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My

Senator Laxalt and the Mob

Counterspy



CIA FRONT

CAUGHT RED-HANDED IN HAWAII

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Also in this issue: Reagan Censors Government Workers • The CIA's "Free" Elections in El Salvador • Philippine Elections "Made in U.S.A." • CIA Goes to Rutgers • South Africa Positions for Olympic Gold • Corruption in El Salvador • Right Wing Subverts Australian Labor

With this issue, *Counterspy* welcomes:

DENNIS BRUTUS, recognized poet and hero of the struggle against South Africa's apartheid.

ALLAN EBERT-MINER, Washington, D.C. coordinator of Africa Network.

ANGUS MACKENSIE, 1982 winner of the Media Alliance Meritorious Achievement Award In Defense of Freedom of Information.

MURRAY WAAS, 1983 winner of the H.L. Mencken Award For Investigative Reporting.

The article by Brutus and Ebert-Miner is timely, as South Africa is escalating its campaign for international acceptance without ending its policy of apartheid.

MacKensie's article exposes the Reagan administration's attempt to gag government employees for life.

The article by Waas is of special significance as Senator Paul Laxalt, Chairman of the Republican National Committee, is spearheading Reagan's re-election campaign.

Timeliness, based on hard documentation and incisive reporting, keynotes this issue of *Counterspy*.

John Kelly's fully-documented work on Ron Rewald lays out the scope of CIA operations under Casey and how such operations leave the rich richer and the oppressed ever more oppressed.

Long time contributor Walden Bello's brilliant report and analysis of the recent Philippine elections pinpoints the abuse of the electoral process by the U.S. government and the dictators it supports. All under the hypocritical guise of freedom and democracy...

Joy Hackel's article on El Salvador bears reading by all. It describes how U.S. taxpayers' monies go to El Salvador as economic aid yet are pocketed by wealthy Salvadorans. This happens with the awareness of the U.S. government — which is also the source of the charges of corruption.

The current abuse of academia by the CIA is detailed by Konrad Ege. The collusion takes place at taxpayers' expense, without their knowledge, and is directed towards undermining the European peace movement.

Finally, Joan Coxledge's article exposes yet another CIA/corporate operation under the mantle of U.S. labor, designed to subvert foreign labor.

We are rightfully proud of this issue.

But we need immediate aid. Money, and the more the better!

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Cover photo: Ronald Rewald and Jack Kindschi, the former CIA station chief for Hawaii, celebrate in the happier days before Rewald's investment company went bankrupt.

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NEWS NOT IN THE NEWS

El Salvador: Corruption on Top of Brutality

by Joy Hackel

While the Salvadoran military and security forces have felt some pressure of late to tidy up death squad activities and reduce other routine atrocities, the recipients of U.S. economic aid in the war torn nation are carrying on business as usual. A confidential audit conducted for the U.S. Agency for International Development (AID) and several unpublished reports by the Government Accounting Office (GAO) verify that American aid dollars are being illegally diverted by the Salvadoran private sector for their own personal gain.

El Salvador, like most other poor countries, suffers from an acute foreign exchange crisis. To an increasing extent, U.S. aid is required to shore up its Central Bank with dollars, which the Salvadoran business sector relies upon to import goods from the United States. In fiscal year 1983, the Reagan Administration channeled \$222 million to El Salvador for a program of "economic stabilization." Of this total, \$120 million was allotted to the Private Sector Support Program, a U.S. dollar fund to be used to import

U.S. capital and intermediate goods. In theory, the program is said to spur new private investment and "stabilization" of the Salvadoran economy. In fact, studies completed for AID and the GAO detail how Support Pro-

Studies completed for AID and the GAO detail how Support Program funds have been pocketed by Salvadoran entrepreneurs and then shifted to purchase Miami real estate or line European bank accounts.

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A confidential audit of Foreign Exchange Policy and Management in El Salvador prepared by Arthur Young

and Company in June of 1983 details the variety of ways in which enterprising Salvadorans make use of AID generosity. The simplest and most common method of illegally obtaining funds, according to the report, is false invoicing. Salvadorans in the business sector can obtain dollars from the Central Bank if they present an invoice for the goods to be purchased to the Bank's import licensing unit along with the equivalent amount of Salvadoran colones. The confidential audit notes that importers frequently inflate the supposed cost on an item and pocket the difference. Businessmen may even obtain credit in Salvadoran colones from the government, exchange it for economic assistance funding in dollars at an advantageous exchange rate—2.5 colones buys one dollar through AID rather than 4.25 colones which is the open market rate.

The owner of a textile factory in San Salvador, for instance, might present an invoice requesting dollars, paid for in credit, to import spare parts for machinery at a price of \$60,000. The goods he is in fact purchasing, however, may cost only \$40,000. The request for credit to purchase spare parts earns the businessman \$20,000 in hard, exchangeable dollars.

"False invoicing," the June audit explains, "appears to be far beyond the control of the three people in the price checking unit. . . . Given the laxity of enforcement the most creative businessmen are proving to be the most successful."

"Creative" business practices take a number of forms in a country locked in violent civil strife. The report acknowledges that in order to obtain import licenses, "pressure applied by interested parties appears to be the major consideration in obtaining fast approval." "Price checkers," the Young and Company audit clearly states, "might be susceptible to pressure and possible intimidation even if they do discover invoices that have been overstated," and "some



claim that either political influence or payoffs are necessary to obtain timely financing for imports."

The overall goal of economic assistance to El Salvador, AID claims, is to restore stability to the country's economy. Young and Company's confidential audit points out that what is in fact "stabilized" by U.S. sponsored programs is the use of illegal mechanisms such as funneling dollars from the black to the parallel market, transferring dollars from the black market to offshore dollar accounts, and "triangle financing" where an importer buys dollars "off-the-record" from an exporter before the money is deposited in the bank.

The extensive corruption reported in the Young report is corroborated by verbal reports of the General Accounting Office to the House and Senate, which declared that "control to prevent capital flight through over-invoicing of imports is weak." It is not even possible, the GAO found, to verify what U.S. AID funds are used for, since AID funds are lumped together with other accounts. "In fact," the GAO reports, "the money can be spent anywhere." While local currency generated by the sale of U.S. AID dollars are supposed to be spent on projects approved by AID, the GAO reported that "AID does not closely monitor local currency uses."

The fact that AID funding inspires capital flight and profiteering is supported by a private report by the U.S. Inspector General on April 20, 1983. The report states that while the Central Bank in El Salvador approved over 70,000 import transactions in 1982, only 112 import applications were actually reviewed. Of those 112, one out of each five was found to be inflated. With the less than 1 percent likelihood that an invoice will be reviewed and an acknowledged 20 per-

More Corruption

Other U.S. government-funded programs in El Salvador are also suffering from corruption. An internal State Department audit reported that an AID-financed public works employment program has been plagued by diversion away from intended recipients of supplies and wages. In several instances, laborers were paid with public funds while working on private construction projects. And *The Los Angeles Times* reported that the U.S. Food for Peace food shipments have also been diverted from refugees to Salvadoran military personnel, particularly in San Vicente province.

cent likelihood that it will be inflated, the margin for corrupt use of funds is gigantic.

Massive amounts of aid have done little to revive Salvador's economic woes. As quickly as new aid is injected, the economy is bled. Controls

on capital flight are so weak, in fact, that between 1979, the year of the so-called reform coup, and 1981 more than \$1.1 billion in capital was hustled illegally out of the country. Meanwhile new investment is at a standstill. At least 200 medium and large-sized businesses closed their doors in recent years, while Salvador's "growth" rate for 1983 plummeted to a negative 1.5 percent.

Consequently, the more funding Washington funnels to El Salvador, the steadier is the flow of funds back to accounts in wealthy countries, and the faster the Salvadoran economy erodes. Aid is, in fact, exacerbating the lopsided relation that spawned the civil war—the concentration of wealth and power in the hands of the few. The extent of fraud and corruption revealed by the confidential audits suggests that economic aid to the Salvadoran government only serves to consolidate the alliances that set rich against poor.

Joy Hackel is a freelance journalist who has traveled to Nicaragua and Cuba. Her articles have appeared in the Washington Post and elsewhere.

"CIA and ACLU Support Curb on Information" read the headline on a *New York Times* article of May 11, 1984. Mistake? Unfortunately not. "It was a rare moment of accord," said the article, between the CIA and the ACLU on pending legislation to exempt CIA operational files from the Freedom of Information Act. According to the *Times*, ACLU attorney Mark Lynch told a House subcommittee: "We believe that this bill will not enable the CIA to withhold any meaningful information which the agency is now required to

release.... We're confident that we're not going to lose anything."

Author Angus MacKensie has demonstrated otherwise. He has produced a list of FOIA requests which the CIA is currently required to honor, including a FOIA request from the Center for National Security Studies which employs Mark Lynch. MacKensie has uncovered that it is the CIA's opinion that if the pending legislation is enacted it will not have to respond to this list of FOIA requests.

Right Wing Subverts Australian Labor

by Joan Coxsedge

Australian politics are once again in turmoil. Much of this turmoil shows the familiar pattern of outside interference. The most serious destabilization involves the attempted affiliation of four right-wing unions to

the Victorian Branch of the Australian Labor Party.

The Australian Labor Party is the oldest political party in Australia. Labor Parties were formed in the Australian States in the 1890s as the political arm of a broadly based and militant trade union movement.

Australia's strong unionism is based on the vigorous democratic involvement of Chartist convicts and Irish Fenians deported from Britain, as well as on the sturdy individualism of people who joined the gold rush in the 1840s and 1850s. This diverse group of people created a Labor Party with at

least nominal adherence to socialist principles. They insisted that decisions made by the rank and file should be binding on all Parliamentarians and wrote this into the Party's constitution.

ALP politicians are therefore theoretically bound to carry out provisions of the Party's policy which are sometimes quite radical. Due to left-wing influence, particularly in Victoria, there are strong policies against uranium mining, on economic matters and on many foreign affairs issues such as aid for Vietnam and support for Fretilin, the organization fighting for the liberation of East Timor. Another important Labor Party policy which threatens U.S. hegemony is support for a nuclear free Pacific. U.S. corporate interests view these Australian Labor Party policies and the very participation of the Party rank and file in such major policy decisions as a threat to their otherwise almost complete dominance over Australia and its politics.

In an interview (*Counterspy*, Dec. 83—Feb. 84), I detailed the CIA-led coup that toppled the government of the last Labor Prime Minister, Gough Whitlam, in 1975. I pointed out that in contrast, the present incumbent, Bob Hawke, appears to have the full support of American big business as well as the seal of approval from President Reagan himself.

A recently leaked secret defence strategy policy document is causing acute embarrassment to the Hawke Government because it shows just how close Hawke's thinking is to Reagan's. This secret policy, acknowledged to be far more cold-war than that of Hawke's conservative predecessors, totally accepts Pentagon-CIA strategy for the Pacific region. Ignoring poverty and all the other problems in the region, it sees the entire world in terms of super-power rivalry. It repeats the U.S. right-wing myth about Soviet superiority in nuclear weapons, and urges that Australia should move more closely towards having nuclear weapons of its own. The policy affirms unlimited support for the U.S. war machine to the extent of harboring U.S. nuclear-armed ships and nuclear-armed aircraft. More disturbing still, it urges support for the Papua New Guinea Government to brutally repress any opposition to Indonesia's mini-imperialism in Irian Jaya (West New Guinea). The document states

that, in some naval exercises in the Indian Ocean, Australian naval ships are under direct U.S. command.

The entire document not only ignores Australian Labor Party policy but goes in a totally opposite direction. It expressly opposes our policy for a nuclear-free Pacific, and recommends we supply Australian uranium to the Philippines. It is best summed up in the way it describes Australian participation in the U.S. alliance as the "status to *comment in Washing-*

A new attempt to subvert the Australian Labor Party's traditional progressive positions by foisting right wing unions upon it has some U.S. connections which run through diverse CIA-linked organizations.

ton on any moves that we consider detrimental to our security."

This is the background to the attempt to foist the four previously anti-Labor unions on to the Victorian Branch of the Australian Labor Party, an attempt which is being vigorously pushed by the Hawke faction.

The labor unions which are seeking to affiliate with the Party are dominated by the National Civic Council, the nearest thing in Australia to a fascist movement. Some of its leadership supported Franco in the Spanish Civil War, and they have always pushed the dogma of the corporate state. The National Civic Council, originally a Roman Catholic sectarian movement, caused a split in the Labor Party that kept it out of office for almost two decades. They formed their own political party, now defunct, which was allied to the far right. They are virulently anti-feminist, pro-uranium mining, pro-U.S. bases and have an anti-communist paranoia that would have upstaged the late, unlamented Joe McCarthy.

This new attempt to destabilize the Australian Labor Party and to subvert its traditional progressive positions through the foisting of right wing unions upon it has some U.S. connec-

tions. These run through diverse CIA-linked organizations. One tactic is to get suitable union leaders into "training" programs sponsored by these organizations, enabling the establishment of permanent links among at least some of these leaders. Such programs involve the U.S.-based Labor Committee for Pacific Affairs and the Australian Trade Union Program at Harvard Foundation.

The Labor Committee for Pacific Affairs was established in 1983 with a grant of \$300,000 from the United States Information Agency, as the result of an initiative by Roy Godson, director of the Georgetown International Labor Program. (By a not so strange coincidence, Godson's father, Joe, started a similar committee in Britain.) Godson junior directs the continuing funding of the Australian counterpart.

The other founding committee members are former U.S. Ambassador to New Zealand, John Henning, as well as Albert Shanker and Dale Good. Godson and Good, together with secretary Larry Specht, are associated with the "Labor Desk," a non-government agency set up in 1974 with co-operation from Georgetown University. Shanker, Good and Henning all work for the AFL-CIO, which operates an extensive international political program. In March 1983, Specht and two other top-ranking officials paid a visit to Australia and New Zealand, by-passing official trade union bodies in both countries. This was followed by the careful selection of ten trade unionists from the two countries as the first "study team."

A similar U.S. briefing activity for the Australian and New Zealand right-wing union elite is the Australia-New Zealand Labor Leader Project. This is totally funded by the United States Information Agency, which aims at the "introduction of Australian and New Zealand participants to the organizational structure of the American trade union movement and the issues of concern to that movement." However, the itinerary of the project in July-August 1983, while not providing a single visit to an American industry or giving a chance to talk to *real* workers, included such morsels as a talk by Dora Alves, Research Associate of the Georgetown Center. It also planned visits to libraries, galleries and religious services, as well as the obligatory White House tour. In a

frank "debriefing" (note the language), USIA admitted that the visit had done little to acquaint U.S. unions with what was going on in the Australian and New Zealand trade union movements. It was suggested that "there wasn't really much interest in the two down-under nations." It was also mentioned that there had not been much time to talk to the various labor attaches with which all participants, with one exception, were acquainted. Favorably mentioned were the talks with AFL-CIO officials and a talk with a group of State Department Labor Bureau Chiefs. All the delegates regretted there was not time to attend the AFL-CIO's George Meany school. The school fittingly named after the late George Meany, "Mr. CIA" of the American trade union movement.

Another "separate" organization which hands out large sums for U.S. visits by right-wing Australian trade union officials is called the Australian Trade Union Program and Harvard Foundation. Of the 68 trustees listed, each of whom has to contribute \$2500 (tax deductible) for that honor, all are top executives of very large companies, mainly multinational, except for four extreme right-wing union officials, two of whom crop up in the Labor Committee for Pacific Affairs, two tame politicians (one from each major party) and one academic. The most interesting trustee is Peer de Silva, now a Honeywell top executive, but well-known to us as a former CIA Station Chief in Australia.

The foundation, created in July 1976, launders its income through

Macquarie University in New South Wales. Each selected participant in the Harvard course gets more than fares and course fees. For the 13-week course, they receive \$250 a week spending money on top of their accommodation costs. At the end of the course, the U.S. government gives each student an additional allowance. Four students of proven leadership potential are sent each year. One

A recently leaked secret defense strategy document is causing acute embarrassment to Australia's Hawke Government because it shows just how close Hawke's thinking is to Reagan's and totally accepts Pentagon-CIA strategy for the Pacific region.

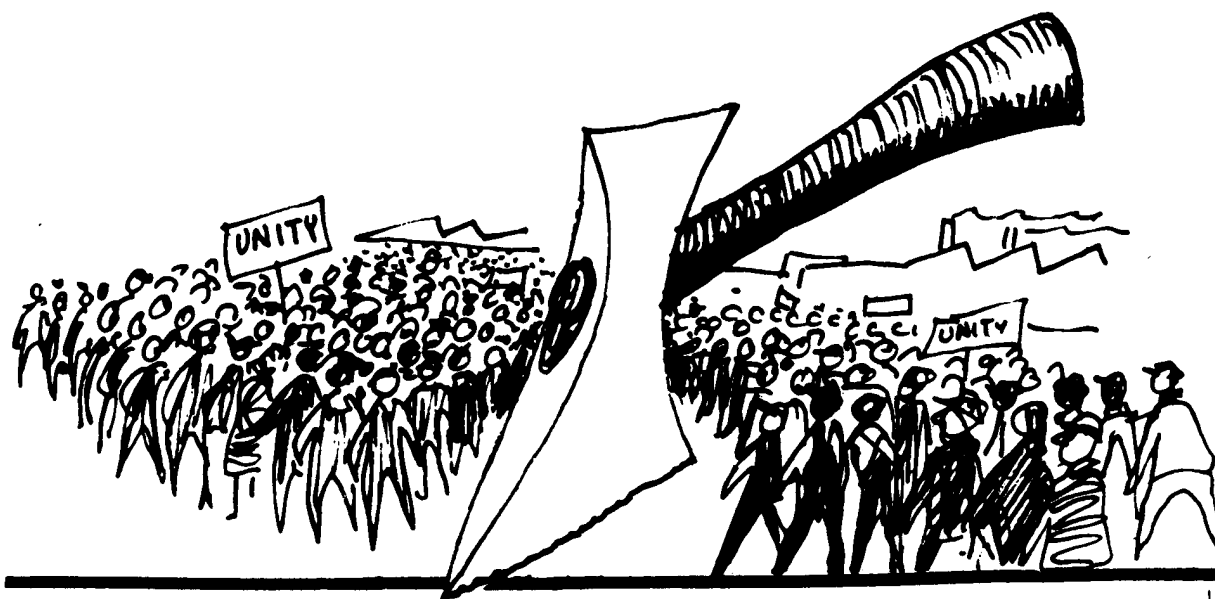
trustee, Mr. Wilson of Koopers Australia, spelled out what he expected from the course. He said, "... It's been an experience that opened their eyes on how the system can work...to the benefit of everybody..." He went on with a little anecdote on how they had financed a member of the Divers Association which only has 200 members but was engaged in a vital oil project. "If that

union chose to be militant and to try to wreck the system, it would be within their means. Therefore, to have a man *setting up that union* who has a wide view... is in his union's and Australia's benefit" [emphasis added]. No doubt it would also benefit Koppers Australia, a subsidiary of a major U.S. mining equipment supplier.

I discovered one of the most interesting aspects of this exercise on my recent visit to the U.S. The "Harvard Foundation" which provides the financial backing for Australian trade unionists to attend the course, has no connection whatsoever with the Harvard Foundation that is actually situated in the middle of the University and legitimately involved with student affairs. The CIA-linked Harvard Trade Union Training Program has so far "trained" some 1200 trade unionists from all over the world. The Joe O'Donnell who runs it is the very same gentleman who was brought to Australia back in 1977 on behalf of another right-wing organisation called "Enterprise Australia" to give us the "right" line on trade unionism.

Some of these worthies, selected for training in CIA-linked organizations and programs, are now the leaders of the right wing unions which seek to affiliate with the Australian Labor Party in an attempt to undermine and subvert progressive, internationalist and anti-nuclear policies of much of the rank and file of that Party and its unions.

Joan Coxsedg is a Member of Parliament (Victoria) and co-author of "Rooted in Secrecy."



