

**THE CHAIRMAN (Mr Goss):**

Good afternoon. The committee will come to order for today's hearing to review the report of the CIA Inspector General regarding allegations made in a 1996 newspaper series that the CIA was involved in the trafficking of crack cocaine to California during the 1980's.

Before we begin, I would like to advise members and the public of how we intend to proceed. The House National Security Committee has graciously allowed us the use of this room, and we appreciate it. We have been advised, however, that our lease on this space does expire at approximately 5 o'clock, and we are planning that our proceedings will end accordingly.

At the conclusion of my opening statement, I will recognize my colleagues on the committee for opening remarks, and then we will hear from other members of Congress. We will then proceed with the testimony of Mr Frederick P. Hitz, the Inspector General of the CIA, beginning his presentation no later than 4 p.m. I thank all present today in assisting us in sticking to this schedule.

Today's hearing marks an important step in the ongoing process of inquiry the Intelligence Committee has undertaken to assess the validity of highly serious allegations presented in a series of articles published in the *San Jose Mercury News* in 1996.

These articles detailed allegations that the CIA was involved with or was somehow complicit in the trafficking of crack cocaine to California during the 1980's. The articles further allege that the proceeds from those transactions were used to assist in financing the activities of the resistance movement in Nicaragua, known to most of us simply as the Contras.

This committee undertook an investigation into these charges in the fall of 1996. During this time, two separate Inspector General investigations have been conducted. The CIA IG's review, which is the subject of today's hearing, and the Department of justice's review, which is yet to be released. I believe that the CIA IG has presented our

committee with a solid body of work and we intend to consider his conclusions very carefully.

Of course, we are continuing to conduct our own independent inquiry into this matter as part of our proper oversight responsibilities. We are keenly aware that this entire episode has fueled suspicions some people have about the advent of the scourge of crack cocaine in the United States. Any suggestion of government complicity in that terrible outcome is one that must be seriously considered and answered.

It will be extremely difficult to come up with an absolute answer that will remove all doubt. Such is the nature of these cases. That said, I believe that the American people have a right to expect us to do a conscientious job in understanding the facts and in offering conclusions about the charges that have been made.

With that, let me again welcome our witness today, and my colleagues, I yield to the members for any opening remarks. We welcome Ms Harmon and Mr Gibbons who have come in since the gavel went down.  
Mr Dicks.

**MR DICKS:**

Mr Chairman, I have seen Mr Hitz's investigation characterized as the most extensive undertaken by an Inspector General. The best defense against unjustifiable criticism of an investigation of this kind is to ensure that it is as exhaustive as possible.

In the two page summary released by the CIA on January 29, 1998, the phrase "*no information has been found*" was used 9 times. I want to be assured that no information was found because none existed, rather than the information was not found because the effort to find it was not thorough enough.

There have been published criticisms, by at least one of those contacted by Mr Hitz's staff, that the interview seemed designed to go through the motions. I want Mr Hitz, whom I have known for a long time and have great respect for, to assure us that he is satisfied that the

investigation was as thorough as necessary to uncover the facts.

I understand that a number of persons, almost all of them former CIA officials, either refused to be interviewed or sought to limit the interviews. At least one of the individuals who refused to be interviewed by the Inspector General showed no similar reluctance to be interviewed by the press. I consider the failure of these people to assist the Inspector General in this investigation to be inexcusable.

Mr Chairman, I look forward to the comments our congressional colleagues will have on Mr Hitz' work. I welcome them and I welcome Mr Hitz and his presentation.

Thank you, Mr Chairman.

**THE CHAIRMAN:**

Thank you Mr Dicks, very much. At this time, I recognize the distinguished gentleman from California, Mr Julian Dixon.

**MR DIXON:**

Thank you very much, Mr Chairman. I join you and the Ranking Minority Member in welcoming Members of Congress and Mr Fred Hitz, Inspector General of the CIA.

I have read the Inspector General's report entitled "Allegations of Connections Between the CIA and the Contras in Cocaine Trafficking in the Unites States, Volume 1, *'The California Story'* ".

In the high speed of the digital age of information technology, the "*Dark Alliance*" series quickly spread beyond the *Mercury News's* readers. The series was placed on the paper's web site where, according to the *Mercury News*, it received more that a thousand hits a week. Additionally, talk show stations made it their leading story for weeks and network television gave considerable time to reporting the story on the evening news.

The fact that this story has resonated so powerfully outside the minority communities should not come as a surprise. The spread of crack cocaine in predominantly majority communities is well-documented and no longer remains a secret. Whether drug use occurs in majority or minority communities is not the issue. Drugs tear at the very fiber of our Nation, the family structure. Caucasian, Asian, African-American and Hispanic families have been destabilized resulting in lost generations of our youth and rising drug-related crimes.

