..."If you think it might be useful for something favorable to your presidential candidate to be published in Italy, send me some material and I'll get it published in one of the papers here...." The favorable comments about Ronald Reagan, carefully placed by Licio Gelli, duly appeared in Italy. In January 1981, Licio Gelli was an honored guest at the presidential inauguration. Guarino later ruefully observed, "He had a better seat than I did" (Yallop, 1985: 359–360).

No one has ever proved that any of P-2's hundreds of millions reached the Reagan campaign.

In 1981, the period of its Argentine grand design for Central America, the Reagan administration appears in turn to have been exploiting P-2 pathways. One of its first envoys to Argentina and Guatemala for the grand design was General Vernon Walters, a major figure in the Brazilian military coup of 1964, and reportedly a prime architect in the blending of the various *contra* forces into a united FDN under Enrique Bermúdez in 1981.<sup>34</sup>

In May 1981 General Vernon Walters...visited Guatemala as a "goodwill ambassador" of the Reagan administration. At the same time, though, he was representing BRISA [Basic Resources International SA], which was seeking permission to export more oil. The Guatemalan military granted the request (Gurwin, 1984: 194).

The fate of Calvi and his allies, by then ominous, was tied up with the fortunes of BRISA. In 1977, the Guatemalan government (with Mario Sandoval Alarcón as vice president) had awarded an oil concession to BRISA, one of whose board members was Calvi's representative Antonio Tonello. In March 1981, as the Italian investigation of Sindona led to Gelli's files and Calvi's name, the Calvi case was nearing its denouement. On May 20, 1981, exactly one week after Walters' visit to Guatemala for Reagan and BRISA, both Calvi and Tonello were arrested (and soon convicted).

### **The CAL-Reagan-Helms Triangle**

U.S. intelligence and Republican connections to CAL in Latin America have been centered in the person and office of Senator Jesse Helms, who in 1975 (following a visit to WACL headquarters in Taiwan) joined the international circle of WACL insiders. Helms traveled to Argentina (via a WACL Conference in Rio) in April 1975; and at least two of his aides, Ramón Molina and Nat Hamrick, returned, along with Daniel Graham, in early 1976, shortly before the Argentine generals' coup of March 24. Helms, according to Ramón Molina, "actually encouraged the military to move in and depose President Peron" (KRON-TV News Release, August 7, 1986).

President Peron of course had not been deposed; he had died in June 1974. But his widow, Isabelita, was deposed in March 1976, and this followed from the more significant ouster in July 1975 of her mentor José Lopez Rega, the original fascist architect of the P-2/Italian terrorist presence in Argentina. The Argentinean Army was responsible for both ousters, each of which followed a visit by Helms or his aides.

The presence on the 1975 Helms delegation of two other associates (Victor Fediy and J. Evetts Haley), and the subsequent involvement of Daniel Graham, may help explain why the relatively inexperienced Senator from North Carolina (he had been elected in 1972) would involve himself in an Argentinean military takeover.

In 1975, Fediay (a Russian émigré and prewar Polish fascist) and Haley (a Texas rancher) had along with Richard Allen just helped to broker a request (which was eventually turned down) for U.S. backing behind a Eurofascist secessionist coup in the Azores sponsored by the so-called Aginter-Pressé intelligence service, with which Delle Chiaie was affiliated (Kruger, 1980: 20; Strasser and McTigue, 1978: 124, 180, 182). One can imagine that the message to the Argentine military was similar: the U.S. could support a military take-over, perhaps even death squads and terrorists like Delle Chiaie, but only if the Lopez Rega connection to the newly forming Fascist International in 1975 were eliminated.