Labor Today/cpl

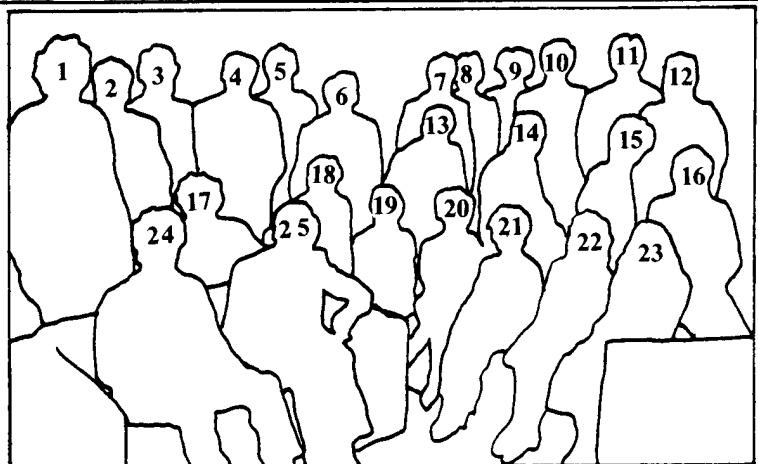
Bishop, Baldwin, Rewald, Dillingham

International Consultants



The staff of the now bankrupt Bishop, Baldwin, Rewald, Dillingham & Wong posed for this company photograph. Their names correspond with the numbers at right.

- | | |
|----------------------|----------------------|
| 1. Gerald N.Y.C. Lam | 14. Robert Jinks |
| 2. Edward Hoffman | 15. John Ing |
| 3. D. Alden Newland | 16. Pranata Hajadi |
| 4. John Kindschi | 17. Kenneth Sanders |
| 5. Charles Conner | 18. Nolan Metzger |
| 6. Gunadi Gautama | 19. Yoshiko Payne |
| 7. Jerry Signori | 20. Chris Freeze |
| 8. Timothy Holzer | 21. Sali Toda |
| 9. Richard Spiker | 22. Karen Koshko |
| 10. Michael Dailey | 23. Mary Rudolph |
| 11. Jason Wong | 24. Sunlin Wong |
| 12. David Baldwin | 25. Ronald R. Rewald |
| 13. Ned Avary | |





COVER TO COVER: Rewald's CIA Story

When Ron Rewald's investment company was charged with fraud, Rewald tried to commit suicide. After Bishop, Baldwin, Rewald, Dillingham, & Wong went bankrupt, furious investors filed suit against Rewald—and the CIA—to recover their money. For Rewald claims his company was a CIA operation—cultivating wealthy individuals around the world as CIA contacts through joint ventures and by offering lucrative (and supposedly guaranteed) investments.

BY JOHN KELLY

Ronald Rewald has a letter from Ronald Reagan. Signed by Lyn Nofziger, it says: "Governor Reagan appreciates the material you have been sending him and has indeed found it helpful as he has no doubt told you."

After a pitch for campaign contributions, the letter ends. "Should Governor Reagan visit Hawaii after becoming a candidate, I am sure he would be most happy to take you up on your gracious offer to host an event at your home."

Rewald has an invitation from Reagan, George Bush and the Republican members of the Senate and House to attend the 1983 Republican Senate-House dinner in honor of James S. Brady, who was seriously wounded in the shooting of Reagan.

Rewald has an earlier letter from Senator Edward Kennedy (D-Mass.). "Thank you very much for your thoughtful notes in connection with your recent trip to China and Japan," said Kennedy. "They will be most helpful to me as I pursue my strong interest in strengthening our relation-

ship with both the Chinese and Japanese peoples..."

Rewald has an August 20, 1982 letter from John M. Fisher, Administrative chairman of the U.S. Congressional Advisory Board. "We were delighted," said Fisher, "to receive your acceptance of our invitation to attend our first meeting for Chairman's Advisors of the United States Congressional Advisory Board on September 30."

Rewald has an invitation to lunch from Hawaii's Governor George Ariyoshi and his wife. Rewald has an invitation to cocktails and dinner from then-Commander in Chief Pacific Air Forces, Lt. Gen. Arnold W. Brasswell and his wife.

Not long after his cocktails and dinner with General Brasswell, Rewald was found sitting unconscious in a pool of his own blood. Head propped up against the bathtub in his room at the Sheraton Wakiki hotel. The previous evening he had slashed his wrists in an attempted suicide.

Why the sudden plunge of Hawaii's overnight success? Who had travelled in the company of princes, sultans,

generals, governors, and multi-millionaires. Apparently, the suicide attempt was connected to the sudden misfortunes of Rewald's Honolulu-based company, Bishop, Baldwin, Rewald, Dillingham, & Wong (BBRDW). On the very day of Rewald's suicide attempt, there was a television broadcast about BBRDW. The report was that BBRDW had fraudulently misrepresented itself to investors. And, therefore, was under government investigation.

BBRDW was in the investment advisement business. According to its registration statement with the Securities and Exchange Commission (SEC), BBRDW provided investment advice at the rate of \$180 per hour. "Our principal business," said the statement, "is serving as estate planners and business advisers and we serve clients who are interested in estate planning advice, such as wills, trusts, pension plans, and tax and bookkeeping advice."

BBRDW also provided free economic reports to its clients and real estate assistance for an hourly fee. BBRDW claimed to receive no percentages, commissions, or royalties for its work.

BBRDW's SEC statement failed to mention its Tax Deferred Investment Savings Account. Through this account, BBRDW offered and sold securities in the form of interest-20% guaranteed interest with it rising to 26% to 27% annually. BBRDW claimed these monies were put into lucrative investments. That they were insured for up to \$150,000 by the Federal Deposit Insurance Corporation (FDIC). And, that investors could have their money back upon demand.

It was the investment account that got Rewald and BBRDW into trouble. On the Monday following Rewald's suicide attempt, a BBRDW investor, Hugh Fraser, an insurance agent, went to BBRDW's office. He had seen the TV reports about BBRDW as well as Rewald's suicide attempt. He wanted his money back immediately as promised. Fraser could not get into the office. So, he phoned. He was told that no funds were being disbursed.

On August 3, 1983, Fraser filed a formal complaint with the Hawaii Department of Regulatory Agencies (DRA) and the Honolulu Police Department. Subsequently, Rewald was arrested. And, imprisoned under a \$10 million bail for two counts of



Jack Kindschi, former CIA station chief in Hawaii, and Rewald pose during a 1983 BBRDW social function. Kindschi, according to Rewald, was the principal contact between BBRDW and the CIA.

theft. A few weeks later, the courts declared BBRDW bankrupt and froze all of its assets as well as Rewald's personal assets. BBRDW is now under investigation by the SEC and the IRS. After six months of imprisonment, Rewald was released under a much reduced bail. He is scheduled to go to trial in June 1984 for the theft charges only. He and BBRDW are also being sued by some of the investors for their money. But, so far no federal indictments have been issued.

Actually, there were two complainants against Rewald. And, therein lies the deeper story of this seemingly simple scam operation. The second complainant was John "Jack" Kindschi, a BBRDW consultant and investor. More significantly, Kindschi was the former CIA Chief of Station in Hawaii. Prior to that, he had worked under deep cover for the CIA in Stockholm and Mexico City. His cover had been the Robert Mullen Co., a public relations firm that employed E. Howard Hunt in the months before Watergate.

Why was a person such as Kindschi working at BBRDW? Because, according to Rewald, it was a CIA operation. According to a sworn affidavit, censored by the CIA, and sealed by the courts, Rewald claimed the following.

"I am, and for the past five years have been, a covert agent for the Central Intelligence Agency. The purpose of this affidavit is to detail my relationship with the CIA, which began in my college days, and the link between this relationship and investor monies. In the past few years, this relationship has involved nearly full-time activity on my part. Additionally, there are 10 or more employees of my company, Bishop Baldwin, who on a full or part-time basis served the Central Intelligence Agency...."

The CIA has not issued its usual "No Comment." Instead, it has issued a public denial. CIA attorney Robert M. Laprade said in a sworn statement that "the CIA did not cause Bishop, Baldwin, Rewald, Dillingham, & Wong to be created nor has the agency

at any time owned, operated, controlled or invested in Bishop, Baldwin, Rewald, Dillingham, & Wong. . . .”

Yet, Laprade submitted an affidavit to U.S. District Judge Martin Spence as to why defense documents should be sealed. What Laprade said is not known. The affidavit itself is sealed. But, on September 15, 1983, Spence sealed all documents directly or indirectly pertaining to the CIA. Spence also placed a gag order on all involved parties, attorneys, and agents. It prohibited communication by oral, written, or any other means of any information pertaining to the CIA, including legal papers.

Coincidentally, perhaps, one of the prosecuting attorneys is John Peyton, a former CIA attorney.

We have obtained Rewald's uncensored affidavit sealed by Spence. For comparison, we also have the publicly-released affidavit, extensively deleted by the CIA. The uncensored affidavit details BBRDW's CIA operations according to Rewald. Finally, we have many additional documents; tapes and transcripts of confidential attorney/client interviews with Rewald; and our own interviews and

**Documents we have
obtained on the
Rewald case
constitute the first
explicit detailing of a
little known primary
mission of the CIA:
securing and
furthering private U.S.
economic interests.**

those of BBC television with many of the involved individuals.

The story they tell in no way solves the question of Rewald's guilt or innocence regarding his legal charges.

What they do tell, if true, constitutes the first explicit detailing of a little known primary mission of the CIA. This is the securing and furthering of private U.S. economic interests. This, of course, is carried out through taxpayers' monies. And, it entails the supporting of various repressive governmental and business elites around the world who facilitate the use and exploitation of their own countries by corporate America. As we shall see, implementation of this CIA mission is also done at the expense of U.S. allies such as Japan and Europe.

Ostensibly the CIA's corporate mission is carried out under the rationale of intelligence work. For instance, Rewald was assigned to develop or to cultivate CIA assets, i.e. intelligence sources, agents of influence, cooperative government officials, etc. There were two financial techniques for cultivating these foreign assets. According to the affidavit, BBRDW's investment account, at the CIA's direction, was used to "shelter monies of highly placed foreign diplomats and businessmen, who wished to 'export' cash to the United States, where it



Rewald, General Arnold W. Brasswell, Ned Avary, and Mrs. Brasswell socialize at a 1983 BBRDW function. Both Brasswell and Avary, according to Rewald's affidavit, helped arrange an arms sale to India with provisions for kickbacks to key Indian government and private sector officials.

would be available to them in the event of emergency." Rewald says that the CIA had provided such a service to President Lon Nol when he was displaced by the Cambodian people and fled to Hawaii.

The affidavit says that the CIA directed individuals to BBRDW's shelter accounts. Secondly, that these funds were in the form of negotiable securities, wire transfers, or checks, many from the Chase Manhattan bank. Thirdly, that BBRDW would convert these funds into U.S. dollars. Julie Suda was in charge of receiving and disbursing funds for BBRDW. She testified in court that she was told occasionally by Rewald about upcoming wire transfers which were to be deposited in BBRDW's investment account. She said that these were not regular investors' funds. And, that occasionally the wire deposit was as high as \$200,000.

Letters between Charles T. Conner and Jack Kindschi confirm that BBRDW was providing this shelter. Conner, according to Rewald, was a long-time CIA agent. He has for all intentions and purposes disappeared. He wrote to Kindschi: "We could develop very close and important connections with the Greek government through our old friend Dino [Goulos] ... And, there is absolutely no question that Dino does have this good 'entre' in top Greek circles, including with very wealthy people and business leaders... most anxious to get their money out of the country." Conner said further that he told Dino that through BBRDW these investors would be able to circumvent Greece's tight foreign exchange control restrictions.

Kindschi, whom Rewald says was still working for the CIA at the time, wrote back to Conner. "Moreover, if Dino can find investment friends seeking safe haven in dollar denominated investments with BBRD&W, we would be able to pay him a 'finders fee' of up to 5 percent...."

Rewald's affidavit included a list of 21 investors in this sheltered account. The individual's amount and account number are also listed. The total was \$3,748,603.39. The names of the investors are real persons including Rewald and several CIA agents. They are not, however, the actual depositors. Such "salting" of money in the U.S., if not a crime, is a definite political liability in most countries. Particularly, if the CIA's involvement

"Salting" of money in the U.S. through sheltered investment accounts like those offered by BBRDW, if not a crime, is a definite political liability in most countries—particularly if the CIA's involvement was exposed.

was exposed. For this reason, depositors were listed under cover names.

A second cultivation technique was the use of joint business ventures. The affidavit says this approach was applied to four individuals. Enrique Zobel, a billionaire banker; the Sultan of Brunei; Saud Mohammed, a crown prince of the United Arab Emirates; and Indri Gautama, a wealthy Indonesian industrialist. These individuals were to be cultivated as intelligence sources, particularly the movement of oil prices in OPEC countries. This is information of great value to U.S. oil companies. As well as CIA Director, William Casey, who owns stock in oil. Its relevance to genuine national security is not readily apparent.

Specifically, the way this worked, "was to place [CIA] monies with them, at their disposal, in 'investments' in foreign countries in various joint business activities." Thus, Rewald formed the Hawaiian-Arabian Investment Co. and U.S. & United Arab Emirates Investment Co. with Saud Mohammed and Indri Gautama. And, the Ayala-Hawaii Corp. with Enrique Zobel of the Philippines. State of Hawaii incorporation papers exist for each of these companies.

These CIA "investments" could also be used to export and shelter

monies. Following Rewald's imprisonment, the *Honolulu Star-Bulletin* reported that the Philippine government was examining the Ayala-Hawaii Corporation. The government was concerned that Zobel might be placing money directly into Ayala-Hawaii. This way he could avoid exchanging pesos through the Philippine Central Bank. Thus, secretly export his money to the U.S. And there would be no government record of this flight of capital.

Following this article, reporter Charles Memminger was shown a letter from Zobel. And told by his editor to write a second article. The second article all but denied the charges of possible flight of capital on the part of Zobel. And claimed that Zobel's only connection to Rewald was polo. Rewald had predicted in his affidavit that: "People involved with them [joint BBRDW investments] are forced to deny a connection and forced, further, to deny that these transactions have existed."

Enrique Zobel is a supporter and funder of the elite opposition to President Marcos of the Philippines. He and the force he represents are an acceptable replacement to Marcos who is under increasing attack. Acceptable that is to U.S. corporate and financial investors since he would allow them business-as-usual. Even though under their domination repression and poverty have increased in the Philippines. True to its corporate mission, the CIA was cultivating Zobel—whom, Rewald says, was aware of CIA involvement in their dealings.

The intelligence value of the Sultan of Brunei, described as an "absolute ruler" by *Fortune* is highly questionable. Not so his monetary value to U.S. financial institutions. Shortly after Rewald began cultivating the Sultan, he transferred his \$6 billion investment portfolio from British Crown Agents to Citibank and Morgan Guaranty as well as two Japanese firms. The potential fee income from this account, according to *Dun's Business Month*, is \$30 million.

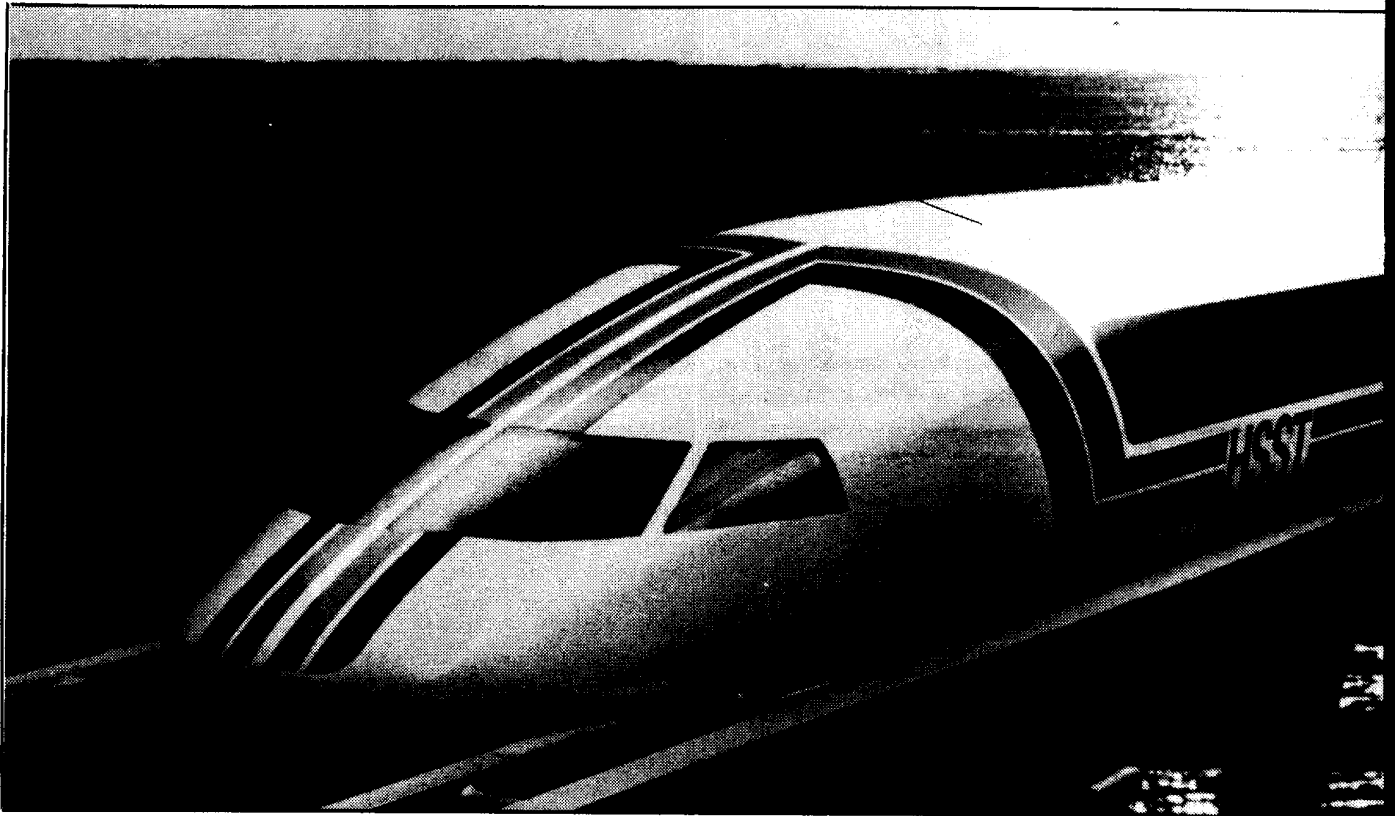
Industrial Espionage

Another expression of the CIA's primary mission is industrial espionage. One country targeted by the CIA is Japan, a U.S. ally. The Church Committee found that in 1967 the CIA quietly establish-



Among the wealthy individuals Rewald cultivated for the CIA were: (above) the Sultan of Brunei (second from left) and Enrique Zobel (second from right), a billionaire banker from the Philippines who was very close to Marcos, seen here after a match at Rewald's polo club in Hawaii; and (right) Indri Guatama, an Indonesian businessman.





One of the CIA's primary missions is industrial espionage. As part of an intelligence gathering assignment for the CIA, Rewald went to Japan where he claims he obtained blueprints for Japan's top secret High Speed Surface Transport, or the HSST, shown above.

ed a separate office, the Office of Economic Research. Because of the "growing strength of Japan and the countries of Western Europe." And because CIA "analysts found themselves called upon for detailed research on these countries as trading partners and rivals of the United States."

Included in the exhibits were what Rewald called CIA requirements for several countries. These were his intelligence gathering assignments for each country. The first requirement for Japan was for information on the top secret High Speed Surface Transport (HSST) being developed by Japan Airlines.

Rewald went to Japan. In addition to filing an intelligence report with then CIA Chief of Station, Eugene Welsch, Rewald claims to have obtained HSST blueprints from a BBRDW client's son who worked in the Japanese Ministry of Railroads. Rewald was asked by his attorney why the CIA wanted the HSST plans. He answered as follows:

"It was a secret. The plans for this thing [HSST] were being protected at great costs at this particular time because, you know, this [sic] is such

a potential worldwide for marketing something like this with enormous, if they could, you know. Anyway, the potential for marketing something like this to countries all over the world for the Japanese would be enormous and that's their [CIA's] interest in it. Everything, of course, is high technology."

In the documents obtained independently of Rewald were detailed sketches and descriptions of the HSST. We have obtained the name and a photograph of the Japanese BBRDW client whom Rewald says assisted in obtaining the HSST blueprints. We have not, however, obtained the actual blueprints which Rewald says originated in the Japanese Ministry of Railroads.