In the aftermath of the *Mercury News* series, a number of newspapers initiated their own investigation of the allegations. The *Los Angeles Times* was one newspaper that concluded, and I quote, "*The crack epidemic in Los Angeles followed no blueprint or master plan. It was not orchestrated by the Contras or the CIA or any single drug ring. Not one trafficker, even the kingpins who sold thousands of kilos and pocketed millions of dollars, ever came close to monopolizing the trade.*"

On Sunday, May 11th, the *San Jose Mercury News* executive editor, Jerry Cappos wrote an article entitled: "*To the readers of our Dark Alliance Series*" that identified certain shortcomings in the "*Dark Alliance*" series. Specifically Mr Cappos asserted that; "*In a few instances, we presented only one interpretation of complicated, sometimes conflicting, pieces of evidence. In one instance, we did not include information that contradicted a central assertion of the series. We made our best estimate and instead reported it as fact. We oversimplified the complex issue of how the crack epidemic in America grew. And through imprecise language and graphics, we created impressions that were open to misinterpretation.*"

Mr Chairman, although the *San Jose Mercury News* series deals with the African-American community in south central Los Angeles, this issue impacts all Americans. The possibility that the government may have been involved in drug trafficking activities threatens the credibility of all government agencies and entities. A government of the people and by the people must not be permitted to engage in such activities. When the allegations of government abuse come to our attention we are obligated to use whatever resources are necessary to fully and professionally investigate the charges.

Mr Chairman, there is a lot of work to be done.

**THE CHAIRMAN:**

Thank you, Mr Dixon. I would like to advise the members who came in late that we are trying to start Mr Hitz at 4 O'clock. If you will look at the clock on the wall, you will understand my admonition that the opening statements be kept within reason.

Please, Mr. Skelton.

**MR SKELTON:**

Thank you Mr Chairman. I join my colleagues in welcoming our congressional witnesses and the Inspector General of the Central Intelligence Agency, Mr Fred Hitz.

As the ranking Democratic member on the National Security Committee, I am well aware of the commitment that our Nation's defense establishment has made to combating the importation of drugs into our country. An allegation that an agency of the Federal government has been involved in trafficking cocaine into the United States while other Federal agencies, including the Defense Department, are dedicating personnel and resources to fighting a war against drugs, Mr Chairman, is horrendous.

The position of Inspector General is often a lonely one. Frequently, Inspectors General are criticized by the public when their reports do not verify alleged misconduct and their objectivity is then called into question. Within an agency, the inspector general is sometimes viewed as the villain who is out to harm the image and reputation of the agency.

Mr Hitz, you have weathered all types of criticism and have always maintained a professional attitude. I wish you all the best in whatever the future holds for you and thank you for your service.

Mr Chairman, thank you.

**THE CHAIRMAN:**

Thank you, Mr Skelton. Ms Harmon of California.

**MS HARMON:**

Thank you, Mr Chairman. I would like to point out to the Audience that a majority of the committee members are here, and I think that that speaks to the importance that we give to this issue.

Mr Chairman, I just want to say that at the root of all of this is one word: trust. A democratic society simply cannot function if the people believe that government agencies and officials participated in or condone illegal activities. Restoring trust will not be easy, but it is nonetheless an essential exercise for this committee.

Speaking as one member, we cannot shirk that responsibility nor do I feel we will. I thank you, and I yield back.

**THE CHAIRMAN:**

Thank You Ms Harmon. Ms Pelosi.

**MS PELOSI:**

I want to commend you and our ranking members for having this public hearing. I still have questions, and I look forward to the Inspector General's presentation.

This is an issue of great concern in San Francisco, which I represent in the Congress. Since the advent of the crack epidemic in the early 80's, there has been a suspicion in our community that the African-American community was a target, particularly women in the African-American community were a target, of a campaign to provide crack to them. The suspicions were that this would lead to undermining the African-American community by under-mining the family. It is a terrible, terrible thought.

Around the same time the Contra debate was raging in the Congress

of the United States. The Congress was trying to determine if the profits from weapons sold to Iran were diverted to the Contras in order to circumvent the congressional ban on funding the Contra movement.

Therefore, when this story hit, there had long been a climate that made it a credible story.

I do not think that the so-called retraction of the *San Jose Mercury News* was that weighty. It was a few instances: we didn't include an assertion that contradicted; we were in error about the money and oversimplified. That is not exactly a major retraction. So I have, and more importantly, my constituents still have some serious questions about this. We have particular interest in the Frogman case. During the prosecution of this case, the U.S. Attorney for the Northern District of California agreed to return approximately \$36,000 in cash seized from one defendant in this prosecution, after two exiled Contra supporters wrote letters filed with the court that the money was for the "reinstatement of Democracy in Nicaragua".

I look forward to hearing from the Inspector General concerning his findings that there is no information that the CIA had any connection with the defendants in the Frogman case and that there is no indication that the Contras benefited from the drug trafficking of the Frogman case.

Once again, Mr Chairman, thank you for allowing us to present these questions in the open.

**THE CHAIRMAN:**

Thank You Ms Pelosi.                      Mr Skaggs.

**MR SKAGGS:**

I will be very brief. I join in thanking the Chairman for calling these hearings. And, I want to make a special point of recognizing the public service of Fred Hitz to the country and to the Central Intelligence Agency.

I have known him for some time, independent of his current

position. What I have to say. I pick up on Ms Harmon 's comment about trust. This committee, authorized to look into the workings of the intelligence community, ultimately must rely on trusting ourselves in sorting out fact from fiction from innuendo. The key individual in establishing and nurturing a sense of trust-worthiness is the Inspector General.