This U.S.-Argentine connection in 1975–1976 (Helms, Molina, Hamrick, Stone, and Daniel Graham), itself based in part on the CIA-Guatemalan connection of 1954, would become the hard core Reagan-Sandoval-*contras* connection after 1980.<sup>35</sup> We have seen how Graham and Singlaub assured Guatemalans in 1979 that “Mr. Reagan recognizes that a good deal of dirty work needs to be done” (Anderson, 1986: 175). It was Helms who (after his aide John Carbaugh met D’Aubuisson at the September 1980 CAL Conference) received Sandoval’s protégé D’Aubuisson on an illegal visit in December 1980 (Buckley, 1984: 103). (Since that time Carbaugh has worked closely with Mario Sandoval Alarcón’s nephew, Carlos Midence Pivaral, to fashion a more marketable and “Republican” image for D’Aubuisson’s new party, ARENA.)<sup>36</sup> Stone, a lobbyist for Guatemala in 1980, became Reagan’s special ambassador to Central America (Buckley, 1984: 311; 318). In 1981–1982, Hamrick, while on Helms’ staff, would lobby, together with the head of the Costa Rica WACL chapter, for a friendly base for the *contras* in that country (Anderson, 1986: 246).

But the most significant member of the Helms-Argentine connection may have been Ramón Molina, a Cuban-American Bay of Pigs veteran who in 1976 was the apparent point of contact between his two employers, Nicaraguan dictator Somoza and Senator Helms.<sup>37</sup> In 1975–1976, Molina appears to have been Somoza’s connection to renegade ex-CIA Cuban drug-traffickers, like Orlando Bosch, whose CONDOR assassination activities extended to Argentina by August 1976 (Dinges and Landau, 1980: 252).<sup>38</sup> It would appear that, just as in the 1972 election, Manuel Artime (another ex-CIA Cuban accused of drug-trafficking) emerged as the connection between Nixon, Somoza, and the Watergate burglars, so in the 1980 election Ramón Molina emerged as the connection between Reagan and Somoza.<sup>39</sup>

The Helms camp has been very much of a right-wing embarrassment to the Reagan administration since it took office; in 1984 Helms put the life of Reagan’s ambassador to El Salvador at risk by leaking secret CIA data. In 1976 and in 1980, however, candidate Reagan was very much dependent on winning the support of Helms and his international WACL network. In 1976, the Reagan campaign appointed David Keene, an old Liebman sidekick and WACL participant, to be chief delegate hunter in the southern states. In 1980, a campaign aide, Belden Bell, traveled to Latin America and met both Deaver’s Amigos and Ramón Molina (Nairn,

1980: 3; *Albosta Report*, p. 60). What may have interested the Reagan campaign in Molina was his capacity as a representative of Somoza's personal fortune, in whose employ he used his CIA training as a strong-arm man and enforcer (he allegedly once broke the jaw of a South Carolina concrete businessman). Somoza, until his assassination in September 1980, was said to be funding terrorist activities through CAL as a way of building an international neofascist coalition for his return (Kruger, 1980: 217).

### **Reagan, the *Contras*, and Narcotics**

Such, then, was the state of WACL when Singlaub began his missionary activities to it on behalf of Reagan in 1979–1980. It might be said in defense of their policies that WACL represented an old U.S. intelligence project out of control; and that Singlaub has worked to bring it back under control. It is clear that the Reagan administration has since backed away from many of its old CAL protégés, usually after revelations linking them to the drug traffic. It has relegated D'Aubuisson to the background after a plane belonging to one of his financial supporters was detained in Texas with a cargo of \$5.9 million in cash. It has helped extradite Pagliai (the younger of the two Italian terrorists) from Bolivia, after Pagliai was detected by the DEA at a high-level drug-traffic meeting in 1981.<sup>40</sup>

Eventually the Reagan administration helped ease both the Bolivian and the Argentine dictatorships out of power. After the failure in 1982 of a Guatemalan coup plot by Sandoval's associate Leonel Sisniega Otero (plotting with WerBell, the drug-trafficking OSS colleague of Singlaub and Cline), the U.S. eventually accepted a civilian government headed by a Christian Democrat, a member of the party targeted by Sandoval and Sisniega for extermination.

In marked contrast, the Reagan commitment to the *contras* has been unwavering. Modifications to its policy have been limited to a search for better personnel, as congressional opposition mounted to the *contra* record of raping peasants and torturing social workers to death. In September 1982, the CIA reorganized the *contra* directorate, and sent a new station chief to Honduras, with the task "of getting the Argentines out and getting the war back under control" (Dickey, 1983: 152; 156). In late 1983, the CIA began its own covert operations against Nicaragua, cutting out the *contras*, and reorganized their FDN directorate yet again (*Ibid.*: 259–261).