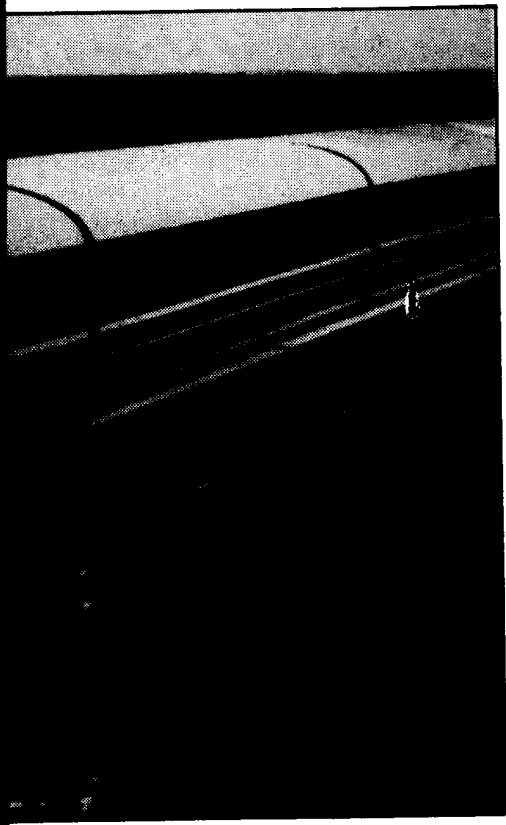
Another Japan operation was the T&B International Co., Ltd. This was a CIA funding transmission belt run through Japan. We have obtained copies of four notes on T&B stationery from BBRDW consultant, Russell Kim to Rewald. Kim was brought into the CIA by Rewald. The notes were for interest free loans for Rewald, totalling \$390,000. In the notes, Kim told Rewald he was free to use the money for as long as he needed. And, some time in the vague future, Rewald might

want to invest it for Kim. The lending of large, interest-free loans between Rewald and various BBRDW employees was apparently a method of conducting CIA monies in and out of BBRDW.

India

The Rewald affidavit says: "We were approached to serve as intermediaries to arrange through the CIA for the supply of military hardware to Indira Gandhi. . . . At my direction, and with the knowledge of Jack Rardin, who had succeeded Jack Kindschi as CIA station chief in Honolulu, Sunny Wong and Dave Baldwin, another employee of our company, were working through Shauna [Pasrich] and [Chan] Pasrich to receive the list of military hardware desired by Indira Gandhi."

Chan Pasrich, says Rewald, is a close friend of Indira's son, Rajive who was directly involved in the pending arms deal. Pasrich, who had "some intelligence experience and background," was introduced through his friend David Baldwin. A copy of a CIA secrecy agreement sign-



JR: "But in any case, Pasrich is being used as an intermediary."

RR: "Between Indira Ghandi's son."

JR: "son and"

RR: "And us."

Brasswell

Rewald says Gen. Arnold W. Brasswell, then Commander-in-Chief U.S. Pacific Air Force (CINCPACAF), was personally involved in the Indian arms deal. "One of the big things that he [Brasswell] was helping us with was a request we had out of India for acquiring some air force military equipment... we were going directly through a number of companies... like Boeing, McDonnell-Douglas, and Hughes. He would make the contacts at a high level. Generally, they were retired Air Force generals who were now vice-presidents of these companies. And he would set up the contacts, so I could go directly to them... So, you know, he was working already [for BBRDW]. And, he knew what that project was. And some others that we were working on."

Among the exhibits is a list of names and private phones on CINCPACAF stationery. Dated January 11, 1984, the names were: Gen. Jack Cotton, Lt. Gen. J.J. Burns, Charles Conrad, Jr., Chuck De Bedts, and G.E. Todd. The latter three were described as vice-presidents for international marketing for McDonnell-Douglas, Lockheed, and Hughes, respectively. The exhibits also included handwritten notes about these transactions and an offer of assistance from Brasswell.

Rewald added, "Brasswell did his part all the way through. There was never a point when Brasswell wasn't, you know, working closely with us on this effort. And, you know, Brasswell absolutely was an employee of ours all the way through... He was always part of Bishop, Baldwin. And, a very important part of what we were doing involving India and a couple of other areas, too—which were all under his command."

Brasswell did not receive a BBRDW salary but compensation, says Rewald. This was through the handling of his investments. And providing him large returns, some \$100,000 over 2 years. Rewald adds that Brasswell was set to join BBRDW upon his retire-

ment. A Brasswell spokesperson confirmed that he was considering joining BBRDW.

Rewald claims Pasrich first came to him. And, "He laid out in no uncertain terms the facts of life for me. So that I'd understand that it [the arms' cost] would have to come in at a bill higher than what it was worth. So that the money could get divided among a number of people in government and the private sector in India. And arrangements would have to be made for that. And, he realized that these companies were reluctant to do that. However, if we could get him appointed as their representative or someone from Bishop Baldwin as the representative for India from McDonnell-Douglas or from whatever company this happened to be. Then they could divide up the commission on it, and it would work out the same way."

Asked why Pasrich and Rajive didn't seek to buy the military equipment openly, Rewald said, "Well, there was no way for them to split up the money. Because if it came in openly it would have to go out on a bid. And, there was no way to divide up the money. See, their only interest in acquiring anything was to get some money under the table... I had been given the names... of the key people, you know, in government in India that had to have their part of this in order for it to work out..."

"Kickbacks and bribes were the key to the whole India thing..."

Asked whether Rajive Ghandi was positioned to make money on the deal, Rewald said, "Well, you know, this is. I'm talking to you absolutely off the record, okay? But, of course, he was, you know."

Calvin Gunderson, president of Legal Investigations which provided security and investigatory services to Rewald and BBRDW also attested to the pending Indian deal. He told Larry Price the following on KITV/4 (NBC in Hawaii) television.

"...And when big arms deals are being made, Bishop Baldwin at times acted as a middleman. For one instance, India. They were looking to buy arms from the United States. Bishop Baldwin would be the middleman working through the Agency. And, when the deal went through, Bishop Baldwin would get a commission off it. You know we're talking millions of dollars."

ed by Baldwin on November 11, 1982 has surfaced. Rewald says Baldwin knew BBRDW was CIA-involved before he became involved. He was subsequently required to sign a CIA secrecy agreement. Because "we had to let him know too much."

Pasrich presented himself to Rewald as Rajive's representative who wished to acquire military equipment. "So," says Rewald, "I went back to the Agency and told them about it initially... And, then they came back, and they were very enthused... and said we'll certainly work something out."

"So," continued Rewald, "I brought in [Ned] Avary. Went over the whole thing in detail with him. He made the necessary contacts; traveled back and forth between Miami and Paris. And made other arrangements to supply the equipment that they needed through Paris."

Rewald has a tape of a conversation with CIA officer, Jack Rardin. In the tape, the pending deal is discussed as a CIA project. Rewald says to Rardin on the tape that Rajive was soliciting military hardware including AWAC and L1011 aircraft. The following remarks were recorded:

Gunderson added this remarkable statement: "Ron [Rewald] met with the FBI to make sure that the legal aspects of arms deals and things of that nature were, you know, meeting the legal requirements of the United States."

Rewald agreed he had been concerned because of "the way this sort of transaction's been monitored in recent years. It bothered me a little. And, I expressed concern to it, to the Agency. And, I wasn't getting satisfactory answers from them.

"And, I mentioned it to Bill Erwin [FBI/Hawaii], face to face. And said look, I don't want to end up the next, you know, the next Lockheed scandal or whatever it is. How can I protect myself? . . ."

" . . . So then he went and got some opinion from the attorney general on what I could do and how to handle it and so on. And he was telling me what to do to protect myself. . . . And we finally felt the best thing that we'd do was just act as the middleman. . . . But not handle any of the money going back and forth ourselves. And, the only way we could coordinate that was not to handle it through the United States. We'd have to handle it through someone else through another country."

Rewald claims that Ned Avary was in Paris attempting to complete the India deal when BBRDW collapsed. Rewald does not know if the deal transpired.

Rewald was asked why the CIA was secretly selling military equipment. And, facilitating bribes and kickbacks.

Q: "Why would the CIA want to get involved with something like that, Ron—just to make the contacts with these people?"

RR: "Oh. To put someone like that in a position where we could be dealing with him on that level. Are you kidding? You don't know the answer to that?"

Q: "No. What is that. What is the answer to that? You were going to blackmail him then?"

RR: "Oh, not blackmail him. But, certainly we'd be in a position to know everything that's happening. To ask a favor. To do a lot of things, you know. Not the least of which is just gain his confidence. You never know when you might need that card down the road, you know. . . ."

CIA spokesperson Dale Peterson says that the CIA had only "slight involvement" with BBRDW. "But," added Peterson, "I'm not at liberty to go into details of what the relationship was."

Congressional hearings, governmental investigations, and press accounts have documented the use of bribes and kickbacks by McDonnell-Douglas, Lockheed, Hughes Aircraft and others to obtain foreign contracts. These arrangements, often facilitated by the CIA, resulted in hundreds of millions of dollars in profits. There is no record of any concern about the possible repressive nature of the arms buyers.

In 1977, President Jimmy Carter signed into law the corporate bribery bill. It outlawed bribes and kickbacks by U.S. corporations. Unless these corrupt payments are made in the name of national security. This loophole amendment was attached following the secret intervention of the CIA with Congress. According to its own charter, the CIA is not supposed to be involved in the legislative process.

Q: "Who specifically were you to call for these sums of money?"

RR: "Well, you know, generally I could go through [Jack] Kind-schi, you know, most of the time. But, I could also go through [Charles] Richardson, 'Cavanaugh,' you know, these people. Dorociak, you know, Belcher, any number of people."

BBRDW's pending Indian arms deal had a convenient intelligence rationale: to penetrate and cultivate various Indian military and political officials as CIA assets. So, any bribes or kickbacks would have been exempt under the national security loophole. Business-as-usual, brought to you by the CIA.

Taiwan

A second major arms deal by BBRDW was with Taiwan. "As time passed," says Rewald's affidavit, "our relationship with the Agency continued to further deepen and change, from the gathering of general economic and political intelligence, to the gathering of political and military intelligence, and finally to assisting in specific military operations, including military hardware to foreign countries."

In an unusual letter, even for the CIA, Director William Casey was told point blank:

"Information has now been received from more than one source indicating that after July 29, 1983—when events commenced here in Hawaii to unravel the affairs of Bishop Baldwin—CIA agent Ned Avary, who had earlier been negotiating the arms transaction with the Taiwan government through Russell D.C. Kim, was able to conclude that transaction and earned a commission of not less than \$10 million dollars. Information received indicates that this commission was received by Avary, not for Bishop Baldwin's account, but rather for the account of some other company to which all Bishop Baldwin/CIA operations have been transferred.

"As most of the work which went into the Taiwan arms transaction was performed by Bishop Baldwin agents and employees, Bishop Baldwin therefore lays claim to its commensurate proportion of the \$10 million dollar commission."

The letter was written by attorney Robert Smith for Rewald who has contended all along that Avary and Kim were negotiating various arms deals. Former BBRDW employee, David Decaires said that Avary mentioned an arms deal with Taiwan at a meeting of BBRDW personnel in August 1983.

Telexes from Avary discussed the Taiwan deal. One telex "Urgent for Ron Rewald," said: "I am now in effective direct contact with Russell Kim on all phases of current operations." Another to Avary's son Don said: "Finally found Russell Kim in Korea. He rushing Samsung data to you. I hope repeat hope to finalize fantastic military order with awesome yet affable Lebanese gorilla this weekend."

A related telex to Kim said: "Don Avary awaiting Samsung electric data from you. Do you have details C 130 request?" The same day Avary wired Rewald: "Your See one Thirty [C-130] aircraft available same suppliers Taipei order. My son Don Avary contacting you for specs." The next day Avary wired Kim and a Michael Tai: "Second paragraph my telex should read tanks will cost about repeat about six hundred thousand dollars each. Personnel carriers less." Finally Avary wired Rewald: "Electronic data for Don Avary from Kim. Awaiting urgent details as to firmness of order from the big man here. Itemized numbers of heavy equipment in paragraph six mandatory. Have assurance order can be processed okay."

Several of the telexes mentioned "Dauphin." Rewald claims this was a codename for an unknown middleman. In the exhibits was a BBRDW memo indicating that Russ Kim, c/o Dauphin Int'l, was the BBRDW contact in Taiwan.

Rewald's affidavit says the Taiwan Government was seeking fiberglass helmets (\$200,000), bullet-proof vests, M-16 laser-sighting devices, and tanks through BBRDW and the CIA. The order for the laser sighting devices alarmed the CIA, says Rewald, because "the device and the model numbers requested were all top secret at that time."

In the exhibits was an apparent order for all of these items except the tanks. The contract was to be awarded in March 1983. Either to Winfield Manufacturing in Mississippi or Louis J. Sportswear, Inc. in Pennsylvania. The *Honolulu Star-Bulletin* (4/7/84) reported Avary as saying he went to Paris at Rewald's request. To contact an arms dealer for Taiwan. He added that Rewald failed to send him the number of tanks Taiwan wanted or the amount it was willing to spend. Therefore, the deal was never transacted. The *Star-Bulletin* (4/16/84)



Ned Avary, consultant to the CIA and BBRDW

"I'd sure like to sit down and be wired meeting with Ned Avary. Because his last four projects for us, from South America, Brazil, Singapore, Australia, Paris, were all deep covert Agency projects. . . ."

—Ron Rewald

added later that: "Avary said he is not now working and has never worked for the CIA and said that he does not know of a single CIA-directed operation in Rewald's company." However, the *Wall Street Journal* (4/18/84) reported that Avary received lists of questions from the CIA. And that, in Avary's words, he filed "damned good reports" for the CIA. Particularly, in his case, about the probable outcome of the 1983 elections in Germany.

Rewald was involved in a melange of CIA operations. Some of which are

detailed below according to the country involved. The CIA's identity with corporate interests is evident throughout these operations.

Eugene J. Welsch

When Rewald went to live in Hawaii, he contacted then-CIA Chief of Station, Eugene J. Welsch. At this time, Rewald also incorporated CMI Investment Corp. with Sunny Wong. Welsch apparently asked Rewald to gather intelligence through and from CMI clients. "So at this time," he says, "I began doing so, at the same time informing Sunny Wong of my involvement with and activities on behalf of CIA."

In the exhibits is a rambling, 19-page report on CMI stationery, addressed to Eugene J. Welsch. Marked "Personal and Confidential," it is a potpourri of economic and political intelligence on Japan and China. Rewald says he was briefed for his trips to Japan and China by Robert A. Scalapino, director of the East Asian Studies Institute and a political science professor at the University of California. Scalapino also set up meetings and contacts. The CIA arranged the meeting with Scalapino. But, Rewald says he did not tell Scalapino he was with the CIA.

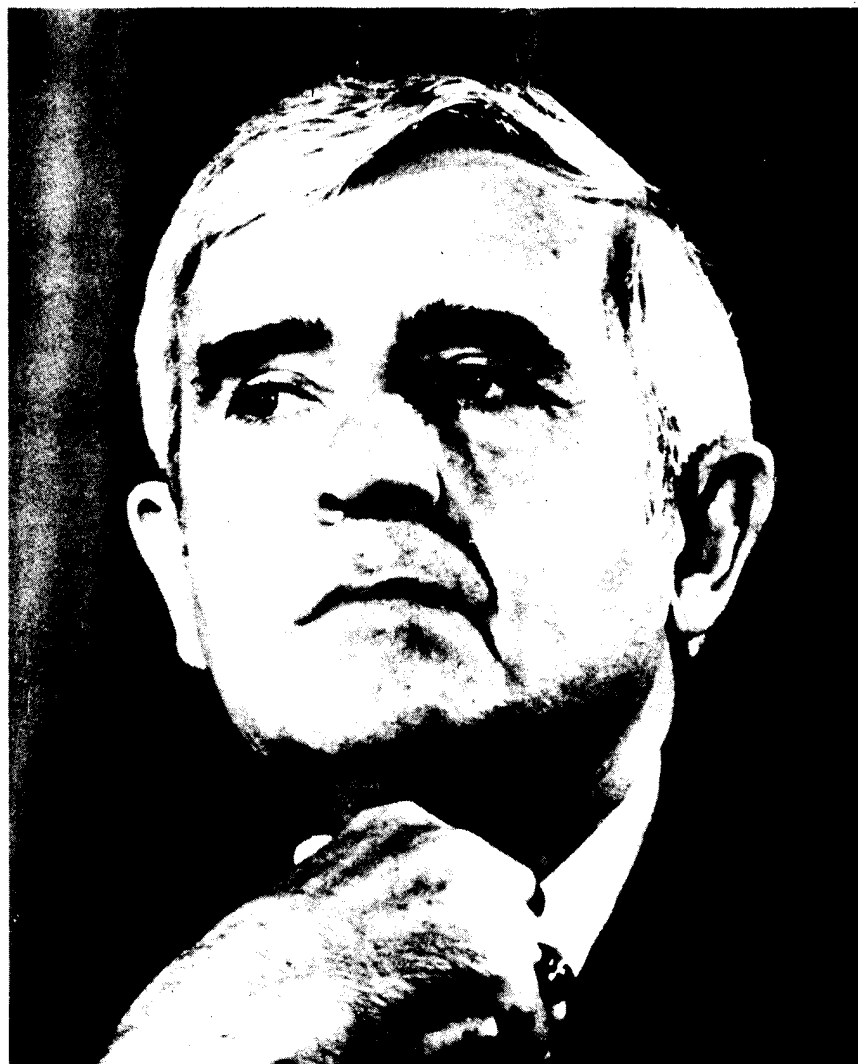
Rewald summed up his report. "While the information I have acquired at this time may or may not be what you had hoped for, I am certain that with your help and cooperation I can develop several of these sources into reliable avenues of acquiring intelligence data."

Apparently pleased, Welsch next directed Rewald to set up two CIA dummy corporations. One of these was H & H Enterprises. The dummies served as message and assignment centers for CIA operatives. And, their call cards provided credentials for agents in the field.

H & H Enterprises

Copies of rarely-seen cover sheets are among the exhibits. Cover sheets contain the phony names of personnel and financial make-up of the company. As well as what to tell inquiring

Continued on p. 48



Senator Paul Laxalt

PAUL LAXALT'S DEBT TO THE MOB

Paul Laxalt—US. senator, close friend and personal confidant of the President, and Chairman of the Republican National Committee—accepted a \$950,000 loan arranged by organized crime friends.

BY MURRAY WAAS

A few days after Ronald Reagan was sworn in as President of the United States, Sen. Paul Laxalt (R-Nevada) was ushered into the Oval Office for a private meeting with the President. Laxalt and Reagan had become close friends while the two men were governors of their neighboring states, Nevada and California. When Ronald Reagan decided to run for president he named Laxalt chairman of his campaign finance committee. And more recently, when Reagan decided to seek a second term for the presidency, he turned again to one of the men he trusted most in public life. On Nov. 7, 1982 Reagan named Laxalt Chairman of the Republican National Committee. As a U.S. Senator, as close friend and



President Reagan returns to the White House with Senator Paul Laxalt after horseback riding.

personal confidant of the President, and as Chairman of the Republican National Committee, Paul Laxalt is one of the most powerful men in America today.

So it was not unusual for Laxalt to be ushered into the Oval Office for a private meeting with the president in January 1981. During that meeting, Laxalt patiently explained his problem to the President: Overly aggressive Justice Department officials and FBI agents were hurting Nevada's gaming and casino industry with their investigations of the Mafia's infiltration

of Las Vegas. Laxalt told the President that he was against organized crime, that he had steadfastly fought the mobsters as governor of Nevada, but the Justice Department was harassing casino operators who had only circumstantial ties to the Mafia.

Reagan listened sympathetically to his old friend and then set up an appointment for Laxalt with the nation's highest law enforcement officer, then Attorney General-designate, William French Smith.

During the first several months of the Reagan administration, Laxalt

would meet, according to two Justice Department officials, three times with the Attorney General to complain about Justice Department investigations of mob influence in his home state of Nevada. When asked to confirm the existence of Laxalt's meetings with Smith, Tom Stewart, a Justice Department spokesman said: "The Attorney General does not keep a calendar or written record of his daily appointments. If he were to do that anyone would be able to obtain a complete list under the Freedom of Information Act of everyone he's met with since taking office. And the Attorney General feels he should be able to keep that information confidential."

But in a subsequent interview, Stewart also said he later asked Smith if he remembered meeting with Laxalt and the Attorney General remembered one such meeting shortly after taking office. Stewart added, though, that "he [Smith] doesn't remember the subject or substance of that meeting."

The meetings between Laxalt and Reagan and Laxalt and Smith to discuss criminal investigations raise disturbing questions about organized crime's possible influence on the Reagan Administration. For information in the files of William French Smith's own Justice Department detail extensive ties between Sen. Laxalt and some of the nation's most powerful organized crime figures.