I believe that Mr Hitz' conduct in office and his execution of his responsibilities have been absolutely key during my service on the committee to establishing the kind of trustworthiness in both directions that enables us to do our work for the American people.

And Fred, I just want to say thank you very much and Godspeed.

**THE CHAIRMAN:**

Thank You Mr Skaggs. Mr Gibbons?

**MR GIBBONS:**

Thank You Mr Chairman. And I join my colleagues in commending you for having this hearing today, and for bringing it before the public.

Agencies that provide valuable intelligence for anti drug, economic or military information must, themselves, be untainted by illegal acts or even the innuendo of an illegality.

The importance of this hearing today will hopefully clear the air on these issues, rebuild confidence between the citizens of this country and our intelligence agencies, and finally in an equally important matter; rebuild our confidence in the intelligence that we receive from these agencies. The men and women in our intelligence gathering agencies deserve no less than our complete confidence in their work to promote a better America.

Thank You Mr Chairman.



**THE CHAIRMAN:**

Thank you, Mr. Gibbons.

Opening statements are completed. At this time we welcome colleagues who are not on the committee. It had been my intention to call members in the order of seniority, the senior member whom we were to hear from has deferred to Juanita Millender-McDonald, since you have been out front on this matter and have held hearings in your district.

We welcome you and your commentary on the report.

**MS MILLENDER-MCDONALD:**

Thank you, Mr Chairman and members of the committee. Mr Chairman and committee members, I commend this Chairman for fulfilling his commitment to hold this hearing. Like the Chairman, I too was deeply disturbed by the allegations.

As many of you are aware, I convened two town hall meetings in the fall of 1996 in response to the widespread feelings of anxiety, public outrage and concern throughout my district in the wake of the news accounts.

The first Town Hall meeting, at the Compton Community College on October 19, 1996, was attended by hundreds of residents from my drug-ravaged community. I sought to find out how the local community responded to the widespread harm caused by the scourge of substance abuse and allowed them to seek answers to these allegations.

Then on November 15, Director of Central Intelligence John Deutch made an unprecedented visit to Alain Locke High School in the Watts section of my district to directly address the concerns raised by my constituents.

I am here today to articulate some of the concerns my constituents and I have about this report and the ongoing controversy.

Did CIA personnel or assets have any involvement in supplying or assisting drug traffickers in south central Los Angeles or elsewhere?

The report answers this question in the negative. However defense attorney Harold Braun maintains that a suspect in the custody of the Los Angeles County Deputy Sheriffs was allowed to make a long distance telephone call to Virginia after asserting he worked for the CIA. What evidence do we have in this report that this allegation was pursued, given the report does not mention investigation of telephone logs?

When it received information about possible Contra involvement, did the CIA aggressively pursue its role, to; quote *“collect, produce, and disseminate intelligence on foreign aspects of narcotics and trafficking”* ?

The information in this report suggests that the CIA turned a blind eye, at best, to information that suggested drug trafficking by Contra operatives.

And the ultimate question is: can the CIA investigate itself? The public remains skeptical.

I hope the Select Committee will give the content, methods and findings of this report the scrutiny they deserve. I believe this is critical to restoration of the public trust necessary to allow intelligence gathering activities to coexist with democracy.

Thank you, Mr Chairman and members.

**THE CHAIRMAN:**

Thank you very much, Ms Millender-McDonald. That was a very fine statemanet. You have raised some specific questions for the committee to take under consideration. And we shall.

One of the reasons we felt it was important to have this hearing at this time is because Mr Hitz is on to greater glories with new employment. We wanted to make sure we had the opportunity for him to explain his report, and that is why we decided to do this today.

At this time, then, I would call Ms Maxine Waters from California's 35th District. And we are pleased to have you before us today, Maxine.

**MRS WATERS:**

Thank You very much, Mr Chairman and Members. I would like to thank you for holding this hearing. Certainly it is not expected of the Intelligence Committee.

Mr Chairman and members of the committee, I am here today to testify about the failure of the Central Intelligence Agency to conduct a serious and thorough investigation. Unfortunately, my fear that the CIA would be unable to investigate itself had been confirmed with this report. The Inspector General's Report lacks credibility. It is fraught with contradictions and illogical conclusions. In a September 3, 1996 memo, then CIA Director John Deutch laid out the framework for this investigation. Director Deutch's memo stated, "*I have no reason to believe that there is any substance to the allegations published in the Mercury News*". If the CIA Director's premature conclusion meant to direct the final outcome, he has succeeded. This report's sweeping denial of the CIA's knowledge of drug trafficking related to the Contras defies the evidence as to what the CIA should have known.

Many skeptics believe that the CIA could never produce a credible or truthful review of wrongdoing by its own agency. These skeptics could point to this Sunday's *Los Angeles Times* to confirm their fears. The *Times* reported in another case, that after 37 years, the CIA finally admitted publicly the most profound deception imaginable to an American family. Thomas Pete Ray and his top secret squadron of National Guard bombers were shot down during a CIA bombing mission in the Bay of Pigs debacle. For 37 years the CIA denied that Mr Ray and his squadron even existed, much less were shot down by Cuban troops in 1961. Only this month, faced with a document obtained by a Freedom of Information Act request did the CIA finally admit the truth, thirty-seven years later.