However, the CIA inevitably was faced with a disposal problem. A handful of *contra* field officers were executed for various crimes, chiefly the murder of one of their peers. But the CIA was reluctant to send Argentine terrorists back to their home country at a time when the civilian government was barely establishing itself. Ricardo Lau, the murderer of Archbishop Romero, was detached from the *contra* hierarchy, but remained in Honduras to be the mastermind of the death squad operation of the CIA's and CAL's Honduran protégé, General Gustavo Alvarez Martínez (Anderson, 1986: 230; Dickey, 1983: 261). Alvarez was the point-man

for the CIA-*contra* presence in Honduras, and even the godfather to the adopted daughter of the new CIA chief. When he was ousted in 1984, the CIA changed its station chief yet again, and Lau reportedly left for another country.

These cosmetic changes of personnel do not appear to have reached to the level of eliminating the old CAL presence in the *contras*. Enrique Bermúdez, the link between Sandoval's Guardia protegés and Washington, has remained through each successive FDN shake-up. As for the international drug traffic, their interest in maintaining the *contra* status quo in Honduras was revealed when the FBI broke up a drug-financed plot in Miami to assassinate the elected Honduran president and restore Alvarez to power (Anderson, 1986: 232; Dickey, 1983: 262).

Since December 1985, it has become clear that the CIA *contra* operation has become as intermingled with drug trafficking as the old CIA Cuban exile operations whose scandals led to the closing of Shackley's JM/WAVE Miami Station back in 1966.

Last December, the Associated Press cited a CIA report alleging that a "top commander" of the Costa Rica-based guerrillas had "used cocaine profits to buy a \$250,000 arms shipment and a helicopter." The AP also uncovered evidence of Cuban-American smugglers who used rebel troops to guard cocaine shipments destined for Miami.

Two Nicaraguan smugglers convicted in the largest cocaine seizure in West Coast history—430 pounds—admitted that they passed drug profits on to the *contras*.... A leading Bay Area fund-raiser for the Honduras-based Nicaraguan Democratic Force, the largest *contra* group, was identified in 1984 by the Drug Enforcement Administration as "the apparent head of a criminal organization responsible for smuggling kilogram quantities of cocaine into the United States."

Costa Rican authorities nabbed another well-connected cocaine wholesaler who was the brother of one member of the FDN director[ate] and the brother-in-law of the FDN's political head, Adolfo Calero, former head of the Coca-Cola bottling plant in Nicaragua (*Oakland Tribune*, August 17, 1986).

The possibility that the *contra* operation serves as a cover for the Latin American drug connection does not seem to have occurred to the Reagan administration. On the contrary, its pressures to resume congressional aid to the *contras* this year were not deterred by the revelation that the FBI was "examining assertions that cocaine was smuggled [into the United States] to help finance the rebels' war effort" (*New York Times*, April 11, 1986). Since then former Ambassador Robert White has charged that the administration has attempted to kill this FBI inquiry. The stage has been set for a potentially explosive Senate investigation.

### Watergate, Contragate, and Foreign Campaign Contributions

Why would the Reagan administration, whose ideology is supposed to be one of patriotism mellowed by pragmatism, have such a huge investment in a cause that is so controversial here as well as in Nicaragua? The Reagan response is to point to the murder and torture committed by left-wing terrorists, and to the Caribbean Basin's proximity and strategic importance. But many who give credit to both arguments have replied that the *contras*, by their excesses and sheer incompetence, are weakening rather than strengthening support for the U.S. in the area.

A different question is whether the funds from Guatemala, P-2, Somoza, and other WACL sources, helped generate the private "verbal agreements" that Sandoval Alarcón referred to. The recycling of profits and AID funds from foreign countries back into American elections is perhaps one of the largest and least discussed scandals of the last three decades. WACL countries in particular, whose survival and affluence so often depend on U.S. support, have repeatedly been at the center of such rumors.