In addition, an investigation has found that Sidney Korshak, described by one high level Justice Department official as "one of the four or five most powerful men in organized crime in America," helped facilitate a \$950,000 loan to Laxalt from a Chicago bank at a time a casino Laxalt owned was facing near bankruptcy. Another individual who helped Laxalt obtain the loan was Delbert W. Coleman, a business partner of Korshak's, who in 1969 was charged by the Securities and Exchange Commission for his role in setting up a sophisticated stock fraud scheme. Both Korshak and Coleman have been the subjects of numerous federal investigations, much like those that Laxalt complained about in his meeting with the Attorney General and the President.

According to sources familiar with the bank loan to Laxalt in 1973, the senator was then a co-owner of a Carson City, Nevada casino, the Ormsby House. At the time, the casino was in

serious financial trouble and Laxalt turned to a longtime friend, Delbert W. Coleman, for financial aid. Coleman, in turn, approached his one-time business partner Sidney Korshak for assistance.

Due to the intervention of Coleman and Korshak, according to reliable sources, Robert L. Heymann, then an executive vice president of the First National Bank of Chicago, authorized the \$950,000 loan to Laxalt and the Ormsby House.

At first, according to a former officer of the bank, First National of Chicago was reluctant to make the loans to the Ormsby House. For one thing, the casino was in serious financial trouble, and casinos, in general, were considered in the banking community to be bad risks for loans. In addition, says the former officer, the bank was more cautious than usual at the time in making loans. "We had some bad luck in collecting on some REITs (Real Estate Investment Trusts), so when it came to loans, we did our homework a little more than we normally would when evaluating an application for a loan."

Despite such objections to the Laxalt loan posed by some officials of the bank, the loan was finally approved at the insistence of Robert Heymann. In a telephone interview, Heymann admitted he was in contact with Korshak at the time the loan was being considered by the bank.

"Yeah, I talked to Sidney Korshak," said Heymann, "and he asked me what I could do on Laxalt's behalf. But everyone in this town knows Sidney Korshak. If you're trying to say that Sidney was responsible for that loan, though, you don't have your facts straight. I made the final decision on that loan, and *no one*, including Sidney Korshak, dictates to me how to conduct my business."

The former bank officer agrees with Heymann's version of events only to some extent: "I don't know that Sidney did anything for Heymann in exchange for his approving the Laxalt loan, but their relationship has been a longterm one and Korshak has performed any one of a dozen favors for Heymann and the bank in the past."

In fact, Korshak's involvement with the First National Bank of Chicago dates back more than 30 years. In the late 1940s, according to federal law enforcement officials, Korshak was hired as a labor lawyer for the bank by Walter Heymann, then vice chairman

During the first several months of the Reagan Administration, Laxalt met three times with the Attorney General to complain about Justice Department investigations of mob influence in his home state of Nevada.

of First National. Walter Heymann, who retired from the bank in 1962, is none other than Robert Heymann's father.

Korshak provided numerous favors for Walter Heymann and the bank, suggesting to a number of his corporate and labor union clients that they deposit their assets there. In return, Walter Heymann suggested to other Chicago bankers that they hire Korshak as their "labor counsel." Law enforcement officials, however, say that Korshak provided favors for the banks that went beyond the traditional role of labor counsel. They say Korshak was hired to insure "labor peace" for the banks that he represented and that some of the monies paid to him were funneled into the pockets of corrupt labor union officials who assured that their rank and file would never strike against the banks.

When Walter Heymann retired from First National in 1962, according to a former bank officer, his son, Robert, became the man at the bank who handled its dealings with Korshak. By 1973, when Korshak called the younger Heymann and suggested he make a loan to Laxalt, Heymann and Korshak already had a longstanding and established relationship.

In a telephone interview, Heymann refused to discuss, to any great extent, his or Korshak's role in facilitating the Laxalt loan. "Paul Laxalt is good man," said Heymann. "His father

was a sheep herder, an immigrant from Spain. He had to work for everything he now has in life. You're just picking on him because he's a conservative. Teddy Kennedy can kill some girl. But nobody gets upset about that *because he's a rich guy*, a liberal.

"Listen, I have nothing more to say to you. All of you guys in the media make me out to be some kind of criminal or something."

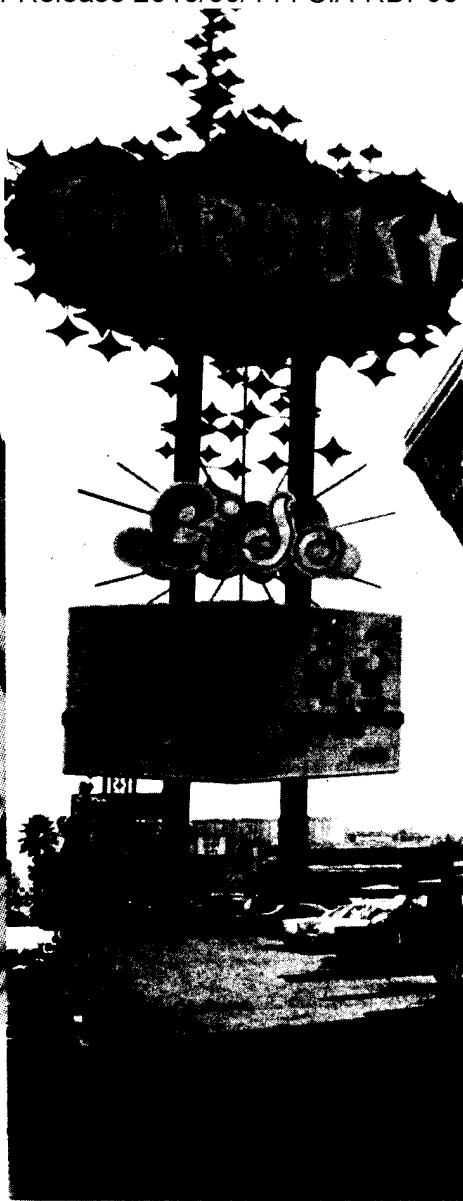
But Robery Heymann has only himself to blame for that. In February 1978, five years after he approved the Laxalt loan, Heymann pleaded guilty to federal charges in U.S. District Court in Chicago. In exchange for his arranging a \$30 million loan from his bank to Hardwicke, Inc. to develop the Great Adventure Amusement Park in New Jersey, Heymann accepted a \$50,000 bribe and a secret financial interest in a Hardwicke subsidiary. In addition, Heymann also pleaded guilty to charges that he embezzled \$248,000 from the First National Bank of Chicago.

The role that Sidney Korshak played to help Paul Laxalt obtain the loan from the First National Bank of Chicago deserves further investigation for two reasons. First, the loan was made at a crucial time in Laxalt's career. If he did not receive the loan to bail him out of his disastrous casino deal at the time, it is doubtful he would have had the opportunity to run for the U.S. Senate and become the powerful political figure that he is today. Second, as we shall see, Sidney Korshak is not one to perform an important favor for a politician without something in return either for himself or his associates in the Mafia.

The mysterious world of Sidney Korshak first came to the public's attention in an extraordinary four-part series about him in the *New York Times* in June 1976, by investigative reporters Jeff Gerth and Seymour Hersh.

"To his associates in Los Angeles, Sidney R. Korshak is a highly successful labor lawyer, an astute business adviser to major corporations, a multi-millionaire with immense influence and many connections, a friend of Hollywood stars and executives," wrote Gerth and Hersh.

"He is so well entrenched in Hollywood's social and business structures that he mingles easily with such entertainers as Dinah Shore, Debbie Reynolds, and Tony Martin



Meyer Lansky (left) and Jimmy Hoffa (right) exemplified the close ties between Las Vegas casinos and organized crime.

and with such prestigious businessmen as Charles G. Bludhorn, chairman of Gulf & Western Industries, Inc., and Lew R. Wasserman, chief executive of MCA, Inc., the entertainment conglomerate.

"But Sidney Korshak leads a double life.

"To scores of federal, state, and local law enforcement officials, Mr. Korshak is the most important link between organized crime and legitimate business. They describe him as a 'behind the scenes fixer' who has been instrumental in helping criminal elements gain power in union affairs and infiltrate the leisure and entertainment industries.

"On the basis of their files on Kor-

shak, federal officials contend that he has been involved in such activities as bribery, kickbacks, extortion, fraud, and labor racketeering, and that he has given illegal advice to members of organized crime.

"A well informed Justice Department official has described Mr. Korshak as a 'senior intermediary for and senior adviser to' organized crime groups in California, Chicago, Las Vegas, and New York. 'He directs their investments, their internal affairs, their high level decision making,' the official said.

"At a closed meeting of Justice Department officials in May 1976, Mr. Korshak was described as the archetype of a new kind of in-

termediary, who is able to deal simultaneously with organized crime and the highest echelons of legitimate business.

"At another meeting in April 1976, senior attorneys in the Organized Crime Division of the Justice Department reached a consensus that Mr. Korshak was one of the five most powerful members of the underworld, according to one participant."

Despite such a dubious background, however, Korshak has served as an attorney for more than a hundred of America's top corporations, including Gulf & Western, Diners Club, the Hilton and Hyatt chains, and Madison Square Garden Corporation. In Hollywood, he has been equally powerful, serving as a major

decision maker in the nation's third largest theatrical booking agency and as a close friend of movie stars and producers.

But the most important role that Sidney Korshak plays for the American underworld is his close relationships with some of the nation's most powerful politicians, many of whom—sometimes unwittingly—have provided favors for his mob associates.

Laxalt's Ormsby House casino was investigated in 1973 on allegations that organized crime interests were illegally skimming \$2 million a year. IRS agents were not allowed to pursue the investigation due to intervention from the Nixon White House.

In June 1979, for example, Korshak was attempting to close down the Hollywood Park Race Track, in Inglewood, California, in an effort to help mob interests take over the track. Assisting Korshak in his efforts to close down the track were California Governor Jerry Brown and his chief of staff, Gray Davis. Brown had previously requested and received a \$1,000 campaign contribution from Korshak during a presidential campaign appearance Brown made in New Hampshire. There is no evidence that Brown and Davis knew of Korshak's real intentions when he asked them to help close down the Hollywood Park track. But both Brown and Davis should have been more circumspect in their dealings with Korshak in that Browns' own California Crime Control Com-

mission had previously referred to Korshak as a "mob connected attorney" in one of their public reports.

Korshak had first made it a practice to court public officials when he graduated from law school in the late 1930s and began a law firm in Chicago with his brother, Marshall. Already, Marshall Korshak was a key figure in Cook County's corrupt Democratic Party political machine and would later serve as an Illinois state senator and in top posts in Chicago's city government.

Meanwhile, Sidney Korshak began to represent members of Chicago's Capone mob. Later, according to federal law enforcement officials, he would become a key adviser to Anthony (Tony) Accardo, a former bodyguard to Al Capone who would later serve as boss of Chicago's mob family from 1943 to 1956. During that period, many of Chicago's top politicians and mobsters were in close alliance with one another. Sidney Korshak served as a trusted go between and intermediary in many of those relationships.

Apparently, some 30 years later, Korshak still has some influence in Chicago's political circles. In 1980, he and his brother, Marshall, contributed \$4,000 to the re-election campaign committee of Chicago Mayor Jane Byrne.

Another political figure who has been the beneficiary of Korshak's largess has been Pierre Salinger, a one-time Press Secretary to the late President John Kennedy who is currently the Paris Bureau Chief for ABC News. While running for the U.S. Senate in California in 1964, Salinger accepted a \$10,000 contribution from Korshak despite the fact that seven years earlier, in 1957, when he was a Senate aide investigating the Mafia's control over the Teamsters Union, he wrote a report saying that Korshak "had a reputation of being extremely close to the old Capone syndicate."

"The fact is I needed to raise \$2 million for the campaign," Salinger explained at the time the campaign contribution was made public.

Unlike Salinger, many politicians who have been befriended by Korshak have been genuinely unaware of his mob connections. The reason is that the Mafia has gone to great lengths to keep their relationship a secret one.

"Korshak is the ultimate 'man up front'," says one federal law enforcement official, "but he can only do the

mob's bidding and serve as their front as long as legitimate people don't know the interests he's really representing."

In 1961, FBI wiretaps disclosed that a Chicago mob figure, Leslie (Killer) Kruse, was told by his Mafia superiors never to personally contact Korshak for fear that his being seen with Korshak would damage the lawyer's reputation. Two other Chicago mobsters were also overheard on wiretaps a short time later being given similar instructions.

More recently, Jimmy (the Weasel) Fratianno, a one-time acting boss of the Los Angeles mob family, who later became a government witness against his former associates, told a similar tale. In his autobiography, *The Last Mafioso*, written with writer Ovid Demaris, Fratianno said he was ordered by Joseph Aiuppa, boss of Chicago's mob family, never to meet personally with Korshak.

"Look, Jimmy, do me a favor," Fratianno quotes Aiuppa telling him, "If you ever need a favor from Sid, come to us. Let us do it. You know, the less you see of him the better. We don't want to put heat on the guy. . . ."

"We've spent a lot of time keeping this guy clean. He can't be seen in public with guys like us. We have had our own ways of contacting him and it's worked pretty good for a long time."

While dealing with some politicians, Korshak has made no secret about his underworld loyalties. During the late 1950s, the late Sen. Estes Kefauver planned to hold hearings in Chicago about organized crime activity in that city. But Kefauver abruptly changed his plans at the last moment. According to the *New York Times* series on Korshak, Korshak had shown Kefauver infrared pictures of the senator in a compromising position with a young girl in Chicago's Drake Hotel.

Such activities, however, are not part of the usual Sidney Korshak style. Korshak is a man who would much rather charm than intimidate someone and who would rather do a favor for a powerful person in hopes of getting something in return rather than blackmailing them. More typical of Sidney Korshak's behavior than his alleged pressuring the late Sen. Kefauver is his courtship and intervention on behalf of Sen. Paul Laxalt.

Our story begins in the late 1950s when Las Vegas' two largest industries

were the casinos and organized crime. Paul Laxalt was then just a young attorney, and the Mafia was just beginning to take over the city. With the help of some organized crime figures, Paul Laxalt would become governor of Nevada and, later, senator from that state. During that same time, organized crime in Nevada would not only flourish but grow by leaps and bounds.

It had all begun with a dream by the late mobster Bugsy Siegel. The handsome, debonair mobster believed that legalized gambling in Nevada would make Las Vegas the gambling and vice capital of North America. With the financial backing of Meyer Lansky and the East Coast mob families, Siegel began building the largest and most spectacular casino in Las Vegas.

For a time, Siegel led a charmed life. He lived in glamour with his beautiful girl-friend, Virginia Hill, and spread around tens of thousands of dollars on the nights they spent out on the town on the Las Vegas Strip.

Even a murder indictment was a momentary problem for the handsome mobster. In 1940, Siegel and an associate were indicted for the murder of fellow mob figure Harry "Big Greenie" Greenberg. The case was delayed, time and time again, until the government's key witness, Abe Reles, "fell" out of a New York hotel room window while in government custody. The charges were then dismissed by Los Angeles District Attorney John Dockweiler, who said he wanted to save the taxpayers of Los Angeles the cost of a lengthy trial. Apparently a \$30,000 campaign contribution made by Siegel to Dockweiler's election campaign had nothing to do with the disposition of the case.

Bugsy Siegel had little to fear from the government or public officials, but his associates in the underworld were a different case. The cost of the Flamingo had sky-rocketed from the \$1.5 million Siegel said it would cost to over \$5.5 million. On June 26, 1947 a mob hitman, acting on the orders of Meyer Lansky, murdered Bugsy Siegel.

Oddly, with Siegel's death his dream came alive. Las Vegas soon blossomed, and the mob through its hidden interests in many of the city's largest casinos, illegally skimmed tens of millions of dollars each year.

Onto the scene came the young, politically ambitious attorney, Paul Laxalt. In 1951, he was elected District

Attorney of Ormsby County, Nevada. In 1962, he was elected as Nevada's lieutenant governor. And two years later, he lost a close race for the U.S. Senate.

In 1966, Laxalt successfully ran for governor of Nevada. A key fundraiser in that campaign was Ruby Kolod, an organized crime figure originally from Cleveland, who was a part owner of Las Vegas' Desert Inn along with mob figures Moe Dalitz and Louis Rothkoff.

In 1965, less than a year before Kolod helped raise funds for Laxalt's gubernatorial campaign, he was convicted of fraud and extortion. Kolod and an associate, Israel "Icepick Willie" Alderman, invested \$78,000 in an oil venture with a Denver, Colorado lawyer, Robert Sunshine. According to a federal grand jury indictment, when the venture failed, Kolod and "Icepick Willie" sent two Chicago mob associates to Denver to "threaten to injure and/or murder" Sunshine and his family if their investment money was not returned. What interested federal investigators most about the case was that Sunshine testified at the trial that Kolod obtained the \$78,000 needed for the oil venture by simply walking into the counting room of the Desert Inn and skimming the money "right off the top." A subsequent FBI investigation later determined that the \$78,000 was only a fraction of the tens of millions of dollars the Mafia was skimming from the Desert Inn, the Sands, the Dunes, the Frontier, and other Las Vegas casinos.

Despite such incidents as Ruby Kolod's role in his gubernatorial campaign, Laxalt has been able to successfully cultivate a public image—one of trying to force out the mob from Las Vegas' casinos.

In 1980, for example, *Congressional Quarterly* reported in a biographical article on Laxalt: "The new governor pushed through the legislature a measure allowing corporate ownership of casinos in an effort to rid the gambling industry of the taint of organized crime."

In fact, the end result of the new legislation merely helped facilitate organized crime's dominance of the Las Vegas casino industry. The history of many of the casinos has been one of revolving ownership by organized crime interests. When federal investigations have found a secret organized crime interest in a

casino, public outcry has demanded a new owner. But the new owner has often turned out also to be a front for organized crime interests. Such has been the way the casinos have operated during the time Paul Laxalt has been a powerful Nevada politician. Part of the reason such activities have been allowed to occur is that he has maintained close relationship with

Laxalt, as governor of Nevada, helped stop an SEC investigation of Parvin-Dohrmann for stock fraud, traveling to Washington, D.C. to meet with SEC officials. Within a year he received a \$100,000-a-year retainer from the company's owner.

men involved in such schemes—men such as Delbert W. Coleman.

One of the first beneficiaries of Gov. Laxalt's legislation allowing corporate ownership of Nevada casinos was Chicago businessman Coleman. In 1968, Coleman sold off his major interest in Chicago's J.P. Seeburg Corporation for \$4.8 million. With the proceeds from that sale, Coleman bought a controlling interest in the Beverly Hills-based Parvin-Dohrmann Corporation. At the time, Parvin-Dohrmann owned two Las Vegas hotel-casinos, the Aladdin and the Fremont.

In 1969, Coleman and Parvin-Dohrmann purchased a third Las Vegas hotel-casino, the Stardust, from organized crime figure Moe Dalitz. Coleman had his corporation

make a secret \$500,000 payoff to Sidney Korshak, the Securities and Exchange Commission would later reveal, for introducing Coleman and Dalitz and setting up the deal.

Later, Korshak would also be appointed counsel for the Parvin-Dohrmann Corporation. But says a former investigator for the SEC: "Although on paper Korshak was just the counsel for Parvin-Dohrmann, in reality he was the most important individual in making decisions for the firm next to Coleman. Some of the people we interviewed even suggested it was really Korshak running the show and pulling the strings and that Coleman was just his front man."

Shortly after the Stardust casino was purchased from Moe Dalitz by Parvin-Dohrmann, Coleman and Korshak made Frank (Lefty) Rosenthal manager of the casino. Federal law enforcement officials have identified Rosenthal as the overseer in Las Vegas for Chicago mob boss Joseph Aiuppa and the man in charge of that mob family's casino-skimming operations.

With the involvement of Korshak and Rosenthal in Parvin-Dohrmann's operations, federal investigators did not believe the mob wasn't still taking its cut when Moe Dalitz sold the Stardust to the corporation. Apparently, Laxalt's casino "reform" legislation did little to stem mob involvement in Las Vegas casinos.

But if the legislation did not benefit the public, it did benefit Paul Laxalt. In 1970, Laxalt decided against running for a second term and instead made plans to expand his Carson City, Nevada law firm. Among the firms' first clients was Delbert W. Coleman, who paid Laxalt a \$100,000 a year retainer.