After reading the "*Dark Alliance*" series, I interviewed Gary Webb, writer of the series and by the way, Mr Chairman and Members, Mr Gary

Webb is here today. He is sitting right here. I invited him to come to my district in south central Los Angeles to respond to questions from local residents. My community encouraged my efforts to delve deep into these allegations.

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A major problem with the report, Mr Chairman and Members, is that the report cleverly refers to agents. But, we should be talking about agents and / or assets.

I am going to say to you today in no uncertain terms, Mr Adolpho Calero was a CIA asset. Many of the funds for aid were funneled through him. Mr Enrique Bermudez was a CIA asset; Mr Francisco Aviles, a Contra official in Costa Rica in the Frogman case; Mr Ivan Gomez, CIA agent, who accepted drug money from Mr Meneses; Mr Dagoberto Nunez, who ran a shrimp company for Oliver North in Costa Rica; Mr Edmundo Meneses, American-trained Nicaraguan General and Norwin Meneses' brother; and Mr Sebastian Gonzalez, Contra leader in Costa Rica and drug partner of Meneses.

I assert here today that these are all CIA assets. I challenge this committee to ask the Inspector General and others in the CIA, to document for you whether or not my allegations are true. They should give sworn testimony regarding their knowledge about the people I've cited as being assets of the CIA. Today, I am asking this committee to obtain the written responses from the CIA that either categorically confirms or denies they are or were CIA assets or agents.

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Another major problem with the investigation underlying the report was the CIA's lack of subpoena power. This meant that some of the most important CIA officials were never interviewed. Three former senior CIA managers would only respond in writing.

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Six other key CIA personnel refused to be interviewed. The CIA agents included Duane Claridge, Joseph Fernandez and Claire George. All of these senior CIA officials had major responsibilities for the CIA's Contra operation. There can be no thorough investigation without sworn testimony from each of these individuals. They should be subpoenaed.

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Duane Claridge was the CIA officer who helped create the Contras at a time when the Meneses ring first began dealing cocaine for the FDN; the 'Fuerza Democratico Nacaraguenze' the political arm of the Contras. Duane Claridge's name also appeared in Oliver North's notebooks as for making quid pro quo deals with known drug kingpin Manuel Noriega.

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Claridge summed up how serious he thought this investigation was when he told reporters in December 1997 that the CIA *"sent me questions that were bullshit, and I wrote back they were a bunch of bullshit."*

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Allegations of drug trafficking and connections between the Contras and the CIA are not new. The Senate Subcommittee on Terrorism, Narcotics and International Operations, chaired by Senator John Kerry, conducted a 2-year investigation into allegations of Contra involvement in drugs and arms trafficking.

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The CIA Inspector General's Report summarizes some of the Kerry commission's devastating findings. Drug traffickers provided support to the Contras and used the supply network of the Contras.

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Contras knowingly received both financial and material assistance from the drug traffickers.

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The FDN / Contra group moved Contra funds through a narcotics drug trafficking and money laundering operation.

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U.S. State Department funds authorized by Congress for humanitarian assistance was paid to drug traffickers. In some cases, these drug traffickers received the State Department's funds after having been indicted by Federal law enforcement agencies on drug charges.

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In each case, one or another U.S. government agency had information regarding these matters.

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Not included in the CIA IG Report are other key findings of the Kerry committee. Despite widespread trafficking through the war zones of northern Costa Rica, the Kerry committee was unable to find a single case which was made on the basis of a tip or a report by an official of a U.S.

intelligence agency.

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This, despite direct testimony that drug trafficking on the southern front was reported to CIA officials.

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How can this report include these incriminating findings by elected officials, including Senators Kerry, Brock, and Moynihan, and others, while summarily dismissing any CIA knowledge of or involvement in Contra drug trafficking into the U.S.? This is an outrageous contradiction.

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Moreover, the report is littered with damaging admissions. This report admits Norwin Meneses was one of the biggest drug dealers in America and that he supplied Danilo Blandon. Blandon, in turn, was the source who supplied Ricky Ross.

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Meneses dealt drugs in the United States for over ten years, starting back in 1974. He dealt drugs without interference, without any intervention. He had assets and businesses in San Francisco. Congresswoman Pelosi referred to the Frogman case. When they tracked down some of Meneses' people, they tracked them to the very house that was connected with the Frogman case, where many of those same people were involved.

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Meneses was well known by the CIA, the DEA, and DIA, and everybody in the United States as a drug dealer who was supplying Danilo Blandon, who was supplying Ricky Ross.

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How he stayed in the United States all those years selling drugs that ended up helping to support the Contras, and nobody, but nobody, knew it, is absolutely amazing.

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The CIA and DEA records are full of knowledge about Meneses' drug dealing operation.

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This knowledge was substantiated in this report, even this report!

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The CIA knew of his drug trafficking by 1984 and the DEA had known of his trafficking activities as early as 1974.

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There are many other key facts that were confirmed by this report. On pages 76-77, drug dealer Norwin Meneses admitted giving money to the California chapter of the FDN / Contras and that he was involved in the 1988 attempt to obtain "*material support, medical and general supplies*" for the Contra movement.