This would seem to be an appropriate topic for any Senate investigation into any illegal *contra* activities and cover-ups. But Congress in the past has proved most reluctant to pursue the question of illegal foreign funding in electoral campaigns. Renata Adler has described how the congressional inquiry into Watergate faded at the point when traces were uncovered of large funds pumped into the Nixon campaign from the Far East (Adler, 1976: 76–94). Nor did Republicans pursue similar allegations that dogged the campaign of even that cleanest of candidates, Senator George McGovern.<sup>41</sup> Silence on such matters serves the interests of both parties.

Some of the points made by Renata Adler, a member of the staff investigating Nixon for the House impeachment inquiry, bear closely on the Reagan-WACL connection. She referred to theories "that Nixon was driven from office by a conspiracy within government itself—more specifically, within the CIA." And she drew attention to the inability of the CIA "to give any satisfactory account" of its involvement in the Southeast Asian narcotics traffic, where its airline Air America collaborated with members of Taiwan's WACL chapter in supplying the opium growers of the Golden Triangle (Adler, 1976: 77, 90; Scott, 1972: 204, 206).

Adler did not refer specifically to the very efficient sabotaging of the Nixon White House by Howard Hunt, nor to the fact that Hunt's White House services went into their disastrous high gear after the June 1971 departure of Kissinger for Beijing.<sup>42</sup> But she specifically named Anna Chan Chennault, perhaps Taiwan's top lobbyist in Washington, as someone who had raised campaign funds for Nixon from the Philippines, Hong Kong, Japan, and South Korea (Adler, 1976: 92–93). Citing evidence too complex to review here, she concluded that:

the South Vietnamese administration, not wanting peace to be at hand just yet, used some of the enormous amounts of money we were pouring in there to bribe our administration to stay in (*Ibid.*: 91).

The bribes were in the form of illicit foreign campaign contributions—possibly in 1968, and more clearly in 1972. Though she refers to him only as a Nixon “White House official,” Adler refers to two distinct sub-plots where in each case a principal suspect was Richard Allen, the man who in 1980 became Reagan’s principal foreign-policy adviser (*Ibid.*: 91; 94).

In the 1968 case,

Mrs. Chennault’s activities had aroused the suspicions of the Washington intelligence community, and a plethora of agencies seemed to be watching her closely. According to published reports, the FBI tapped her telephone and put her under physical surveillance; the CIA tapped the phones at the South Vietnamese embassy and conducted a covert investigation of Richard Allen. Then, a few days before the election, the National Security Agency... intercepted a cable from the Vietnamese embassy to Saigon urging delay in South Vietnam’s participation in the Paris peace talks until after the [U.S.] elections. Indeed, on November 1, her efforts seemed to have paid off when President Nguyen Van Thieu reneged on his promise to Lyndon Johnson, [and announced he would not take part in the exploratory Paris talks] (Lukas, 1976: 283).

There are enough similarities between Allen’s career and Deaver’s (both men having gone on from the post of White House official to become the registered foreign lobbyist of Asian countries) to suggest that Adler’s hypothesis for the origins of Watergate (bribery by illicit foreign campaign contributions, and the potential for blackmail thus created) might explain the workings of the Contragate mystery as well. In 1980, as in 1968, the WACL coalition apparently decided to conspire against an American Democratic incumbent, the main difference being that in 1980 the role both of illicit foreign funds and of American intelligence veterans appears to have been more overt.

Congress should certainly investigate this possibility. But there is perhaps a better chance of a searching and objective inquiry if a truly independent special prosecutor is appointed to investigate the affairs of Mike Deaver. Deaver is already under scrutiny for his lobbying activities in South Korea. Some of these involve the U.S. Ambassador in Seoul, Richard Walker, a WACL participant since as far back as 1970.