Already in 1969, Parvin-Dohrmann had come to need a good law firm. In that year, the Securities and Exchange Commission charged in a civil lawsuit that Coleman, Korshak and 15 other officers and investors of Parvin-Dohrmann had engaged in stock fraud and violations of federal securities laws in artificially inflating the price of Parvin-Dohrmann stock on the American Stock Exchange. According to internal SEC investigative files, Coleman, when he took control of Parvin-Dohrmann, bought 300,000 shares of stock in the corporation at the price of \$35 a share. Shortly thereafter, Korshak bought a smaller amount of Parvin-Dohrmann stock.

Sidney Korshak, "one of the four or five most powerful men in organized crime in America," helped facilitate a \$950,000 loan to Laxalt from a Chicago bank at a time a casino Laxalt owned was facing near bankruptcy.

Within a few months, the stock rose meteorically in value, eventually selling for \$150 a share. Delbert Coleman made an easy \$34.5 million profit. Sidney Korshak made \$1.8 million from the deal.

But the SEC's investigation found that the rise in value of Parvin-Dohrmann's stock was not due to the viability of the corporation, but due rather to a sophisticated stock fraud and manipulation scheme based on the "old boiler room scheme" and set up by Korshak and Coleman.

In 1970, the SEC settled its lawsuit, forcing Coleman and Korshak to sell their stock in Parvin-Dohrmann and give up profits they earned from the stock fraud. But that did not happen until the two men engaged in some high-level influence peddling.

In mid-1969, Dr. Martin Sweig, then an aide to House Speaker John McCormack, and Nathan Voloshen, a Washington lobbyist, were indicted by a federal grand jury on charges of using the prestige of the Speaker's office on behalf of Voloshen clients. Among the charges was that Coleman, on Korshak's recommendation, paid Voloshen and Sweig \$50,000 to use their influence to try to close down the SEC investigation. Coleman was granted immunity from prosecution in exchange for his testimony at the trial against Sweig and Voloshen.

On May 6, 1969 Coleman testified that he and Voloshen and Sweig visited the new offices of the SEC in Washington and met with then SEC chairman Hammer Budge in an effort to curtail the Parvin-Dohrmann investigation.

"I bring you warm greetings from the Speaker of the House," Coleman testified Voloshen said to the SEC chairman as the meeting began. But despite the lofty introductions, the influence peddling was unsuccessful. The SEC carried on with its investigation and later filed suit against Parvin-Dohrmann. One of the findings of that investigation was that the \$50,000 payoff made by Coleman to Voloshen and Sweig ended up as a tax write-off on Parvin-Dohrmann's books.

Also helping in the effort to stop the SEC investigation was Laxalt, then governor of Nevada, who traveled to Washington, D.C. to meet with SEC officials about the case. Laxalt had no effect on the investigation, but within a year he would be the recipient of the \$100,000 retainer from Delbert Coleman as a private lawyer.

With such lucrative law fees, the ex-governor now decided to expand his career into the business world. Along with several partners he financed and built the Ormsby House Casino in Carson City, Nevada.

According to Nevada state gaming records, Laxalt's original capital contribution was \$938. His brother and partner in the venture, Peter, contributed only \$913. Apparently, the casino was mostly financed through \$5 million in loans made to the Laxalts by three Nevada banks.

Laxalt soon found that his business skill was not on the same level as his political acumen. By mid-1973, the Ormsby House was close to bankruptcy, and Laxalt turned to his old friend Delbert Coleman for help. The end result was an unsecured \$950,000 loan to Laxalt and the casino from the First National Bank of Chicago.

Still other loans were made later by Heymann and the First National Bank to keep the casino afloat. Laxalt once told a friendly interviewer that "I called Bob Heymann and told him we had to have a couple of hundred thousand or we will close. Within a day he gives \$200,000. In February (1974) the same problems. I told him I need \$200,000. He gives another. At that point he was in a second position secured only by our stock, which meant that he could take it in a moment."

In September 1974, the First National Bank loaned an additional \$7.3 million to the Ormsby House. All in all, Heymann and his bank loaned more than \$10 million to Paul Laxalt and the Ormsby House, until it was sold in 1976 to different interests.

But Robert Heymann, like Sidney Korshak, has never had to spend a day in jail. In exchange for pleading guilty, Heymann received the sentence of four year's probation. At the sentencing hearing, Heymann's lawyer, George Cotsirilos, said that Heymann had started a consulting business since leaving the bank. But the embezzlement and subsequent federal indictment were not hurting business, Cotsirilos told the court. "He hasn't lost a client."

While Robert Heymann seemed to come away from his embezzlement trial unscathed, the First National Bank of Chicago, which had cooperated with federal authorities in their investigation, did not fare well. Among Robert Heymann's closest friends—and also one of First National of Chicago's largest customers—have been Chicago businessman Jay Pritzker and his father, A.N. Pritzker. The two men are key members of the Pritzkers of Chicago, one of the wealthiest families in America. Through a number of privately owned corporations, the Pritzker family's own assets reportedly generate revenues exceeding \$3 billion each year. Among their holdings are the privately held Hyatt Corporation and a controlling interest in the Hyatt International Corporation. The Pritzker family also owned much of the Hardwicke Corporation and the Great Adventure Amusement Park at one time. Those two entities were recipients of the loans made by Heymann for which he was given kickbacks and for which he was later convicted.

When officials at First National first learned of Heymann's embezzlement, the Pritzkers lent him \$160,000 to repay the bank. Heymann's lawyers could thus point out at the sentencing hearing that he had already made restitution. They also pointed out that he was also now working as a consultant to "some of the finest companies," one of which was Hardwicke, Inc.

According to a former official of the First National Bank of Chicago, the Pritzkers—upset with the bank's firing of Heymann and its help in the

Less than a year before Ruby Kolod helped raise funds for Laxalt's gubernatorial campaign, he was convicted of fraud and extortion.

federal investigation—transferred tens of millions of dollars in assets from the First National Bank to the Illinois Continental Bank and Trust Company.

Maybe part of the reason the Pritzkers have been so sympathetic to Heymann's problems is that they too have had their problems with federal law enforcement authorities. In December 1978, the Pritzkers settled a lawsuit with the Securities and Exchange Commission alleging conflicts of interest and inadequate disclosure to stockholders of the Hyatt Corporation and Hyatt International.

During the SEC investigation, evidence also surfaced showing that the Pritzkers have had personal relationships and business dealings with a number of highly placed organized crime figures and their associates. In a deposition taken during the SEC investigation, Peter DiTulo, the late president of the Hyatt International Corp., admitted that he knew Meyer Lansky, reputed to be the financial czar of American organized crime, and that he had borrowed money from two Canadians who had invested money for a notorious Lansky associate. In addition, the mob-dominated Central States Teamsters Pension Fund has made more than \$50 million in loans to Hyatt and other corporations owned by the Pritzkers. Three high level Teamsters officials who helped the Pritzkers obtain those loans—the late Teamster President

Jimmy Hoffa, the late Allan Dorfman and Alvin Barron—have all had close ties to organized crime figures and have been convicted of major felonies.

But the Pritzkers have the closest relationship to Korshak, dating back more than 40 years to when both families had law offices in a modest building at 134 North La Salle Street in Chicago. Korshak was later instrumental in helping the Pritzkers obtain some of their loans from the Teamsters Union Central States Pension Fund. Korshak also later became a counsel for the Hyatt corporation.

While Korshak and his associate Robert Heymann were instrumental in keeping the Ormsby House afloat, another associate of Korshak's Nevada businessman Bernard Nemerov, also helped finance the casino venture.

The single largest investor in the Ormsby House was Nemerov who, according to law enforcement officials and public records, has had longstanding and close associations with some of the country's most prominent organized crime figures.

According to Nevada state gaming records, Nemerov loaned Paul and Peter Laxalt some \$475,000 to help construct the Ormsby House. He also contributed another \$75,000 to the project as a capital contribution.

In testimony before the Nevada State Gaming Commission, Paul Laxalt said that Nemerov was going to play a key role in running the Ormsby House:

"I see him as being another right arm to me because my function in this operation is not going to be operational. I'm not going to be housed or officed in the hotel, nor will Mick (Peter). We'll be on the policy level only and we felt we needed liaison on the hotel level from an experienced person, and this is where we see Mr. Nemerov."

In June 1972—as part of the licensing procedure for the Ormsby House—Nemerov was repeatedly asked about his associations and relationships with a wide assortment of organized crime figures during an appearance before Nevada's State Gaming Corporation.

Nemerov admitted during his testimony before the Gaming Commission to having had close relationships with the late Teamsters Union President Hoffa and the late Allen Dorfman, who for more than two

decades served as the dominant figure in the mob-dominated Teamsters Union Central States Pension Fund. Under Dorfman's leadership the massive \$1.4 billion pension fund served as nothing more than a private bank for the Mafia and those willing to make kickbacks to Dorfman and other pension fund executives in exchange for loans.

Perhaps more than any other man in America, with the possible exception of the late Meyer Lansky, Dorfman was responsible for the massive organized crime infiltration of Las Vegas and its casinos. At Dorfman's direction, the Central States Pension Fund loaned hundreds of millions of dollars to mob-controlled interests to purchase at least eight Nevada casinos since the late 1950s.

In 1972, Dorfman was convicted on federal charges and sentenced to prison for accepting a \$55,000 kickback in arranging a \$1.5 million Central States Pension Fund loan for a Miami businessman. In late 1974, Dorfman was acquitted of federal charges of bankruptcy fraud and conspiracy to defraud the Central States Pension Fund after a key government witness in the case was murdered gangland style.

Dorfman himself was murdered gangland style last year in a suburb of Chicago while awaiting sentencing after being convicted of federal charges that he conspired to bribe Paul Laxalt's then Nevada senatorial colleague Sen. Howard Cannon.

Laxalt also maintained a long and cordial relationship with Dorfman. In 1971, Laxalt wrote a letter to then President Richard Nixon recommending that the President release then Teamsters boss Jimmy Hoffa from prison. Laxalt told the President that he decided to ask him to release Hoffa from prison after meeting with Dorfman, who he claimed was not "the criminal type so often depicted by the national press."

Nemerov has also engaged in a close relationship with Sidney Korshak over the years. While questioned before the Nevada State Gaming Commission, Nemerov admitted to knowing Korshak socially. He also said that the two men had offices in the same Chicago office building.

With Nemerov's investment in the Ormsby House, yet another close associate of Korshak was involved financially with Laxalt.

On Nov. 1, 1983 the *Sacramento Bee* reported that the Ormsby House was the subject of a 1973 Internal Revenue Service investigation that looked into allegations that organized crime interests were illegally skimming an estimating \$2 million a year of the casino's proceeds.

But, according to reporter Denny Walsh, IRS agents were not allowed to pursue the investigation due to intervention from the Nixon White House. Wrote Walsh: "One of the tax agents noted that the Nixon White House's influence in the upper reaches of the IRS was something he and his colleagues had to live with. 'For the most part, anything [traced to] Republicans was given the fast once-over,' the agent said.

"Referring to those types of situations, he said, 'I pursued what I thought was appropriate until I was told not to.'

"Asked if the Laxalt matter was one he was told not to pursue, he said, 'Yes.' "

Walsh later added: "Information about the scheme was derived primarily through physical surveillance and from Ormsby House employees developed as informants by IRS agents. . .

"Implicated as a courier of the skim money, according to the sources, was Rocco Youse, identified in federal, state and county intelligence files as an associate and front for Milwaukee Mafia boss Frank Balistreri. . .

"[In addition] at the Ormsby House, IRS agents watched on a number of occasions as Youse met with Joseph Viscuglia, one of the casino's managers.

"Casino employees told tax agents an average 20 percent of the house's take was being skimmed and being held by Viscuglia until picked up by Youse."

In a prepared statement made after the *Sacramento Bee's* report, Laxalt branded the story "ludicrous" and said that he hoped those named in the news account would "sue the tail off the *Sacramento Bee*."

It is impossible to substantiate the *Sacramento Bee's* charge that "substantial sums of money were illegally skimmed from the proceeds of Carson City's Ormsby House Hotel Casino during the time it was owned by Paul Laxalt," due to the Nixon Administration's intervention that halted the investigation.

If the allegations are indeed true, they would seem to coincide with find-

ings by this reporter's investigations that Sidney Korshak intervened with an official of Chicago's First National Bank to gain approval for loans to keep the Ormsby House in business. Korshak was at the time, and still is, according to federal law enforcement officials, a senior adviser in the Chicago mob family. The main beneficiary of the alleged skimming operation, according to the initial IRS probe, was the Milwaukee mob family of Frank Balistreri, an adjunct of the Chicago mob family of which Korshak is a senior adviser.

If the allegations of skimming at the Ormsby House are untrue, Sen. Laxalt's behavior still deserves further attention. This reporter's investigation has shown that only with the help of Sidney Korshak and his associates—Delbert Coleman, Robert Heymann, and Robert Nemerov—was Laxalt's Ormsby House venture allowed to become a viable entity.

At the same time, Sen. Laxalt has engaged in a number of activities in his official government positions that have helped Sidney Korshak and Chicago's mob bosses.

Laxalt's discussions with the President and Attorney General to curb mob investigation in Las Vegas would have to be at the top of the list. His attempts to stop the federal investigation of Parvin-Dorhmann also benefitted Sidney Korshak and Delbert Coleman, who were eventually charged by the Securities and Exchange Commission with stock fraud related to the case. And Laxalt's attempts to free Jimmy Hoffa from prison also would have benefitted Korshak's and Chicago's mob bosses, who previously made tens of millions of dollars in illegal Teamsters Union-related activities when Hoffa was its president.

At best, Sen. Paul Laxalt is a man who was allowed to own a casino with the help of Sidney Korshak and other individuals tied to organized crime. At worst, he is a man who has engaged in activities as a public official which help those same organized crime interests that helped him with his private business dealings.

Murray Waas is a freelance journalist who has published in the Washington Post, The Nation, and elsewhere. He was the recipient of the 1983 H.L. Mencken Award for Investigative Reporting. This article is reprinted from The Rebel magazine with the author's permission.

World Bank

Arjun Makhijani

dedicated to the struggles for freedom of the people of the Philippines

(i)

Fountains babble on the thirteenth
floor, softening fluorescence,
punctuating the clink of
cocktail glasses and
talk of small
farmers.

Thought I'd crush them (said M)
with eight point two billion pounds:
bombs cratering fields, napalm
burning children, agent
orange sterilizing mothers and
earth.

But worse than insects, they
dig tunnels and multiply
in ways I never learned; illiterate
learn to fire
anti-aircraft guns,
singing

songs of freedom that make
black and young chant Ho Ho Ho
Chi Minh, Uncle Ho, and
hate me who sought only
their love with
Edsel.

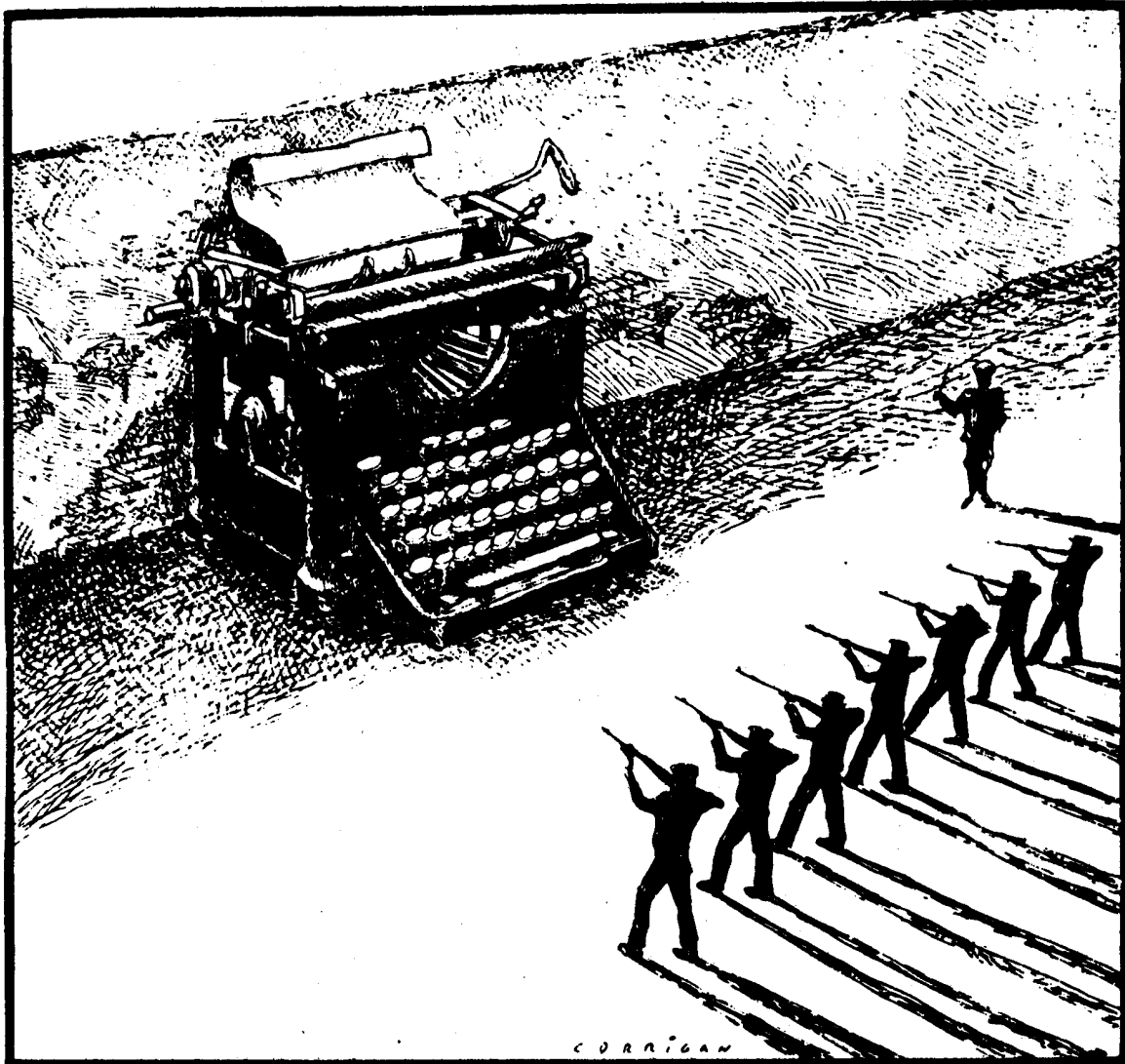
(ii)

Johnson raising a stink on the White
House toilet said y'all get 'em in
the Wall Street World Bank way -
make loans to their usurers
to get the biggest bang for the
buck.

Agent orange as pesticide makes dollars -
green as nuclear plants for Westinghouse
lighting roads for
troops beautifying Imelda's eyes
by razing workers'
huts.

Woman bent hungry in the field
cutting sugarcane
to the rhythm of Bells and Hueys
sucking her child's sweat to
pay the moneylender's
debts.

Fountains on the thirteenth floor
stop the clink and the babble
as they hear the rumblings
in her womb -
the people's song of
freedom.



... AND LIFETIME CENSORSHIP FOR ALL

BY ANGUS MACKENZIE

To prevent dissident bureaucrats from publishing or talking to reporters, President Reagan last March ordered government workers to sign contracts that would force them to submit to prior censorship even after they leave federal service, but Congress rebelled, voting to delay Reagan's order at least until April 15, 1984.

Or so Congress thought. And so the press has reported.

Legislators had demanded a chance to consider the order before it stripped public servants of their First Amend-

ment rights. "We must ensure that the free-speech rights of our most experienced public servants are not restricted unnecessarily," said Republican Senator Charles McC. Mathias of Maryland. "The administration should stop implementing the censorship program."

Congress thought it had stopped the implementation of the order by a Nov. 17 vote. Yet, as denizens of the District prepared to celebrate the new year, the National Security Council was ordering fifty agency heads to get four million employees' signatures on forms that will, after all, contract them to lifetime censorship of their books, articles, and speeches. The

Reagan administration is laying the groundwork to avoid the congressional prohibition against the spread of prepublication review.

This is so despite the reports on February 15 that the administration was suspending "key provisions" of its security program while it tried to reach a compromise with Congress.

A review of relevant court cases suggests that everything the Reagan team is doing to hush its workers has been found strictly legal by the highest judges in the land.

The Reagan team had prepared not one but *two* censorship forms for its bureaucrats to sign. Congress postponed, and the administration has

abandoned, only one of them. With form number two, the administration is doing an end run around Congress. The National Security Council letter of late December orders the implementation of form number two, and last month a White House source confirmed that implementation is proceeding "full steam ahead."

Form number two allows the government to obtain injunctions against those who sign it. Those injunctions, under case law, may require prepublication review of the employee's writings, under the contractual obligation not to disclose secrets.