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I have maintained that it does not matter how much money, it does not matter whether it was, as Eden Pastora testified, only a few thousand dollars and a couple of trucks, or as Meneses himself claimed, that he contributed \$40,000 plus in medical supplies and other things.

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I am outraged by this, as a public elected official. All of us must be concerned that our government could have in any way been involved in drug trafficking. Drug trafficking. That is a very, very serious offense against the people of this nation. We cannot afford to have our government, I do not care under what pretense, involved in drug trafficking.

Page 71 of the report documents a connection between CIA asset and Contra military leader Enrique Bermudez, Meneses and Blandon. Blandon and Meneses traveled to Bolivia in 1982 to make a drug deal and stopped en route in Honduras. While in Honduras Bermudez asked Blandon and Meneses to help raise money and supplies for the FDN. He let the drug traffickers know that their support would be welcome because, I quote and every-body quotes, even your report quotes, that he said "*The ends justify the means.*"

Blandon then describes how he and Meneses were escorted to the airport by armed Contras after the meeting with Bermudez. Blandon left the meeting, he left this meeting, with \$100,000 in a bag to buy drugs. The profits from the sale of these drugs were to be used to buy supplies and fund the Contras. Blandon tells of how he ran into trouble at the airport in Honduras when he was caught with the \$100,000. But guess what? Just like in the Frogman case, when they caught them with the dope and the money, they returned the \$36,000 having been told that it was Contra money. This man with \$100,000 in drug money to buy more drugs for more supplies, was assisted by the Contras at the airport. Even though he had been stopped and they had taken \$100,000 out of his briefcase,

with the intervention of the Contras, they gave it back to him, and he went along his merry way. Where did the \$100,000 come from?

**THE CHAIRMAN:**

Can I ask the gentlewoman to conclude her remarks? We have been overgenerous. We are taking away time from the presentation.

**MRS WATERS:**

Where did the \$100,000 come from? Did they give it back to Blandon for the Contra CIA connection?

Well, Mr Chairman and Members, I am going to close by saying this: this report does not do the job, Mr Chairman.

Why do I do all this? Because I want to find some CIA operatives, assets or agents and somehow convict them? That is not going to happen. And that is not what I am trying to do. I do it because, as public policy makers, we cannot continue to put our heads in the sand. At the same time we are spending millions of dollars talking about a war on drugs?

Give me a break, Mr Chairman and Members. We can do better than this. I will not go away. I cannot go away. My community has been devastated, as have many communities across this Nation. People are outraged and concerned about the fact that this drug problem won't go away and by the idea that the government could be involved.

I challenge this committee to create public policy that will get our government out of ever being involved in drug trafficking in any way.

I thank you.

**THE CHAIRMAN:**

At this time I would like to swear in Mr Hitz.  
Mr Hitz, may I ask you to raise your right hand?



[Witness sworn].

**THE CHAIRMAN:**

I would advise Members that Mr Hitz went out of his way to accommodate our schedule. I believe he had been without sleep for at least a couple of days in order to travel back here, and we are obliged for that consideration. I yield the floor to you.

**MR HITZ:**

I assure the committee that I am happy to be here today and hopefully I will be able to answer your questions irrespective of distance traveled. I feel a little bit as if we have had dessert first. It has been a very serious and thorough discussion by the two Congress persons about their views of my report, and so I am happy to have the occasion now to summarize it for you.

At the request of then Director of Central Intelligence John Deutch, on September 3, 1996, I initiated an inquiry into the allegations that stemmed from a three-part series called *"Dark Alliance"*. I promised Congress and the American people to have my office *"conduct as thorough a review as possible of all available information and report what we find candidly and completely."*

I am pleased to come before this committee today and say that we have done just that.

Our report represents an exhaustive array of facts. We reviewed an estimated 250,000 pages of documents and conducted over 365 interviews of persons on four continents. We reviewed reporting from other intelligence community agencies, including the NSA and DIA. We reviewed available congressional records including information compiled by the Kerry Committee and spoke with individuals associated with the Joint Iran-Contra Investigating Committee.

Our 17 - person team worked some 18 months to identify, and let me underscore:

Number 1, any information in CIA's possession relating to Danilo Blandon, Norwin Meneses or Ricky Ross.

Number 2, any information in CIA's possession relating to possible drug trafficking activities by the Contras in California and elsewhere in the United States and what action, if any, CIA may have taken upon receiving that information.

And, third, any contacts between CIA and law enforcement authorities regarding that information.

Now, let me turn to the findings. I want to make clear that we found absolutely no evidence to indicate that CIA as an organization or its employees were involved in any conspiracy to bring drugs into the United States.

The first half of the report discusses CIA knowledge of the activities of Ross, Blandon and Meneses. Ross, Blandon and Meneses are convicted drug dealers. Our investigation found no information to indicate that any past or present employee of CIA or anyone else acting on behalf of CIA had any dealings with Ross, Blandon or Meneses or had any knowledge of their drug trafficking activities.

Ross was a major cocaine and crack trafficker who says he made millions in the drug trade. His activities helped to foster the crack epidemic that erupted in south central Los Angeles. However, Ross told us that he never sold drugs for the Contras or donated any money to the Contras. The CIA never had any relationship with Ross.

Blandon and Meneses also trafficked in drugs to derive personal financial gain. While CIA had no relationship with Blandon and Meneses, our investigation did find that they were affiliated with California Contra support organizations, and each made financial contributions to those groups.