Deaver’s connections with South Korea go back at least to February 1981, when he “ushered President Chun Doo Hwan of South Korea into the Oval Office to meet Reagan” (*San Francisco Chronicle*, August 11, 1981: 6). Chun was in fact the first of the WACL dictators, shunned by Carter, to be received into the Oval Office. In a sense his visit, like Sandoval’s, was a trial balloon for Reagan’s new policy of tilting towards WACL and away from Carter’s support of “Human Rights.”<sup>43</sup>

Chun’s visit to Reagan is said to have followed a period of intense involvement in Latin American WACL intrigue by CAUSA, the political arm of the South Ko-



rean Unification Church. The links between Moon's church and the South Korean Central Intelligence Agency are so overt that a decade ago they provoked a U.S. Senate investigation.<sup>44</sup> CAUSA officials are reported to have offered \$4 million for the García Meza Bolivian coup of July 17, 1980; and one of them is said to have worked directly with Klaus Barbie in organizing the coup.<sup>45</sup> When Congress ordered a cutoff of military aid to the *contras* in 1984, CAUSA worked with Refugee Relief International, a creation of Singlaub and of WACL, to ferry nonmilitary supplies to the same *contra* camps. An informed observer said that "the 'big three' countries that were expected to aid the *contras* [militarily] were Israel, South Korea, and Taiwan" (Anderson, 1986: 129; *Washington Times*, October 8, 1985: 5A). Robert Owen, said to have served with Singlaub as a cut-out contact between the National Security Council and the *contras*, is a former registered lobbyist for South Korea (*Miami Herald*, June 8, 1986: 26A; NBC "Nightly News," June 13, 1986).

It is unlikely that Deaver's lobbying activities were more than a small part of the apparatus securing the Reagan-WACL connection. The full story, if it could be told, would probably lead to grey intelligence-political alliances that were already in place when Deaver was a young boy. Undoubtedly Cline and Singlaub, not to mention Reagan himself, would know more about such matters.

But unlike Reagan, unlike Cline and Singlaub, Deaver's activities have suggested to federal investigators that he may have violated U.S. statutes. Thus he can now be made to talk about how these connections were forged. Under oath.

## NOTES

1. Officially Deaver's firm did not register as agent for the group until August 27, 1980. However, it did so after coming under Justice Department scrutiny for possible violation of the Foreign Agents Registration Act, for failure to register the contract within the required 10 days (*Washington Post*, September 8, 1980).

2. According to Simons, Sandoval "mixed with the Reagan inner circle during inauguration week."

3. According to Dickey, "the CIA took more than two years to begin seriously analyzing these papers." By this time the Reagan administration had backed away from D'Aubuisson, who once told German reporters, "You Europeans had the right idea. You saw the Jews behind Communism and you started to kill them" (*Oakland Tribune*, August 15, 1986).

4. Here the Andersons cite White's testimony to the Senate Foreign Relations Committee, April 1981, and to the House Foreign Relations Committee, 1984.

5. The Andersons charge categorically that the documents supplied by D'Aubuisson were forged.

6. South Africa, the other most prominent example of Reagan's inflexibility, is—like Deaver's three international clients in 1980—one of the hard-core members of WACL. For reports of *contra* involvement in the narcotics traffic, see, for example, *In These Times*, December 10, 1986.

7. See Lernoux (1984: 217). I shall argue that in the connection established in 1975–1976 between Argentina's P-2 military junta and their American co-plotters (Jesse Helms, Daniel Graham, and Nat Hamrick) was laid the conspiratorial basis for the Reagan-Sandoval-*contras* connection of 1980.

8. Under Schlesinger, a total of 1,500 are said to have left the CIA; under Turner, 2,800 (see Shackley, 1981: ix).

9. Coca-Cola conducted its own investigation, which confirmed Trotter's involvement in the persecution (*Congressional Record*, February 25, 1980: 3627).

10. See the *Congressional Record* (December 4, 1979: 34551); and Pearce (1986: 178–179). According to Nairn (1980: 7), Ayau is "considered to be the ideologue of the more extremist sector of the [Guatemalan] business community."

11. Nairn continues:

Reagan himself was reportedly aware of the potential of the Guatemalan connection. One businessman tells the story of the wife of an Amigos del Pais board member who attended a California fund-raising party with Reagan. "He was standing there.... She said, 'I represent 14,000 Americans in Guatemala,' and Reagan turned around and said, 'Get that woman's name!'"

12. In another interview, Villagran "recalled that among recent Amigos efforts was the invitation of retired U.S. military opponents of Carter's human rights policies to Guatemala" (*Washington Post*, September 8, 1980).