Congress decided that no regulation could be implemented that "would require any officer or employee to submit, after termination of employment with government, his or her writings for prepublication review." The president signed that into law Nov. 22 as part of the State Dept. appropriations bill.

But, says the man who is in charge of administering the nondisclosure agreement, Information Security Oversight Director Steven Garfinkel, the amendment "is no bar to us going to court to seek injunctions to prevent publication."

"Subtleties," said a House of Representatives staff investigator questioned about the nondisclosure agreement, "are overlooked in Washington all the time." He acknowledged that people on Capitol Hill were unaware of the implications of form number two.

This whole censorship business began at the CIA, which the courts have found has a legitimate need to keep secrets and to censor its employees. Employees there have for decades signed nondisclosure agreements that are now being spread from that agency to fifty others.

On April 18, 1972, Victor Marchetti, a CIA expert on Soviet military aid to the Third World, became the first U.S. author to be served a court order that prohibited him from revealing CIA secrets in a book he had yet to write. That injunction required him to submit his manuscript, when completed, for agency review.

When Marchetti's "CIA and the Cult of Intelligence" went to press two years later, 168 big white spaces appeared where CIA censors had ordered the text removed—the first govern-

The Reagan team had prepared not one but two censorship forms for its bureaucrats to sign. Congress postponed only one of them. With form number two, the administration is doing an end run around Congress.

ment-ordered deletions in a book in U.S. history.

The courts upheld the CIA's right to censor Marchetti because he had promised, in an agreement he signed when coming to work for the CIA, not to reveal secrets he learned there.

"The Marchetti case allows the government to sue to stop disclosure of classified material," says Garfinkel. "The injunction enables government, when it is aware that someone is about to publish, to enjoin them from publishing based on the contractual relationship."

Should any one of the 2.5 million government employees plus 1.5 million government contractors who are now being asked to sign form number two decide to publish something, the government may seek a prepublication injunction like the one served on Marchetti.

In practice, the employee will have signed an agreement not to reveal secrets. If the government thinks that individual might be getting ready to publish, it may get a court order that requires the employee to submit to prepublication review.

Next came the case of former CIA agent Frank Snepp. He joined the agency in 1968, served in Vietnam, and wrote a book called "Decent Interval," in which he roasted the CIA for abandoning its friends during the 1975 evacuation of Saigon.

In May of 1977 Snepp decided *not* to submit his book to agency censors, despite his contract. In 1980 the U.S. Supreme Court upheld the government: Snepp was forced, because of that contract, to submit any future writings—even his novels—to the CIA Publication Review Board. And he must also forfeit his royalties on "Decent Interval," even though the book revealed no classified information.

On March 31, 1982, just over a year after the Supreme Court decided that Snepp was wrong and the government was right, a panel consisting of high-level officials from the CIA and the departments of State, Treasury, Justice, Defense, and Energy suggested to the President: Spread those CIA-type secrecy agreements to every employee who handles classified information.

On March 11, 1983, Reagan issued such an order. Steven Garfinkel in the Information Security Oversight Office began drafting two new secrecy agreements to be signed by half the federal workforce, in accord with the Snepp and Marchetti court decisions.

Garfinkel is a nice guy, with two kids, a big round belly, and shirt collars worn a little thin. He has a quick smile, straight teeth, pudgy hands, and seems an honest fellow. He says his nondisclosure agreement number two will allow the government to obtain injunctions "to prevent publication and to deprive the person of profits from any such publication, even when the agreements signed do not call for prepublication review."

And that's what Congress and the press missed entirely. Congress stopped only the implementation of *one* agreement, the one that called explicitly for prepublication review. But agreement number two amounts to the same thing without using the words "prepublication review."

"We're not trying to trick the public," Garfinkel says. "There was no attempt to do implicitly what we did not do explicitly." He told the Quill he could not predict what legal theories or remedies the Justice Dept. might use in seeking to enforce the agreement, but "never once in any of the discussions about this did any representative of any agency say, 'Let's try to sneak in prepublication review even though it's not mentioned in the agreement.'"

Nevertheless, the agreement on its face, given the Marchetti and Snepp precedents, provides for a system of prepublication review. The distinction between the two forms is a bit technical, sure, but hang on.

Secrecy agreement number one is called the "Sensitive Compartmented Information Nondisclosure Agreement." That so-called SCI agreement contains this demand for prepublication review: "I hereby agree to submit for security review . . . all materials, including works of fiction, that I contemplate disclosing to any person not authorized to have such [SCI] information."

The paragraph also states: "I understand that my obligation to submit such information and materials for review applies during the course of my access to SCI and at all times thereafter." That is the lifetime commitment Congress thought it was delaying until April 15.

Congress took great offense to such censorship spreading from the CIA to other agencies without its consent. Senator Mathias proposed a rider to the State Dept. appropriations measure to stop the rush to prepublication review. He told the Senate that "Congressional consideration must precede the implementation of the censorship plan."

The Senate sided with Mathias on Oct. 20 by a vote of 56 to 34.

On Nov. 17 the House agreed to the measure, which says in part that no head of a department may enforce a

regulation before April 15, 1984, that would require employees, after termination of employment with the government, to submit writings for prepublication review unless the agency had been using nondisclosure agreements before Reagan's March 11 order.

The *New York Times* reported that the amendment "would force a stop to the censorship measures, at least until next April."

But not quite so fast. Ask Garfinkel. He'll tell you what he told me: "The Senate action on prepublication review did not touch on what we're doing in this office. Having read the language of that amendment it is a little unclear as to what it means."

"I don't know that we're doing anything differently," he said. "Agency security officials are calling me up, asking do we stop signing people up? No. I tell them, certainly not."

Garfinkel says yes, implementation of the SCI form number one requiring prepublication review has stopped.

But form number two, the "Classified Information Nondisclosure Agreement," which does *not* contain a prepublication review clause like that in form number one, is now being distributed. And while form number two does not *specify* prepublication review, it means the same thing. And that's the dodge.

Read paragraph six on that form number two, which is now being implemented:

"I understand that the United States Government may seek any remedy available to it to enforce this

Agreement, including, but not limited to, application for a court order prohibiting disclosure of information in breach of this agreement."

In other words, form two, now being pushed on half the federal workforce, will allow the government to seek from the courts Marchetti-type injunctions that will require the employee to submit to prepublication review, even though the form does not use that phrase.

Garfinkel says bureaucrats have become confused by news reports that say the secrecy agreements can't be signed due to congressional action. That is why the National Security Council has sent a letter to some fifty agency heads to push regulations that require their employees to sign agreement number two, which does not call for prepublication review but means the same thing. That form number two obligates signers not to disclose information while they are in service to government "and at all times thereafter," making them subject to injunctions requiring prepublication review for the rest of their lives. That would seem to conflict with the spirit if not the letter of the law Congress passed and Reagan signed.

The Reagan team has done a successful end run around Congress on the question of prepublication review in order to keep its secrets. And form number two doesn't limit "secrets" to national security information. The administration, under President Reagan's classification guidelines can stamp SECRET *anything* it doesn't want you to know, regardless of its true relationship to the national security.

Half of all government workers are about to be silenced—and neither the press nor Congress seems to understand.

What may slow the signing of these secrecy agreements is simply that so many must do so. It may take years for the 2.5 million government employees plus 1.5 million government contractors to actually sign up—although, in the meantime, new hires will be enlisted as a condition of employment. So there may still be time for Congress to correct its oversight.

Angus MacKenzie is director of the Freedom of Information Project of the Center for Investigative Reporting in San Francisco.

UPDATE

The most recent presidential and congressional stances regarding NSDD-84 were detailed March 20, 1984, by National Security Advisor Robert C. McFarlane in a letter to Rep. Patricia Schroeder, Democrat of Colorado, chairwoman of the subcommittee on civil service.

McFarlane's letter noted that Congress last year barred until April 15, 1984 "two provisions of the directive: paragraph 1(b), which authorized broader use of prepublication clearance agreements, and paragraph 5, relating to the use of the polygraph. . . ."

As a result, McFarlane wrote Schroeder, he directed that those two

provisions be held in abeyance. "The President has authorized me to inform you that the Administration will not reinstate these two provisions of NSDD-84 for the duration of this session of Congress."

What McFarlane failed to tell Schroeder: NSDD-84 contains 16 sections. The delay of two leaves 14 sections in force, including 1(a) calling for half the federal workforce to sign nondisclosure agreements, and section 1(b) saying those agreements are "enforceable in civil action." In other words, NSDD-84 still threatens 4 million government workers with injunctions requiring prepublication review.

THE CIA'S "FREE" ELECTIONS

In Italy 30 years ago and in El Salvador today, the U.S. government has used a combination of the CIA, the AFL-CIO's international branch, and Christian Democrats to subvert elections.

BY JOHN KELLY

In 1948, a few months after the CIA's founding, a Milan silk manufacturer, Pietro Ruffini, flew into New York for secret meetings with U.S. bankers and industrialists. Ostensibly, Ruffini was having business meetings.

In fact, Ruffini carried credentials from the "highest responsible authorities" in Italy. And his trip had been arranged by the U.S. Embassy in Rome. A 1948 State Department cable marked "top secret" said: "His [Ruffini's] plan, as outlined to a member of the embassy, is to form a small committee in New York of industrialists and bankers with European interests who might be willing to contribute to the Christian Democratic party, which is leading the fight against communism in Italy. No publicity whatsoever will be given to his activities."

That the U.S. Embassy in Rome was directing covert intervention in the Italian elections for U.S. corporations was evident from the "top secret" cable of March 12, 1948 to Secretary of State George Marshall. "Norris Chipman tells me that Secretary [W. Averell] Harriman was of great assistance in obtaining contributions for [CIA labor operative] Irving Brown from U.S. industrialists with large stakes in France. Could he not be of assistance to us. Following com-

panies have large interests in Italy: Standard Oil of New Jersey, Vacuum Oil, General Electric, Singer Sewing, American Radiator and Standard Sanitary, National Cash Register, Great Lakes Carbon, American

A "top secret" letter of 1948 illustrates that the CIA, through a labor operative, was covertly intervening in the internal affairs of Europe for private U.S. corporate interests.

Viscose Company, Otis Elevator. Would you speak to him about his matter."

Another "top secret" letter of February 24, 1948 illustrates that the CIA through a labor operative was covertly intervening in the internal affairs of Europe for private U.S. cor-

porate interests. Written by U.S. Ambassador to France, Jefferson Caffery to Undersecretary of State, Robert A. Lovett, it said: "... I have just heard that certain important American business interests in France recently sent representatives to Washington with an offer to donate certain sums for the battle which we are waging. I understand that they spoke to [CIA Director] Admiral Hillenkoetter who informed them that the government should and would shoulder this burden. I am entirely in accord with this position in principle..."

"I am enclosing a rough outline of a concrete plan for work among the [French] port workers, which heretofore has been the stronghold of the communists, and I think that this project should be pushed as rapidly as possible. On this we are in close touch with Irving Brown, European representative of the A F of L, who is working out the details, including the choice of competent militants."

Ruffini's trip to New York was a success. The money he gathered was deposited in a special account for transfer through a Vatican bank to political parties in Italy. And the CIA and U.S. corporations launched their covert interventions into electoral politics through a representative of U.S. labor.

Thirty odd years later, Irving Brown is still the U.S. labor representative in Europe, now for the AFL-CIO. Brown has been identified as a

CIA labor operative by at least four former CIA officers. Former CIA official Thomas W. Braden published that he gave \$15,000 in CIA money to Brown to pay his "strong-arm squads" used in France to attack striking dock workers. These strong-arm squads were Brown's "competent militants" referred to in U.S. Ambassador Caffery's letter quoted above.

Brown denied ever meeting or taking cash from Braden. He subsequently admitted possibly meeting Braden in Paris. Braden told *Wall Street Journal* reporter, Jonathon Kwitny that the \$15,000 was one of many CIA payments to AFL-CIO officials. And that he assumes such CIA payments continue to this day.

Former CIA officer John Stockwell was quoted as saying that: "Irving Brown was 'Mr. CIA' in the labor movement." Recalling to Kwitny a 1966 labor conference in the Ivory Coast organized by Brown, Stockwell said: "In a hall that could have seated several hundred, there were eight people. And I knew that five were CIA. Brown was one of the five." Another former CIA officer, Paul Sakwa, has stated that he was Brown's CIA case officer from 1952-54. During this period, Sakwa approved Brown's CIA budget of from \$150,000 to \$300,000.

From 1955-58, Sakwa served undercover as assistant labor attache in the U.S. Embassy in Brussels. Sakwa told Kwitny that he continued to be aware that Brown and other AFL-CIO officials were receiving CIA money. Sakwa says that Brown also delivered CIA money to Tom Mboya, a Kenyan politician and CIA agent. Also under Brown's direction, the CIA-connected African American Labor Council set up training programs for certain union leaders in Kenya that continue today.

In Zaire, Brown helped organize the CIA's counter-revolutionary National Front for the Liberation of Angola under CIA agent Holden Roberto. Brown called the organization a union though there were no employers or employees. He told Kwitny that it "was an attempt to train people for trade union activities when they went back [to Angola]."

In his book, *Inside the Company*, former CIA officer Philip Agee said that Irving Brown was the "European representative of the American Federation of Labor and principal

CIA agent...." An internal CIA assessment of Agee's book called it "complete" and "accurate."

El Salvador

This combination of the CIA, U.S. corporations, and labor intervening in foreign unions and elections continues today in El Salvador. This is done through the American Institute for

The CIA has now admitted conducting covert operations in El Salvador and intervening in the March 1982 elections.

Free Labor Development (AIFLD). Not surprisingly, Irving Brown has been involved with AIFLD. William C. Doherty, AIFLD's president, told Kwitny: "He [Brown] is a very dear friend of mine and most people who work for this organization [AIFLD]."

AIFLD was founded in conjunction with some 100 U.S. corporations which funded it in part until recently. AIFLD's chairman until 1981 was J. Peter Grace, head of W.R. Grace and Company which is notorious for its anti-labor policies in Latin America. Grace has been positively linked to the Nazis. Philip Agee wrote that Grace was a "front man for CIA labor operations." Agee also wrote that William C. Doherty, Jr. was a "CIA agent in labor operations." And that AIFLD was a "CIA-controlled labor center financed through AID [Agency for International Development]."

Former AIFLD organizer, Richard Martinez, has stated that he worked for the CIA through AIFLD and Doherty. Martinez says that he helped run the labor component of the CIA's destabilization and coup in Brazil in 1964. The result being a military junta that destroyed the union movement in Brazil.

A 1980 U.S. government audit of AIFLD noted that its operations tend to be seen as "political in nature rather than for developmental purposes." Ironically, evidence about current AIFLD/CIA operations in El Salvador came out at the Supreme Court hearing in 1981 over Philip Agee's appeal of the Government's revocation of his passport. U.S. Solicitor General Wade H. McCree, Jr. was attempting to convince the court that Agee's identification of CIA agents endangered their lives. "Just recently," he said, "two Americans have been killed in El Salvador. Apparently they were some kind of undercover persons, working under the cover of a labor organization." McCree was referring to AIFLD officials, Michael Hammer and Mark Pearlman who had been murdered at the Sheraton Hotel in San Salvador. Hammer was given a rare military burial in Arlington National Cemetery on special authorization of President Jimmy Carter. Hammer hardly met the definition of a worker or unionist. He had joined AIFLD while at Georgetown University's School of Foreign Service, a spawning ground of CIA officers.

The CIA has now admitted conducting covert operations in El Salvador and intervening in the March 1982 elections. In a sworn affidavit, Louis J. Kube, Information Review Officer of the Directorate of Operations of the CIA stated that: "For purposes of this litigation, there has been official acknowledgement that special activities [covert operations] are ongoing in Central America."

Kube was responding to a Freedom of Information request for information about CIA activities in El Salvador. He said he had identified 20 documents regarding CIA activities in Central America, 16 of which contained information about CIA covert operations.

The CIA refused to release these 20 documents. It did, however, release parts of a two-page document dated January 22, 1982, entitled: "Salvador Elections," which admitted CIA involvement in the March 1982 elections. At the same time, the CIA admitted there were three additional documents regarding its involvement in the elections which it refused to release.

In the *Wall Street Journal* of July 16, 1982, CIA Director William Casey

said: "For instance, we helped in the El Salvador election."

Later in a letter to the *New York Times* of July 30, 1982, Casey said: "... We provided the Salvadoran Government with information and capabilities which helped it reduce the supply of weapons from Cuba and Nicaragua and to break up guerrilla formations intended to destroy the election..."

"In addition," said Casey, "we provided election authorities invisible ink, which could be placed on the wrist of each voter and be detected again only under ultraviolet light. This was needed to assure an honest vote and to protect voters from retaliation, with which the guerrillas had threatened anybody who voted."

The CIA's two page document claimed that: "The credibility of the election process hinges on the ink being available." Of course, CIA involvement negates the credibility of any election. Moreover, it was widely reported that the invisible ink stamp was used to force Salvadorans to vote in the election. In which there were no opposition candidates. Salvadorans found without the invisible stamp were penalized by the Salvadoran government. The reasoning being that absence of the stamp meant one boycotted the election. And thus, one was a rebel sympathizer. Such categorizations can get one assassinated in El Salvador. This fact would tend to explain the panic at voting polls which could not accommodate everyone.

The CIA also provided invisible silver nitrate ink for the March and May 1984 elections in El Salvador, and a lot more.

The *New York Times* (5/12/84) reported the CIA spent \$2.1 million in direct contributions to the elections. The CIA gave \$960,000 to the Christian Democratic party to support the candidacy of Jose Napoleon Duarte and \$437,000 to the ultra-right National Republican Alliance to assist its candidate Francisco Jose Guerrero. The CIA also secretly financed trips to El Salvador by eleven European and Latin journalists in March and nine in May. The journalists were provided derogatory information about ARENA party candidate, Roberto D'Aubuisson.

As in Italy some 30 years prior, the U.S. government used the combination of the CIA, the AFL-CIO international branch, and the Christian



"Let me assure you that I have international terrorism well in hand."

Democrats to subvert an election. The CIA provided funding to a publicity agency, the Venezuelan Institute for Popular Education (IVEPO). This CIA money was laundered through a West German Christian Democratic Foundation, reportedly the Konrad Adenauer Foundation. IVEPO provided free publicity for the Duarte campaign. It also paid the salaries of about 300 employees of the Central Elections Council according to the council's project manager, Jorge Rochac. The *Washington Post* quoted Rochac as saying: "I don't know who the hell finances it [IVEPO]... I stay up at night sometimes and wonder who is writing the checks."

During the May 6th election, these 300 council employees served as polling place guides to lead voters to the right ballot boxes and to staff elections information booths.

A Washington-based auditing firm, Deloitte, Haskins and Sells, under an Agency for International Development (AID) contract, was in charge of delivery of voter registers, ballot boxes and other equipment to polling places nationwide. AID has covered for the CIA for years.

The Central Elections Council was funded and more or less directed by AID. In particular, AID computer expert, John Kelley, who created the council's comprehensive plan for running the May 6th election.

The Salvadoran Communal Union (UCS) which receives at least three-

fourths of its budget from AIFLD provided 400 of its personnel to campaign for Duarte. Samuel Maldonado, UCS secretary general, told the *Boston Globe* (5/4/84): "They became Christian Democrat activists." Maldonado also admitted that their political work was illegal under Salvadoran law.

AIFLD representative in El Salvador, Bernard Packer, told the *Globe* (5/4/84): "We have no relation with the UCS's political efforts. To engage in politics is the exclusive province of the Salvadoran labor union movement."

But, Packer added, "It's a tricky business. They try to drag us in. But if they went out and campaigned on their own time for a political party, there's nothing we can do about it."

White House spokesperson, Larry Speakes, all but confirmed CIA funding of the UCS. "It's been the policy of this and previous Administrations," he said, "to provide assistance to democratic institutions, such as trade unions [and] private sector organizations." "We can't go beyond that. I'm not discussing covert money."

Capping off the CIA's involvement was the sudden trip to El Salvador by CIA coup engineer and all-around trouble shooter, Vernon Walters. Now known as Ambassador-at-Large, Walters reportedly told Roberto D'Aubuisson to shut up and then accompanied Duarte on his plane to Washington.

PHILIPPINE ELECTIONS: MADE IN THE U.S.A.

BY WALDEN BELLO

As the smoke clears following the May 14 elections in the Philippines, several things have emerged:

- The pro-participation opposition did better than expected, winning some 58 of 183 contested seats, despite massive electoral fraud on the part of the ruling party. Pre-election speculation was that it would garner no more than 30 seats;

- Ferdinand Marcos is in no mood to yield his dictatorial powers.