Blandon says he met Contra leader Enrique Bermudez on four occasions from 1981 to 1983. One meeting occurred in Honduras in 1982 while he and Meneses were traveling to Bolivia to conduct a drug deal. Blandon says that Bermudez told them that the Contras were having trouble raising funds and asked that he and Meneses help, stating that;

*"the end justifies the means".*

Blandon adds that it is his belief Bermudez did not know that he and Meneses were engaged in drug trafficking, but was aware of Meneses' alleged Nicaraguan organized crime connections. Unfortunately, we could not obtain information from Bermudez since he was murdered in Managua in 1991.

No information has been found to indicate that CIA hindered or otherwise intervened in the investigation, arrest, prosecution, conviction or sentencing of Ross, Blandon or Meneses.

The second half of our report: *"The Northern California Story"* pertains to a case in San Francisco often referred to as the Frogman case. The case got its name when law enforcement authorities in San Francisco arrested several swimmers who had come ashore from a Colombian freighter on January 17, 1983. The swimmers had with them some 430 pounds of cocaine. In all, some 12 arrests were made on January 17 and more followed soon thereafter, including the arrests of two Nicaraguans; Julio Zavala and Carlos Cabezas.

Unlike the events relating to Ross, Blandon and Meneses, this was a case where the CIA became involved because it mistakenly thought it had an interest to protect.

The CIA first learned of the Frogman case in late July 1984, about a year and a half after Zavala's arrest. At the time, the CIA was informed that two representatives of the United States Attorney's office in San Francisco, which was prosecuting Zavala, planned to attend depositions in Costa Rica from two members of Contra organizations who had provided Zavala with letters that claimed that the \$36,000 the authorities had seized from Zavala at the time of his arrest belonged to the Contras. CIA officials mistakenly identified one of the Contra members as a former CIA asset. There was concern that the depositions might expose a Contra support group in which the CIA had an operational interest. No information was found to indicate that the two Contra officials who wrote the letters supporting Zavala were involved in drug trafficking.

An attorney from the CIA's office of General Counsel met with the responsible prosecutor and possibly other representatives from the U.S. Attorney's Office.

Accounts differ as to why the money was returned to Zavala. The Assistant US Attorney, who prosecuted Zavala; Joseph Russoniello, and others involved in the prosecution state that the decision to return the money to Zavala was not based on any CIA representations, but only their own judgment as to whether it was worth the time and expense to go to Costa Rica for the depositions.

However, we found a CIA cable that was written soon after the CIA attorney had met with the responsible prosecutor. The cable indicated the money was returned to Zavala at CIA's request. Unfortunately, the CIA attorney cannot recall the facts of the case or the meeting in question.

In summary, I would emphasize that whatever impact the CIA attorney may have ultimately had on the decision of the U.S. Attorney's Office to return the money to Zavala, we have found no evidence to indicate the return of the money weakened the prosecution's case against Zavala. Zavala was convicted and sent to prison.

As I said earlier, we have found no evidence of any conspiracy by CIA or its employees to bring drugs into the United States. However, during the Contra era, CIA worked with a variety of people to support the Contra program. These included CIA assets, pilots who ferried supplies to the Contras, as well as Contra officials and others.

Let me be frank about what we are finding. There are instances where CIA did not in an expeditious or consistent fashion cut off relationships with individuals supporting the Contra program who were alleged to have engaged in drug trafficking activity or take action to resolve the allegations. I want to underscore the fact that we are talking about allegations here.

In closing, Mr Chairman, I would urge the American public to read the report which is available on the internet at [www.odci.gov / cia](http://www.odci.gov/cia).

Thank you Mr Chairman. I am pleased to answer your questions.

**THE CHAIRMAN:**

Mr Hitz, thank you very much.

As I said at the beginning, colleagues, we have the room until 5:00. Apparently we have been able to negotiate an extension of the lease until 5:15, and if Mr Hitz could agree to stay until that time, I would be thankful.

**MR HITZ:**

I can.

**THE CHAIRMAN:**

I would like to start by asking, were there any warnings that CIA officers should stay clear of individuals trafficking drugs and in fact should report them?

**MR HITZ:**

For the most part that tone is contained in the cables, but, you have to recognize that the nature of the allegations varied. In some cases, it was sort of wild hair rumors that were circulating while some of the allegations were more deeply rooted.

**THE CHAIRMAN:**

With regard to the individuals who declined to be interviewed by your office, did they give you any reason for their unwillingness to participate in this? I presume you do not have the power of subpoena. Is that correct?

**MR HITZ:**

No, we do not have the power for subpoena of individuals.

The attitude I encountered was that having gone through the Iran-Contra investigation, that era, several felt that they had been through enough. They did not believe there was any substance in the *Mercury News* accusations, and they just chose not to participate.

**THE CHAIRMAN:**

Finally for me, Mr Hitz, did you interview Gary Webb?

**MR: HITZ:**

No, we did not.

**THE CHAIRMAN:**

Sandra Smith?

**MR HITZ:**

I am sorry, Mr Chairman, who was that? Sandra Smith?