13. How Singlaub became empowered to convey such sensitive messages is unclear, but there is no doubt that his predictions were correct. Carter's Central American team was sacked, and in May 1981 Vernon Walters, another veteran of CIA covert operations, was sent to repeat publicly that there would be "no more Irans," and that it was "essential" that Lucas "get rid of the guerrillas" (*Washington Post*, May 14, 1981). A *New York Times* editorial on May 18 criticized Walters' "peculiar" words.

14. By "WACL countries," I mean those nations whose WACL delegations included persons exercising public or covert power, and which used WACL as a prominent instrument of their foreign policy. In 1980, the hard core of WACL countries included Argentina, Taiwan, South Korea, Paraguay, Bolivia, Guatemala, and South Africa.

15. Lou Cannon (1982: 272) would later claim that Deaver "took a leave of absence from the firm for the campaign," but as late as July 15, 1980, Jack Anderson reported that "Deaver and Hannaford confirmed their status as foreign agents." Deaver formally left his firm when he joined Reagan's White House staff in January 1981.

16. See Ronald Reagan, "Common Sense from a Neighbor" (August 1979), in Dugger (1984: 520–521).

17. Haig and Deaver had also clashed over a minor State Department appointment, and the president ruled in Deaver's favor (Barrett, 1983: 235).

18. By 1980, Reagan's "kitchen cabinet" of L.A. millionaires included other ASC backers, including Earle M. Jorgenson, Jack Wrather, and Lockheed investor William Wilson.

19. Back in 1960, the ASC *Washington Report* had called for unleashing Chiang Kai-shek's soldiers in Vietnam as a way of "assisting the Chinese Nationalists to regain their homeland and to overthrow on the way home the bloody Communist tyranny which holds much of Vietnam in its grip" (Turner: 205).

20. See the *Boston Globe*, November 17, 1984, citing the *New York Times* (Spring 1984).

21. Von Marbod today is also in the private arms sales business, having been hired by his former boss Frank Carlucci, who once ordered the reinstatement of Secord. The two men worked for a subsidiary of Sears Roebuck, perhaps the largest corporate backer of the American Security Council (Maas, 1986: 288).

22. See U.S. Congress (1954: 92; 101) for Sisniega-Phillips; and p. 110 for Sisniega-Sandoval. When Sisniega tried to launch a coup against Guatemalan President Ríos Montt in 1982, Mitchell WerBell III (another veteran of the Cline-Hunt-Singlaub OSS team) flew down to neighboring Belize to assist him (Anderson, 1986: 181–182). Today Cline is an official in the Association of Former Intelligence Officers that Phillips formed on his retirement from CIA.

23. See Lernoux (1984: 178).

24. As Anderson (1986: 177) notes:

While Sandoval danced and chatted with the elite of Reagan's inner circle [in 1981], his minions back home were busy; the Secret Anti-Communist Army (ESA), which was believed to be an extension of Sandoval's MLN, had just threatened to exterminate the entire Jesuit order in Guatemala.

25. When Lopez Rega was Argentina's Minister of the Interior, Ed Wilson's company Consultants International was shipping "an array of riot-control equipment to Brazil and Argentina" (Maas, 1986: 60).

26. Lernoux (1984: 189) notes that Italian investigators traced the neofascist *Anonima Sequestri* connection to a May 1972 meeting of Italian *mafiosi* involved in the trans-Atlantic narcotics traffic, including Tomasso Buscetta, the mediator between the Ricord drug network and the Gambino family in New York. See Servadio (1976: 259–260) and Kruger (1980: 105–106).

27. See Anderson (1986: 172):

Now [in 1978] in the opposition, Sandoval turned to Mafia-like tactics to get financing. "He authorized the leaders of his bands to obtain funds by robbery and kidnappings," says a wealthy Guatemalan politician who knows the MLN chief [Sandoval] well. "He would send death threats, supposedly from the guerrillas, to the rich *finqueros* [coffee growers] and the next day, either Leonel [Sisniega] or Raul [Midence Pivaral, Sandoval's brother-in-law] would collect the money."

In the CIA's 1954 Guatemala coup, Sisniega worked directly under David Phillips.