The dictator wasted no time in belittling the opposition's showing. "I would presume that our instructions to our people to allow the opposition to win some seats might have been taken too literally," Marcos told a CBS interviewer... only half in jest. To underline his scorn for the results, he announced a plan to increase the number of presidentially appointed members of the National Assembly, then shelved it when it elicited the predictable furor. Marcos' constitution currently "allows" him to appoint 17 out of 200 delegates.

Marcos Hangs on to Law-Making Power

But on one point the dictator made it clear he was not joking: he would



President Ferdinand Marcos

The U.S. pushed Marcos to hold elections to "stabilize" the situation after the massive outrage over Aquino's assassination. Though the elections succeeded in splitting the opposition, electoral fraud by Marcos supporters has sparked new protests.

not give up his self-arrogated power to make laws. As usual Marcos invoked the need to fight "subversion and terrorism." And, in words clearly designed for Ronald Reagan, he remarked: "I don't know why Americans do not seem to realize the danger of a communist rebellion in the Philippines. Ever since Vietnam you've been trying to close your eyes to the danger that arises from communism. And we people are fighting communism and facing possible liquidation. We have to face up to the fact that if we do not weaken the NPA [New People's Army] subversives now, later on they'll be marching in the streets here and proclaiming a takeover of the government."

Contrary to Marcos' claim, however, the U.S. is worried about the threat posed by the progressive movement. What separates Marcos from those who currently guide U.S. policy toward the Philippines is the latter's assessment that Marcos' monopoly of political power has become the main factor contributing to the radicalization of the population.

Elections: Part of U.S. Stabilization Strategy

The May 14 elections were part of a U.S. stabilization strategy designed to gradually achieve reconciliation of the Philippines' badly fragmented elite and isolate the left. The "electoral option," forged by State

Department and CIA "pragmatists" in alliance with influential Congressional liberals, became U.S. policy when the explosion of mass discontent after the assassination of Benigno Aquino last August rendered the Reagan policy of full, uncritical support for the dictator untenable.

This assassination confronted the previously complacent Reagan administration with a serious dilemma. For no administration has been as determined in its backing of the Filipino dictator than the presidency. The classic expression of the close relations with Marcos was provided by Vice President George Bush, who toasted the Filipino strongman in the following fashion during a visit to Manila in June 1981: "We love you, sir, we love your adherence to democratic rights and processes." Bush's statement was no idiosyncratic blunder. It reflected the Reaganites' profound fear that liberalization and democratization in the Third World are merely the antechamber to revolution. And it served as a glaring example of the conservatives' easy and cynical transmutation of words into their opposite when dealing with "friends" trying to cope with the threat of popular movements.

Authoritarianism or chaos was the choice presented to U.S. foreign policymakers by the administration's top foreign policy ideologue, Jeane Kirkpatrick, in her seminal essay *Dictatorships and Double Standards*:

... The fabric of authority unravels quickly when the power and status of the man at the top are undermined or eliminated. The longer the autocrat has held power, and the more pervasive his personal influence, the more dependent a nation's institutions will be on him. Without him the organized life of the society will collapse, like an arch from which the keystone has been removed.¹

Unlike Jimmy Carter's shamefaced backing of Marcos for "strategic reasons" which allegedly overrode human rights concerns, Reagan's support for Marcos stemmed not only from the so-called strategic imperative but also from a deep ideological affinity with strongman regimes.

The policy of full support for Marcos translated into the appropriation of \$100 million per annum in military and military-related assistance between 1979 and 1984, under a five-

year agreement granting secure status to the two U.S. military bases in the country, Subic Naval Base and Clark Air Base. In June 1983, as part of another five-year agreement, the Reagan administration upped the aid to \$180 million a year.

Increasing Doubts

However, some U.S. officials, especially in the State Department, did not share the White House's en-

The May 14 elections were part of a U.S. stabilization strategy designed to gradually achieve reconciliation of the Philippines' badly fragmented elite and isolate the left.

thusiasm for Marcos. In early 1982, after a three-month tour of the island of Mindanao, the Philippines' second largest, Consul G.S. Sheinbaum painted a picture of a discredited regime and a rapidly growing guerrilla opposition. "The NPA [New People's Army] thrives on government inattention to basic needs in many (but not all) rural areas," the U.S. official wired then-Secretary of State Alexander Haig. In many areas, he noted, the NPA had become "more important than the local government structure." He concluded: "This may sound like a worst-case scenario but present circumstances are not encouraging and the future is ominous."²

Sheinbaum's fears about the U.S. going down with Marcos were shared by many in the Central Intelligence Agency. In the summer of 1982, the CIA, fearing another Iran scenario in

the Philippines, began tapping the resources of Philippine academic specialists to figure out U.S. options in the event of Marcos' overthrow or demise from natural causes. The apprehensions of the agency were evident in the description of a major CIA-funded study directed by Justin Green, professor of political science at Villanova University: "[We] might discuss various scenarios regarding when and how Marcos might leave, the state of the various oppositions, possible successor regimes and what this might mean to domestic and international futures and how these might be affected by external events, U.S. activity and the changing Philippine domestic scene." Green and other academics close to the agency, like David Joel Steinberg, vice president of Brandeis University, were brought together for a major CIA-sponsored conference on May 12, 1983. Pessimism about the future was the order of the day in this meeting attended by officials from the State Department, Defense Department, Treasury and other U.S. agencies. One concrete result of the conference was the setting up of an "Inter-Agency Task Force" to monitor the unravelling Philippine situation.⁴

Unlike the pragmatists at the CIA and the State Department, however, the right-wing ideologues at the White House confidently ignored the danger signals, until the storm broke following the assassination of former senator Benigno Aquino at the Manila International Airport on August 21, 1983. Initially paralyzed by surprise over the intensity of opposition to Marcos, the U.S. gradually adopted a policy of putting some distance between Reagan and Marcos.

The Pragmatists Take the Lead

The first break in the tight Reagan-Marcos embrace occurred in early October, when the White House cancelled Reagan's upcoming trip to the Philippines. The Reagan move came after intense lobbying by the American envoy in Manila, Michael Armacost. Regarded as one of the most skilled career men at the State Department, Armacost is also considered a pragmatist.

That the White House was allowing the pragmatists to take the initiative became evident in the coming weeks,

when a "parliamentary strategy" for stabilizing the dangerous situation in the Philippines took shape.

Working in tandem, the State Department and Rep. Solarz were fashioning a middle course which would open up the system a bit, thus defusing opposition pressure, without destabilizing Marcos. Just as in the case of Diem in Vietnam in 1963, the U.S. would reluctantly but firmly pressure an entrenched dictator ally to make some "reforms" to stabilize the system as a whole. The leverage would be provided by the threat of withholding U.S. aid—a prospect which Ambassador Armacost invoked none too subtly in a controversial speech before the Makati Rotary Club in mid-November: "No help from outside will produce durable results unless accompanied by actions which will restore the confidence of Filipinos in the future of their economy and the stability and predictability of political arrangements." Not unexpectedly, Armacost's remarks were attacked by Imelda Marcos and the regime's controlled press as "American intervention in Philippine domestic affairs."¹⁰ fairs."¹⁰

It might be noted that there was a precedent for the U.S. government's intervention for "free elections." In 1954, with the Philippine elite and the U.S. facing a similar situation of deep social instability stemming from the Communist-led "Huk" rebellion, Col. Edward Lansdale deployed the resources of the Central Intelligence Agency in an effort to hold "clean elections" which swept away the corrupt Liberal Party leadership and installed America's choice, Ramon Magsaysay, in the presidency. The CIA effort included the formation of "citizen inspectors" and other public-relations paraphernalia which convinced the entrenched elite faction that the United States was determined to have Magsaysay, a reformist whom Lansdale had snatched from provincial obscurity, elected president in order to take the wind out of the sails of the insurgents.¹¹

The successful Lansdale effort, which contributed to defeating the Huks and stabilizing the Philippines for over a decade undoubtedly animated many of the pragmatists who in 1984 felt they confronted a parallel situation.

On October 18, at a gathering of the Asia Society in Washington, Paul

Wolfowitz, assistant secretary of state for East Asia and the Pacific, declared that a "bipartisan consensus" had developed on U.S. policy toward the Philippines.⁵ The content of that policy was articulated in a resolution which passed the House of Representatives on October 24 by a vote of 413 to 3. Sponsored by Rep. Steven Solarz (Dem-NY), the powerful chairman of the House Foreign Affairs committee's Subcommittee on Asia-Pacific

**In an important sense,
the electoral strategy
was designed to prevent
democratization—
that is, majority
participation and a
system oriented to
serving majority
interests.**

Affairs, the resolution called for a "thorough, independent, and impartial investigation of the Aquino assassination" and "genuine, free, and fair elections" to the national Assembly in May 1984.⁶

The Solarz resolution passed in the midst of an increasingly strident debate within the foreign policy establishment on the Marcos problem. The *Wall Street Journal* reaffirmed the old Reagan posture of backing Marcos at all costs: "Not only does Mr. Marcos have enemies worth fighting; he is waging his fight with a skill that gives us little reason, now at least, to count him out."⁷ Former Ambassador to the Philippines William Sullivan, on the other hand, advanced what was tantamount to a proposal for a CIA covert action when he suggested that the U.S. "take action, however messy, to assist a peaceful and democratic transition in the Philippines."⁸ Sullivan spoke with some authority since he had not only served as ambassador to the Philip-

ppines but he had also run the CIA's secret war in Laos in the late sixties and managed the State Department-CIA operation in Iran in the late seventies.

Bankers Back the Parliamentary Option

While the State Department and Solarz were concentrating on figuring out ways to grapple with the crisis of political legitimacy, the economic-financial time-bomb exploded. Strapped with a \$25 billion debt to international banks and multilateral financial institutions which had to be serviced to the tune of over \$3 billion annually, the regime saw the economy collapse from under it, as the Aquino assassination provoked a massive capital flight. In merely two months' time, the country's foreign exchange reserves dropped to \$430 million or less than the equivalent of one month's imports. The resultant freeze and rationing of foreign exchange provoked a sharp further decline in economic activity in this import-dependent economy.

A major rescue operation was necessary, but the banks were not about to sink more money into the country unless they received guarantees that the political situation would remain stable enough to allow them to collect later. In the following weeks, American financial and corporate interests threw themselves behind the "electoral option"—an ironic development since they were the same forces which were the first to laud Marcos for his imposition of martial law in September 1972.¹² In Manila, the American Chamber of Commerce joined other business bodies in demanding "the clear designation of a presidential successor, free news media, an independent and honest judiciary, the restoration of basic constitutional rights, and an end to pervasive militarization."¹³

Detailed Assessment of Objectives of the Supporters of the Parliamentary Option

By December 1983, therefore, powerful external political and economic interests had lined up behind the limited parliamentary option. For the American banks and cor-

porations, the main interest was a stable succession in the event of Marcos' demise. Another concern leading the banks toward elections was the fear that Marcos was so discredited that he would lack the legitimacy necessary to impose on the population an austerity program designed by the International Monetary Fund (IMF). This program, which included such belt-tightening measures as wage cuts, devaluation of the currency, tax raises, and cutbacks on government social expenditures, was the *sine qua non* of a \$4 billion rescue package which the banks had in principle agreed to provide by late December. In other words, to succeed, austerity had to be "democratized" or applied by a government with some legitimacy derived from elections.

For the U.S. government, the electoral option was dictated by two closely related objectives. One was to split the opposition, which had come together as a working, albeit fragile, coalition after the Aquino assassination. The strongest element in the opposition was clearly the National Democratic Front, whose component groups include the Communist Party, New People's Army (NPA), May First Movement of Workers (KMU), Christians for National Liberation, and various associations of professionals like the Nationalist Association of Teachers and Nationalist Association of Health Workers.

Prior to the Aquino assassination, government assessments were apparently pessimistic about the ability of the U.S. to head off a process of mass radicalization a la Nicaragua or Iran. But, with the urban middle class passing over from passive to active opposition after the murder, the pragmatists at the CIA and State Department became more optimistic about the chances of stopping the leftist momentum. The electoral option emerged as a strategy of divorcing the middle-class opposition, led by disgruntled business leaders and the traditional elite opponents of Marcos, from the left opposition. The most prominent exponent of the parliamentary strategy, Rep. Solarz, has not concealed this thrust behind the U.S. moves:

I think that these [May 1984] elections may well constitute a historic watershed in the history of the Philippines. At a time when there is growing support in that country for

the Communist-dominated New People's Army... this may well be the last opportunity to demonstrate to the Filipino people that peaceful change is possible in their country.¹⁴

Isolating the Left is one prong of the U.S. electoral strategy; the other is reunifying an elite which has been badly fragmented since the Marcos faction of the establishment monopolized political power with the declaration of martial law in September 1972. Participation in the coming May 14 elections to the Marcos-controlled National Assembly is seen as a first step in this process of reunification. Again, American officials have been candid; at congressional hearings on Feb. 7, 1984, John Monjo, deputy assistant secretary of state for East Asia, asserted:

We trust that responsible Philippine leaders from the government, the opposition, and the private sector will make the extra efforts to make this electoral process a genuine milestone in the political normalization process. If this election is successful, it could be the vehicle for bringing into democratic political life a whole new generation of office holders.¹⁵

A special group within the elite that the CIA has targeted for cultivation is the disaffected local business elite. "Already," reports Mark Fineman of the *Philadelphia Inquirer*, "U.S. intelligence agents are known to be making overtures to Manila's business community, searching their disaffected ranks for a potential successor to power rather than looking within the nation's petty and immature political opposition."¹⁶ This looking to young business figures to lead the elite opposition was reflected in former Ambassador Sullivan's recommendation that the U.S. pay special attention to "the young businessmen who now have come out to take political action, who had gone into business because careers in politics were blocked." These figures, the former CIA operator asserted, "are well disposed toward the United States."¹⁷

Invigorated by fresh elements from business, loosely reunified within a limited and largely cosmetic parliamentary framework and resting on a military-rural and urban middle-class social base, the elite can then get on with the task of mounting the massive



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counterinsurgency campaign which will be insured to stop the National Democratic Front (NDF). It is for this reason that hand in hand with the electoral strategy, the pragmatists are also pushing for the continued disbursement of the \$900 million in military and military-related aid promised to Marcos under the new military bases agreement approved in June 1983. As James Kelly, deputy assistant secretary of defense for East Asia and Pacific Affairs, told Congress on Feb. 7, 1984, the New People's Army "insurgency could reach critical proportions in future years if the Government fails to improve its credibility and implement an effective counterinsurgency program which incorporates political and economic, as well as military components."¹⁸ That both the administration and liberal pragmatists in Congress are united on the strategic importance of a massive counterinsurgency program was shown in the Solarz subcommittee's report on FY 1985 aid levels: "The Subcommittee strongly believes that U.S. military assistance should be utilized primarily for equipment that will assist the Philippines in dealing with what is presently its chief military problem, the NPA insurgency."¹⁹

A third, if subsidiary concern, motivating the U.S. push for elections is to provide a "demonstration" of the current regime's legitimacy and viability to the U.S. public. The assassination of Aquino and Marcos' subsequent appalling performance on U.S. television, where he gave off the image of a blustering Mafia kingpin, has made the traditional justification of U.S. aid to him—protecting the U.S. bases—much less convincing to an already skeptical citizenry. The picture of a dictatorship on its way to democracy is essential to prevent the widespread public opposition to military aid for Marcos from passing from a passive to a dangerous active stage, as in the case El Salvador.

Phase One of the U.S. Plan: The January 27 Plebiscite

The first phase of the electoral strategy for elections began in the weeks leading up to the plebiscite on the succession issue held on January 27, 1984. This electoral exercise was intended mainly to satisfy the banks, who wanted two things specifi-

cally: that the extremely unpopular Imelda Marcos be barred from succeeding Marcos, and that a constitutionally sanctioned process of succession be established. The latter would consist of establishing the office of vice president and holding elections for president and vice president not less than 60 days after Marcos' death.

"Marcos resisted the move to restore the vice presidency," reported

"I would presume that our instructions to our people to allow the opposition to win some seats might have been taken too literally," Marcos told an interviewer . . . only half in jest.

the *Washington Post*. "But he relented after his advisers convinced him that it was part of the price that the International Monetary Fund and private bankers would insist on before providing any more money."²⁰ Marcos, however, was not the only one to resent the pressure from the U.S. and the banks. The American hand in the plebiscite was so obvious that the Catholic Bishops Conference—a body generally critical of Marcos but hardly a bastion of radicalism and nationalism—felt compelled to warn: "No foreign power is to meddle with our political sovereignty by attempting to determine in any way the conduct of our political process."²¹

The Second Phase: The May 14 National Assembly Elections

The second phase in the U.S.'s "electoral stabilization" program was to generate momentum for the May 14,

1984 elections to the National Assembly. The Americans became especially concerned when only an estimated 37 percent of the electorate voted in the January 27 referendum, signifying widespread public skepticism over the value of the exercise.

By the beginning of 1984, Marcos confronted an opposition dominated by five major blocs:

- The traditional elite opposition leaning toward participation in the May elections. The leading political grouping of this force was the United Democratic Opposition (UNIDO), led by former Senator Salvador Laurel.

- Newer elements of the elite, mainly with regional or local power bases, grouped in the Filipino Democratic Party-Laban, who also favored participation.

- Traditional elite personalities opposed to participation, led by former President Diosdada Macapagal and former Senator Jovito Salonga, head of the Liberal Party.

- The pro-boycott Nationalist Alliance, which brought together elite nationalists like former Senator Lorenzo Tanada and "sectoral" opposition groups representing, among others, the lower clergy, workers, peasants, and the urban poor. The regime and the U.S. regarded the Nationalist Alliance as allied to the illegal National Democratic Front (NDF) and thus saw it as the most potent of the opposition groups.

- The political groupings formed by businessmen who had spearheaded the much-publicized demonstrations after the Aquino assassination at the Makati financial district. Perhaps the most powerful representative of this group was Enrique Zobel, a billionaire banker with close ties to the CIA.²² But probably the most significant grouping was the August 21 Movement (ATOM), led by "Butz" Aquino, the slain opposition leader's younger brother. Undecided on whether or not to participate, the politicized business sector was being intensely wooed by the participationists, the pro-boycott forces, and, as noted earlier, the United States.

In early January, the U.S. became alarmed by a development which appeared to show that the pro-boycott forces were gaining the upper hand: most of the major Philippine opposition groups convened as the "Congress of the Filipino People" (*Kongreso ng Mamamayang Pilipino*)

or *Kompil*) and issued a set of conditions that the regime had to meet before they would participate in the elections.

Key among the demands of *Kompil* was the repeal of Marcos' right to make laws, which was, theoretically, the function of the National Assembly. Essentially, this was a demand to dismantle dictatorship or one-man rule. This was a *sine qua non* of any meaningful electoral exercise, for as Sullivan observed: "Free and fair elections are of little consequence if the legislative body chosen in those elections has no authority or if its authority can be usurped by Presidential decrees."²³

Equally important were the other demands raised by the joint opposition:

- repeal of Marcos' power to order the preventive detention of persons suspected of being "threats to national security" and other Draconian laws;
- general amnesty and release of all political detainees;
- the demilitarization of the electoral process or keeping the military away from the voting booths;
- appointment of "independent-minded" persons to the Commission on Elections and the creation of a new voters' registration list.

Kompil was, in short, articulating a set of conditions without which a fair election could not be said to take place. When asked in congressional hearings about the State Department's attitude towards the opposition demands, John Monjo answered in classic Orwellian fashion: "I am not certain that each of these conditions is absolutely necessary for free elections. I cannot say that without these, there cannot be free elections."²⁴ Monjo's ambiguousness, however, reflected what former Ambassador Sullivan diagnosed as a larger policy ambivalence:

Despite the testimony of administration officials... the position of the United States government remains ambiguous in the eyes of most Filipinos, and probably in the eyes of President Marcos. This is true because the President of the United States has given no clear signal of his own personal commitment to a return to democracy in the Philippines. So long as the President of the United States seems to waver between the choice of authoritarianism or democracy in the Philippines, it

seems clear that the President of the Philippines will feel justified in continuing to retain an authoritarian government.²⁵

"Ambivalence" is too kind a word, however, since the United States was not really interested in genuine democratization. It was interested principally in achieving "stability" on terms that would satisfy U.S. interests. As long as Marcos could provide this without any vestige of formal or substantive democracy, there had been no complaints. Elections in 1984 were designed to provide a substitute form of stable elite rule by isolating the progressive opposition and bringing the elite opposition to a *modus vivendi* with Marcos. With the rapid unravelling of the dictatorship, an electoral ratification of such an "enlarged" elite guard seemed necessary to mobilize adequate public support. But in an important sense, the design was to *prevent* democratization—i.e., majority participation and a system oriented to serving majority interests.