**THE CHAIRMAN:**

Sandra Smith is the DEA agent in the first of the "*Dark Alliance*" stories, the alleged source of the beginning of this.

**MR HITZ:**

No, I did not.

**THE CHAIRMAN:**

Thank you, sir. Mr Lewis.

**MR LEWIS:**

Thank you Mr Chairman and colleagues. I want to compliment both

my colleagues from Los Angeles, Ms Millender-McDonald and Maxine Waters for their efforts.

Mr Hitz, I too appreciate your making the effort to come and be with us today and want to express my appreciation for your long service to the country.

What were the CIA's legal and regulatory responsibilities from 1979 to 96 regarding the reporting of potential crimes and the maintenance of relationships with persons suspected of involvement in drug trafficking?

**MR HITZ:**

Well, it was a movable feast, so to speak, the requirements kept changing. From 1976 to 1982, it was an issue that was not really addressed. From 1982 to 1995, in an agreement hammered out between Attorney General Smith and the Reagan administration, there was no requirement to report on allegations of drug trafficking with respect to non employees of the intelligence agencies. And during the period that did not include agents of the CIA, did not include assets.

That has been changed. The agreement in 1995 superseding the 1982 to 1995 period, specifically lists narcotics crimes as reportable, irrespective of whether or not the agency acquires information that they are being carried on by non employees, namely assets.

**MR LEWIS:**

Thank you very much, Mr Hitz.  
Mr Chairman, I yield back the balance of my time.

**THE CHAIRMAN:**

Mr Dixon.

**MR DIXON:**

Thank you very much, Mr Chairman. Mr Hitz, I join those who are

sorry to see you leave. I understand you are off to Princeton University.

Regarding the Frogman case you say that the CIA became involved mistakenly. As I recall, your report indicates that the attorney from CIA traveled to northern California and had a conversation with the prosecutor. I believe your testimony today reflects that you could find no written material by the attorney who, in fact, had that engagement with the prosecutor?

**MR HITZ:**

What we did find, of course, and I believe you are familiar with this, Mr Dixon, is the write-up that was made by the Office of General Counsel commenting on that particular exchange, that intervention with the assistant U.S. Attorney. The individual whom we think was involved in the actual negotiations, in fact, doesn't have a recollection of it.

**MR DIXON:**

And the write-up was not made by the person who was involved?

**MR HITZ:**

Well, we don't know that.

**MR DIXON:**

You don't know who it was made by? Is that right?

**MR HITZ:**

Correct. He has no recollection of it.

**MR DIXON:**

Now, you come to the conclusion that they interceded because of a mistake. And I believe the report indicates it is a mistaken identity of someone that the CIA did have a relationship with.



**MR HITZ:**

That's correct, Mr Dixon. We did not, the CIA did not get involved in the Frogman case until several years after the arrest took place. It came as a consequence of a cable, a State Department cable from Costa Rica saying that a private attorney and attorneys from the United States Attorney's office in San Francisco were about to come to Costa Rica to take the deposition of two signatories to a letter which had been directed to the U.S. Attorney's Office, seeking to reclaim the \$36,000 that had been confiscated on Zavala's arrest.

The letter came from what appeared to be Contra support groups, and one of the signatories, the agency mistakenly identified as an asset. It was a Hispanic name that was remarkably close to the name of an agent that had worked for us. In any event it was, as you suggest, a case of mistaken identity.

Not having been able to locate the lawyer who was actually involved in this, and therefore not being able to speak to his or her mind set, it appears what they were trying to do was to protect the identity of the Contra support group's connection and in that way keep it from being revealed.

**MR DIXON:**

Did your investigation make an independent evaluation that this was a mistake or is this something that the CIA told you?

**MR HITZ:**

The CIA did not tell us, and in point of fact, we were the ones that discovered that the identity of the agent was mistaken.

**MR DIXON:**

Thank you Mr Hitz.

**THE CHAIRMAN:**

Mr Gibbons.

**MR GIBBONS:**

Thank you very much Mr Chairman. Mr Hitz, let me ask a broad general question. Did your office uncover any information which would have indicated that there was any authorized or unauthorized U.S. Government activity which would have facilitated narcotics trafficking in the United States or overseas?

**MR HITZ:**

No, we did not. We did not encounter any information that would suggest that there was authorized... and the unauthorized, of course, is the trigger there. Obviously, if it was unauthorized in the purest sense there wouldn't be any record of it. We were using the written record so we could ask intelligent questions. We found no evidence of a scheme to promote the Contra effort by selling drugs by CIA employees.

**MR GIBBONS:**

Thank you, Mr Hitz.

Thank you, Mr Chairman. I'll yield back the rest of my time.

**THE CHAIRMAN:**

Thank you Mr Gibbons. Ms Pelosi.

**MS PELOSI:**

Thank you, Mr Chairman. Again, I want to compliment you for having this open hearing, but I would request that we have another opportunity to question the Inspector General, because he will not be available long enough today for us to ask even a substantial part of our questions.

In your judgment, was the contact between the CIA and the U.S. Attorney's office in this case, the Frogman case, appropriate?

**MR HITZ:**

There appears to have been a difference in interpretation of the propriety of the contact by the individual attorney who engaged in it. He stated in his write-up that he felt he was getting into an area that could cause embarrassment to the President's covert action activity in the Contra matter and drugs.