28. Lernoux claims that "both men belonged to the P-2"; others point to Sindona as P-2's original financier (Cornwell, 1979: 47), and Miceli as a "close friend" of Gelli and source of his military intelligence connections (Gurwin: 187). John McCaffery, a veteran of British intelligence and of the wartime Allen Dulles OSS-SS deal known as "Operation Sunrise," prepared an affidavit in 1981 for his friend and banking associate Sindona. In it he stated that he helped Sindona plan the 1970 coup attempt and that he was "sure to a moral certainty" that the CIA was aware of the plot. The CIA-Miceli connection grew directly out of the World War II OSS-SS connection; and Prince Borghese, the nominal head of the 1970 coup attempt, was saved by then OSS-officer James Angleton from a Resistance death sentence in April 1945. In 1974, Borghese introduced the fugitive Delle Chiaie to officers of the Pinochet Chilean Secret Service, DINA, a connection that led to the CONDOR-coordinated murder of Orlando Letelier in Washington by Delle Chiaie's associate Michael Townley.

29. See Laurent (1978: 254), and Lernoux (1984: 201). In the 1976 Italian election Guarino chaired a group, "Americans for a Democratic Italy," organized by Sindona, which channeled U.S. funds to the Italian neofascist party, the MSI.

30. See Lernoux (1984: 216). Francesco Pazienza, an Italian intelligence agent and financial consultant for Roberto Calvi of the Banco Ambrosiano, claimed to be a friend of Michael Ledeen. According to testimony before the Italian commission investigating P-2, Pazienza helped Ledeen collect information damaging to Carter in the 1980 election campaign: the "Billygate" affair (a visit to Libya's Quaddafi by President Carter's brother). See Gurwin (1984: 190–191).

31. According to Lernoux (1984: 72–73):

In addition to drugs, Nugan Hand...also did business with Edwin Wilson....Memos and testimony by Nugan Hand employees show that Hand met with Wilson in Bangkok, and that Houghton held discussions with him in Switzerland. Intelligence sources also claimed that Houghton used Nugan Hand's Saudi Arabian branch to finance Wilson's arms-smuggling operations.

Wilson's later career became dramatically intertwined with Sindona's. In January 1984 hearings began for the extradition of Sindona from a medium security New York jail to Italy "to face the charge of ordering the assassination of Giorgio Ambrosoli, liquidator of Sindona's Italian bank" (Gurwin,

1984: 208). A key witness was William Arico, an American gangster accused of murdering Ambrosoli. Arico was awaiting extradition in the Metropolitan Correctional Center in New York, where a fellow-detainee was Edwin Wilson. Arico was planning an escape, and Wilson, whose rage against his federal prosecutor Larry Barcella was at a peak, arranged for \$50,000 to be passed to Arico in London. During the attempted escape down a rope of knotted sheets, Arico was crushed to death by a falling accomplice, "an overweight Cuban drug dealer.... Wilson, when confronted by these facts, denied that Barcella had been the intended target" (Maas, 1986: 289). Arico's death helped delay Sindona's extradition until 1986, following which Sindona was soon murdered by poisoning in an Italian prison.

32. It is no coincidence that Edwin Wilson's two closest friends in the House, Congressmen John Murphy and Charles Wilson, were also the key figures in the House Somoza lobby (Maas, 1986: 52; Christian, 1985: 87). After Somoza's departure from Nicaragua, on August 1, 1979, Murphy presented Enrique Bermúdez and other future *contra* leaders at their first public press conference (Dickey, 1983: 62–63).

33. P-2 political influence, as opposed to CAL's, was marked by this double opening to both neofascists and social democrats. Robelo and Cruz owed some of their influence to their backing by European socialist parties such as Italy's, which had benefited from the CIA/P-2 handouts and "privileged financial treatment at Banco Ambrosiano" (Gurwin, 1985: 75).

34. See the testimony of former *contra* leader Edgar Chamorro before the International Court of Justice, quoted in Ray and Schaap (1986: 8).

35. U.S. Ambassador Robert Hill, who personally received Helms and his aides, was part of the CIA-State "team" on the 1954 Guatemalan Operation. A former employee of Grace Shipping Lines, which had interests in Guatemala, he became in 1960 a director of United Fruit (Schlesinger and Kinzer, 1982: 107).

36. See Anderson (1986: 147; 207; 209). Carlos Midence Pivaral also attended Miami meetings of Alpha-66, the leading Cuban exile connection to WACL.

37. Molina was associated with the American Nicaraguan Council and in 1976 brought Fediay and a group of international anticommunist journalists to Nicaragua (*Latin American Political Report*, August 26, 1977). Meanwhile, for years Molina, like Fediay, has been paid by a so-called news service, Capitol Information Services, run by James Lucier, an aide of Jesse Helms.

CIS...sold reports on Argentina and other official matters to some of the senator's wealthiest backers—raising the question of whether it functioned as a laundry for illegal campaign money or simply a salary supplement for Helms' employees (*Oakland Tribune*, August 15, 1986: B–4).

38. Another Molina associate and Bay of Pigs Veteran, Fernando Penabaz, graduated from his position as "special assistant" to the Republican Party in 1964 to "a twenty-year sentence in the Atlanta penitentiary for smuggling nine and a half pounds of cocaine" (Hinckle and Turner, 1981: 315).

39. This parallel may be more than superficial, as Watergate burglar Frank Sturgis is said to have collaborated with Howard Hunt's and David Phillips' Guatemalan protégés, Mario Sandoval Alarcón and Leonel Sisniega Otero, in the liberation from a Guatemalan jail of the CIA-Somoza coup candidate, Carlos Castillo Armas (see Freed and Landis 1980: 41 on Sturgis; and U.S. Congress, 1984).

40. Delle Chiaie, the more seasoned and sophisticated of the two terrorists, somehow eluded capture. He "was later to claim that, through infiltration of both the American and Italian intelligence services, he knew in advance of the plans" to seize him (Linklater, 1984: 300).

41. The firm of Miles Rubin, McGovern's financial chairman in the 1972 campaign, has been revealed as the depository of secret funds from Suharto and his financial partner in one of the largest recent scandals in Indonesia (May, 1978: 225).

42. Kissinger left Washington for Beijing in late June 1971; Hunt was hired as a White House consultant on July 6.

43. To facilitate the Chun visit, and the resumption of normalized relations with South Korea which

followed, the Reagan administration delayed publication of the State Department's statutorily required report on international human rights, which noted a "deterioration" of human rights in South Korea in 1980 (*New York Times*, February 2, 1980: 8; February 10, 1980: 10). On his return to Seoul, Chun announced harsh new labor laws banning strikes (*New York Times*, March 1, 1980: IV, 4). The United States followed with an announcement it would sell \$900 million in arms to South Korea, including 36 F-16 fighters (*New York Times*, March 27, 1980: 9).

44. See Anderson (1986: 66-70). The church was also promoted with assistance from Sasakawa Ryoichi and Kodama Yoshio, two of the CIA's most notorious contacts in Japan.

45. See Anderson (1986: 302) quoting *Le Monde Diplomatique* (February 1985).

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### **Glossary of Acronyms**

- AAA Alianza Argentina Anticomunista
- ACWC American Council for World Freedom
- AP Amigos del País or Friends of the Country
- APACL Asian People's Anti-Communist League
- ASC American Security Council
- BRISA Basic Resources International SA
- CAA Council on American Affairs
- CAL Confederación Anticomunista Latinoamericana
- CAUSA Confederation of Associations for the Unity of the Societies of America, the political arm of the South Korean Unification Church
- CIADC Interamerican Council for the Defense of the Continent
- CS Clandestine Services
- DCI Director of Central Intelligence
- DEA Drug Enforcement Administration
- DOD Department of Defense
- EATSCO Egyptian American Transport and Services Corp. is a company set up by Edwin Wilson.
- ESA Secret Anti-Communist Army, believed to be an extension of Sandoval's MLN
- FDN National Democratic Force, one of the Nicaraguan *contra* forces, under Enrique Bermúdez
- JM/WAVE CIA's Cuba station in Miami
- MLN Right-wing Movement of National Liberation party in Guatemala run by Mario Sandoval Alarcón.
- NSC National Security Council
- P-2 Propaganda Due, secret Masonic Lodge guiding right-wing government actions in Italy
- WACL World Anti-Communist League, founded in 1967 in Taiwan.