**MS PELOSI:**

My concern is whether the U.S. Attorney's office would perhaps not proceed in a matter for the reason you just said; to not jeopardize activities of the CIA.

**MR HITZ:**

Well, my experience with the U.S. Attorneys' offices has been, Ms Pelosi, that if the U.S. Attorney felt that he or she had a case in this matter, no intervention from the CIA would have warded them off. They would have gone for it and appropriately so.

**MS PELOSI:**

Mr Chairman, I know that we won't have much more time. So I'm not going to ask any more questions but I would like to make a couple of observations.

As I listen to what you say, Mr Hitz, I appreciate you establishing your limitations: you don't have the power of subpoena, the guidelines weren't clear, certain things were not reportable at the time. For example whether an asset that we were engaged with was involved in drug trafficking. And that leads me to conclude that we may have unwittingly, and I use that word generously, we may have been subsidizing assets who engaged in drug trafficking.

I'm glad that the law has changed, that now at least, it is reportable. But, I, for the life of me, cannot figure out why, as you say in your statement, that the CIA did not know whether these people were involved in drug trafficking. At least they should know, whether it is reportable or not, we at least should know. We are CIA. Shouldn't we know? Doesn't the pen say "*knowledge is our business*"?

**MR HITZ:**

We are pretty categorical on the issue of Blandon and Meneses and their lack of relationship with the CIA. Ricky Ross as well.

**MS PELOSI:**

I think that in our investigation we should talk to the people you couldn't subpoena. We could figure out why it wasn't worth \$36,000 to go to Costa Rica for a deposition, and we can find out whether the CIA mistakenly identified somebody or not.

This is not to say that within the limitations that you have in the Inspector General's office that you haven't made a good effort, but I'm afraid it keeps open some questions that I would hope that it would close. But, nevertheless, thank you.

**THE CHAIRMAN:**

Mr Bishop. Good afternoon,

**MR BISHOP:**

Good afternoon and thank you very much Mr Chairman. Let me apologize for my delinquency in getting here. I had a 2-hour mechanical delay with my flight and I didn't want to rush that. But I am delighted to be here.

I've read the report and I have a few observations to make. The first of which is that I want to join my colleagues in commending you, Mr Hitz,

as you retire from the CIA. I want to take this opportunity to join them in thanking you for service to the agency and to our country.

I would also like to make the observation that allegations of CIA involvement in the introduction and distribution of crack cocaine is very, very serious, and it really created a fire storm. In minority communities it immediately generated comparisons to the Tuskegee syphilis study where African-Americans were injected with syphilis germs and were left untreated for the purpose of study.

I do want to ask you a couple of questions. Were the current employees cooperative in providing information and did any government agency official or State agency or individual attempt to influence your investigation in any way?

**MR HITZ:**

No, we had good cooperation and nobody tried to push us around.

**MR DICKS:**

Would the gentleman yield on that point for a second? What about this fellow, the CIA attorney who could not recall the facts of the case or the meeting in question? That doesn't sound to me like full cooperation.

**MR HITZ:**

Again, Mr Dicks, it is regrettable, we would like to have gotten his... if he was the person who authored the document, and he's the person that made the intervention with the U.S. Attorney's office... it would have been helpful had he remembered, but we had a pretty good written record and in point of fact, that's what we were stuck with.

**MR DICKS:**

Thank you for yielding.

**MR BISHOP:**

You are welcome. Would you just tell me what were the CIA's legal and regulatory responsibilities from '79 to '96 regarding reporting of potential crimes and the maintenance of relationships with persons that were suspected of involvement in drug trafficking?

**MR HITZ:**

I think just before you arrived, I spoke to that rather odd history. In point of fact, the period of '82 to '95 was one in which there was no official requirement to report on allegations of drug trafficking with respect to non employees of the agency, and they were defined to include agents, assets, non staff employees. That was the agreement that was struck between then Attorney General Smith and the agency. That has since been changed, since '95.

**MR BISHOP:**

I appreciate the Chair's indication that we will continue this at the committee's pleasure at a later time, and with that, I will ease my questioning and thank you very much, Mr Hitz.

**MR HITZ:**

Thank you, Mr Bishop.

**THE CHAIRMAN:**

Mr Bishop, thank you.

We are beyond the appointed hour, and I know that we have added even longer to the length of your already long day, Mr Hitz, but we are thankful. As you can tell there is a great deal of interest. There, indeed, will be several follow-up questions coming along on this subject as we proceed with our investigation in the select committee.

I would like to point out to committee Members, I have promised to go forward. And we are. Members, I recognise that there is a lot of

concern about the seven individuals who declined to comment. We have been in contact with all seven of them and we have varying degrees of response. I offer that as a token of the resolve we have to proceed forward on this.

I would like to ask one final question Mr Hitz, if I could. I have read this report very closely. It focuses a spotlight, as you say, on a specific series of allegations. The report, I think, is very clear in what it says. It is signed by you?

**MR HITZ:**

Yes.

**THE CHAIRMAN:**

Did you sign this report without reservation, and do you stand behind this report and what it says?

**MR HITZ:**

I did and I do.

**THE CHAIRMAN:**

I thank you, very much.      This meeting is concluded.