This may explain the notable lack of enthusiasm of the pragmatists for the full complement of conditions necessary for a really free election. As one government source privy to the State Department's negotiations with Marcos and the elite opposition put it: "Sure, the opposition's demands are reasonable. But they're unrealistic. Marcos won't grant key concessions and he will determine much of the outcome. But some opposition people will win—maybe 20 to 30—and that will at least give them a voice in the Assembly."²⁶ At stake were 183 seats.

To give the exercise some legitimacy, however, Marcos had to be made to make some concessions, albeit non-substantial ones. Just as he had reluctantly created the office of vice president, the dictator grudgingly agreed to suspend the issuance of preventive detention actions till June 1 and to agree to create a new voter's list.

While working closely with State Department officials in the complicated effort to stabilize the political situation by getting Marcos and the elite opposition to agree to an electoral *modus vivendi*, Congressman Solarz was prepared to lean harder on Marcos in order to grant more legitimacy to the controversial exercise. He got his congressional subcommittee to amend President Reagan's proposed



aid package for Marcos for fiscal year (FY) 1985, the first year of the new bases agreement, which will provide Marcos \$900 million in military aid and military-related economic aid over five years. Reagan proposed a military aid package totaling \$180 million and consisting of \$60 million in Foreign Military Sales Credits (FMS), \$25 million in military grant aid (MAP), and \$95 million in Economic Support Funds (ESF). Solarz postponed the \$60 million FMS credit to later in the five-year period of the agreement and increased the economic support fund allocation to \$155 million. Thus, instead of receiving \$85 million in direct military aid in 1985, the regime would receive only \$25 million. The administration put up only token opposition to this initiative.

But to former Ambassador Sullivan, the advocate of a more radical approach to Marcos, the Solarz stick was no stick at all: "I see no virtue in altering the mix. The Philippine government will presumably spend what it wants for military purposes and changing the components in external funds merely means a compensatory change in internal funds."²⁷ In other words, Solarz' "backloading" of military aid merely confronted Marcos with an accounting problem.

Indeed, the more important message to Marcos was not the non-existent cut in aid but the reluctance of one of his most vocal critics in Congress to question the rationale of the \$900 million aid package. Indeed, in

justifying the "frontloading" of the economic component of the bases aid package, Solarz conceded that the regime, despite all its liabilities, could not be simply cut loose:

...The Subcommittee is greatly concerned about the severe economic crisis presently confronting the Philippines, which is potentially far more dangerous than any present external military threat. Unless this economic challenge is effectively addressed, the possibility of an economic collapse cannot be precluded. Under such circumstances, the ensuing political chaos would certainly lead to political instability, and play directly into the hands of the NPA, whose ranks would be appreciably swelled by the victims of the collapse.

In order to avoid these adverse developments, which would have undesirable consequences for both the Filipino people and the United States, the Subcommittee believes it would better serve the interests of both countries to provide a higher level of economic assistance to the Philippines this year than the level requested by the Administration.²¹

Solarz's effort to advance economic aid was, in fact, paralleled by an administration-orchestrated effort to rush in huge sums of bilateral, World Bank, and Asian Development Bank loans to Marcos in order to enable the cash-strapped regime to pay for imports through the period preceding the elections. With close to \$1 billion in emergency aid committed by the U.S. government, U.S.-dominated multilateral institutions, and U.S. allies like Japan and Australia, the regime was spared the prospect of having to apply an IMF austerity program prior to the elections. An agreement with the Fund was the key condition for a financial rescue package from the private banks, but the devaluation of the peso to the black market rate which the Fund demanded would have been suicidal for the already discredited regime if it were done before the elections.

Splitting the Opposition

Despite Marcos' refusal to dismantle his law-making powers, the U.S. achieved its primary goal of splitting the opposition, with the established elite opposition opting for participation

and the issue-oriented progressive sector, which included the illegal national Democratic Front, pushing hard for boycotting the event.

Why the United Democratic Opposition (UNIDO) decided to participate despite minimal concessions by Marcos was explained by former Senator Jose Diokno, the prestigious nationalist who stood at the forefront of the boycott movement: "Those

In 1982, the CIA, fearing another Iran scenario in the Philippines, began tapping the resources of Philippine academic specialists to figure out U.S. options in the event of Marcos' overthrow or demise from natural causes.

participating in the elections are only a new generation of the old breed of leaders... these are leaders whose only training has been in the electoral process, so when the electoral process dies, as in a dictatorship, they don't know what to do."

For twelve years, the Marcos' faction's monopoly of political patronage had left the opposition elite without the wherewithal to sustain their grassroots networks, at the same time that the underground left was in the process of forging powerful mass organizations based on class-specific demands and issues. When the elite opposition and the left joined hands to boycott Marcos' stage-managed elections in 1981, the former became uncomfortably aware of their dependence on the organizational clout of the progressive movement to turn the venture into the success that it was. It

was not surprising then that when the U.S. stepped in to "guarantee" the elections, despite Marcos' obstinacy, class interest immediately reasserted itself against momentary political unity. Here was an opportunity for the elite opposition not only to politically differentiate itself from the left but also to build itself up as a viable organized alternative to the latter through the electoral campaign.

Former Senator Eva Estrada Kalaw, one of the key elite opposition figures, typified this swing. Regarded as one of the ruling-class personalities closest to the left during the 1981 boycott campaign, Kalaw emerged as one of the most vocal proponents of participation in 1984. Indeed, in the thick of the campaign, Kalaw echoed the State Department line of elite reunification in the face of the threat from the progressive movement when he attacked the boycott movement as "heavily infiltrated by elements of the radical left and the Communist Party of the Philippines."²²

Marcos Sabotages the Strategy

But if stability was what the U.S. hoped to gain from the elections, it was badly disappointed. For to counter a massive anti-Marcos vote in the larger cities, which went for opposition candidates, Marcos' partisans engaged in massive fraud in the rural areas, where few foreign correspondents and neutral observers were present to observe the voting. Marcos' powerful electoral machinery, which had delivered "landslide" victories in the nine previous voting exercises since 1972, again worked its "magic" to ensure dominance of the National Assembly by Marcos' ruling party.

By belittling the stronger than expected showing of the opposition in the Manila area, charging the latter with fraud and terrorism, and brazenly advancing a plan to increase his appointees to the 200-member Assembly, Marcos was telling the opposition that he was in no mood for genuine reconciliation and signalling the U.S. not to expect any more concessions.

The U.S. project was clearly being undermined by the dictator, as a post-election analysis in the *Washington Post* revealed:

Instead of trying to put the best face on the opposition's strong electoral showing and to draw the alienated

moderates back into a revitalized Philippines political process, Marcos' ruling party seems to be doing its utmost to roll back the moderates' gains and shut them out even more. The effort risks vindicating those who advocated a boycott. . . .³⁰

The paper noted that "those who stand to lose most from such a reconciliation are the communist rebels of the New People's Army, who have been waging a steadily growing insurgency in the countryside."³¹

Marcos also took the offensive against the State Department pragmatists. In an attempt to split U.S. policymakers, Marcos began harping on a theme close to the heart of the conservative ideologues at the White House: the looming "Communist threat." In justifying his continuing to exercise emergency law-making powers, he stated: "I don't know why Americans do not seem to realize the danger of a communist rebellion in the Philippines. . . . We have to face up to the fact that if we do not weaken the NPA subversives now, later on they'll be marching in the streets here and proclaiming a takeover of the government."

The U.S. Dilemma

Half-way liberalization is oftentimes more destabilizing than all-out repression. This lesson from other countries where the U.S. tried to pull off a controlled decompression is apparently being played out in post-election Philippines. A few days after the election, several thousand enraged citizens tried to storm a provincial capital in protest against electoral fraud. This incident was merely the most dramatic of scores of post-election manifestations of a deep sense of popular anger at the dictator's cavalier attitude toward the massive vote against him.

With its attempt at stabilization leading instead to swifter radicalization, the U.S. is increasingly faced with the very unpleasant choice of riding with Marcos through hell or high water (if the right-wing ideologues prevail) or throwing him out through a military coup using disaffected "professionals" in the military (if the pragmatists continue to call the shots). The latter would be an extremely difficult course given the strategic placement of Marcos loyal-

ists within the Army command. And, as with the project of electoral stabilization, it is difficult to see what a coup by "military reformists" can do to arrest what is a larger trend: the accelerating momentum of the Philippine polity toward the left.

Parts of this essay are adapted from a larger study by Walden Bello and Ed Herman entitled "U.S.-Sponsored Elections: The Philippine Example," which appeared in Who Magazine (Philippines), on May 2 and May 9, 1984.

Notes

1. Jeane Kirkpatrick, "Dictatorships and Double Standards," *Commentary*, July 1979, p. 37.

2. Confidential airgram from G.S. Sheinbaum, U.S. Consul, Cebu (Philippines) to Secretary of State Alexander Haig, Washington, April 13, 1982.

3. Letter to Prof. Belinda Aquino from Justin Green, March 7, 1983.

4. Personal communication from a participant in the conference who wishes to remain anonymous, March 15, 1984. This person, a noted Philippine specialist, now regrets his participation. The title of the conference was "Crisis in the Countryside: The Rural Economy and Insurgencies in the Philippines." A list of participants is available from the authors upon request.

5. Talk at Asia Society, Washington, D.C., October 18, 1983.

6. *Congressional Record*, October 24, 1983, p. H8566.

7. *Wall Street Journal*, editorial, October 6, 1983.

8. *New York Times*, October 3, 1983.

9. Quoted in Jesus Bigornia, "Armocost has Pricked Filipino Sensibilities," *Bulletin Today* (Manila), Nov. 22, 1983.

10. *Ibid.*

11. Lansdale's exploits are documented in his autobiography, *In the Midst of Wars* (New York: Harper and Row, 1972).

12. The American Chamber of Commerce was one of the first to send Marcos a congratulatory telegram which read: "The American Chamber of Commerce wishes you every success in your endeavor to restore peace and order, business confidence, economic growth, and well-being of the Filipino people and nation. We assure you of our confidence and cooperation in achieving these objectives. We are communicating these feelings to our associates and affiliates in the United States." Cited in Walden Bello, David Kinley, and Elaine Elinson, *Development Debacle: The World Bank in the Philippines*, p. 21.

13. "Marcos Blames Businessmen for Economic Crisis," *Washington Post*, Nov. 11, 1983.

14. *Congressional Record*, October 24, 1983, p. H8566.

15. John Monjo, "Statement before the House Foreign Affairs Subcommittee on East Asia and the Pacific," Washington, D.C. Feb. 7, 1984, p. 10.

16. Mark Fineman, "Anatomy of a Dy-

ing Regime," *Philadelphia Inquirer*, January 8, 1984, p. 17.

17. Answer to question by Rep. Steven Solarz at hearing of the House Foreign Affairs Subcommittee on East Asia and the Pacific, Washington, D.C. Feb. 22, 1984.

18. James Kelly, "Statement to the Subcommittee on Asian and Pacific Affairs of the Committee on Foreign Affairs, House of Representatives," Washington, D.C. Feb. 7, 1984.

19. House Foreign Affairs Subcommittee on Asian and Pacific Affairs, "Report and Recommendations of the Subcommittee on Asian and Pacific Affairs to the House Foreign Affairs Committee on Fiscal Year 1985 Foreign Assistance Legislation," Washington, D.C., March 1, 1984, p. 27.

20. "Philippine Referendum Revives Vice Presidency," *Washington Post*, January 28, 1984, p. A17.

21. "Bishops Urge Fair Play," *Agence France-Presse*, Jan. 6, 1984.

22. Zobel's close connections with the CIA were disclosed in court papers of the scandal involving the activities of Ron Rewald which is now rocking Honolulu. Rewald is being charged with fraud and embezzlement in connection with the operations of his firm, an investment company. Rewald claims his office was a CIA financial front. The CIA then moved to censor Rewald's defense affidavits and seal most of the defense exhibits and documents. The Rewald case was the subject of a British Broadcasting Company (BBC) documentary, which aired in London in mid-March 1984.

23. William H. Sullivan, "Testimony before the Subcommittee on Asian and Pacific Affairs, House Committee on Foreign Affairs," Washington, D.C. Feb. 22, 1984, p. 3.

24. Answer to question by Rep. Steven Solarz at hearing of Subcommittee on Asian and Pacific Affairs, House Foreign Affairs Committee, Feb. 7, 1984.

25. Sullivan, p. 2.

26. Personal communication from U.S. government officer who wishes to remain anonymous, Feb. 2, 1984.

27. Sullivan, p. 3.

28. House Subcommittee on Asian and Pacific Affairs, p. 25.

29. Quoted by *Agence France-Presse*, March 3, 1984.

30. *Washington Post*, May 23, 1984.

31. *Ibid.*

RUTGERS UNIVERSITY: INTELLIGENCE GOES TO COLLEGE

BY KONRAD EGE

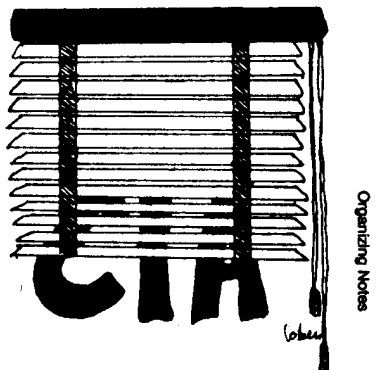
Rutgers University Professor Richard Mansbach is examining whether political organizations in Western Europe are endangering U.S. geopolitical and military interests. Has the West German Green Party managed to undermine NATO unity? Are the anti-nuclear Dutch churches infiltrated and directed by Communists? What parties in the Federal Republic of Germany, Italy, France and England put roadblocks in the way of the foreign policy decisions of their governments?

Richard Mansbach's effort is not your average academic research project. The professor is a consultant to the Central Intelligence Agency. The CIA commissioned the project and is paying well over \$20,000 for it.

At Rutgers, Mansbach is known as an intelligent and liberal professor. For two years, he served as the environmental commissioner in his hometown of Bridgewater, New Jersey and in one of his courses about nuclear war, students are required to read a piece by peace activist Helen Caldicott.

In 1967, Mansbach wrote his dissertation at Oxford University ("The Soviet-Yugoslav Rapprochement of 1955-1958: Its Political and Ideological Implications"). Then he became an assistant professor at Swarthmore College and Rutgers University. Later on, he served as a visiting professor at the University of Singapore and at Princeton University. Today he is the chairperson of the Political Science Department at Rutgers in New Brunswick.

Throughout virtually his entire career, Mansbach has had close ties to intelligence and other government agencies. In 1975, he lectured at the CIA, in 1977 at the United States Information Agency (USIA), in 1982 at the National Security Agency and at the U.S. Army War College. In 1978



he served as a consultant to the USIA. From January 1981 to January 1983, Mansbach was a full-time staffer at CIA headquarters.

In those two years, Mansbach worked in the National Intelligence Council's European Analysis division. Apparently, he did a good job. As Mansbach was leaving, his superior let him know that the CIA had "profited greatly" from his service. Mansbach was also invited to re-join the CIA whenever he wanted.

But Mansbach made a different career decision. He went back to Rutgers to become the head of the political science department. The CIA's National Intelligence Council immediately tried to develop projects on which their valuable researcher could work while at Rutgers. The Council chose ENSAP—the European Non-State Actors Projects. (Non-state actors are those organizations, institutions and individuals who attempt to influence government decision from the outside.)

For his ENSAP effort, Mansbach is assisted by Rutgers Professor Harvey Waterman. As does Mansbach, Waterman has a top-secret security clearance. About 100 students have been gathering information for ENSAP for academic credit. Most of the students don't know that they are working for the CIA.

Mansbach has also written to dozens of organizations and research institutes in Europe. In his form letter, the professor states that "a research

group in the Political Science Department at Rutgers is embarking on a study of social, economic and political changes in Western Europe that may affect national foreign policies vis-a-vis the Atlantic Alliance." Mansbach asks his European colleagues to inform him of "completed work, or work-in-progress, that may be useful to us in our effort to synthesize what is known about the many aspects of change in West European society and politics."

The letter does not mention that this "research group" is financed by the CIA. Neither does it disclose that Mansbach works as a CIA consultant.

ENSAP is based on the theory that there has been a resurgence of European opposition movements over the last few years which aim to influence the decision-making process on foreign and military policies. ENSAP is to determine how they prevent the European governments from following a "consistent" foreign policy, and how they impact on U.S.—European relations.

The term "non-state actors" includes organizations and institutions from a wide spectrum of society: churches, the media, opposition parties, unions and women's groups—to name a few. About churches, for example, ENSAP—i.e., the CIA—would like to know how many members there are; who is in charge of their publications; what their "known assets" are; and how extensive their "tax-exempt property" is.

Questions about the media aim for information about ownership, circulation, and "advertising revenue and sources." As far as women's groups are concerned, ENSAP is interested in their alignment with other forces. And asks: "How homogenous are women's groups?"

The ENSAP questions apparently were changed at CIA's request. The CIA demanded "data-intensive analysis." Mansbach apparently will present the CIA with his research results in August 1984. In addition, he

plans to write a book based on the ENSAP material.

In his book *Quantitative Approaches to Limited Intelligence: The CIA Experience*, Richard Heuer, the former head of the CIA's Methods and Forecasting Division, confirms that an ENSAP-type research project, financed by the CIA, is different from "regular" academic research. "While the academic researcher is relatively free to define a problem on his own terms, our [CIA] research problems are greatly defined by the requirements of U.S. foreign policy. The academic researcher chooses a topic for which data are available, whereas it is often new problems (or old problems defined in new ways) for which the policymaker requires intelligence analysis."¹

Analysis for the CIA is geared toward providing information that shows how the CIA might be able to influence events. Detailed information about a publication's advertising revenue, for instance, might allow "someone" to influence its editorial policy through pressure on large advertisers. Information about the homogeneity of women's groups might give clues about how to disrupt them.

According to some of the students working on ENSAP, Mansbach is especially interested in uncovering "communist influence" on opposition organizations. The West German Green Party has been closely scrutinized in that regard, said one student.

To Rule The World

Mansbach is not an isolated case. CIA Director William Casey places great emphasis on close collaboration with universities. In a 1981 speech to agency employees, Casey stated that CIA officers "regularly" meet with scientists and academicians to discuss a wide variety of questions. At the University of Illinois (Chicago), for example, the CIA has been funding a project to "develop statistical models of governability on a global basis."²

While the U.S. government might not be quite ready to govern "on a global basis," it is making every effort to keep control of individual countries. Academia plays a role in laying the groundwork and maintaining the status quo. At Villanova University in Pennsylvania, for instance, the CIA, through the consulting firm of Booz,

Allen and Hamilton has been paying Professor Justin Green to gather information about the New People's Army, the armed wing of the communist Party of the Philippines.³

According to Casey's predecessor, Admiral Stansfield Turner, the CIA's relationship with academia has "been of inestimable value to the intelligence community." In working with the professors, however, Turner wrote to Harvard University president Derek Bok, that the CIA was not willing to comply with existing university regulations about "outside contracts."

When the CIA was taken to court several years ago because it refused—and still refuses—to release files

When Richard Mansbach left the CIA, the CIA's National Intelligence Council immediately tried to develop projects on which their valuable researcher could work while at Rutgers.

containing the names of professors who had consulted for the CIA, F.W.M. Janney, then the CIA's personnel director, expressed even more clearly the CIA's need for assets in the academic community. In many fields, Janney wrote, it is "absolutely essential that the agency have available to it the single greatest source of expertise: the American academic community." CIA officers in the National Foreign Assessment Center, Janney added, regularly consult with academicians on an "informal and personal basis, often by telephone."⁴

According to former CIA press spokesperson Dale Petersen, the CIA has been holding three to four conferences for university presidents a year to discuss "mutual problems." Many of the presidents accept the invitations, Petersen said. Documents released under the Freedom of Infor-

mation Act show, for instance, that several university presidents (from the University of Tulane in New Orleans, Johns Hopkins University and the University of Minnesota), along with Jack Peltason, president of the American Council on Education, met with Turner and a number of high-ranking CIA officers at CIA headquarters in Langley, Virginia in June 1978. The academicians were given confidential briefings, including one by John Stein, then Associate Deputy Director for Operations, and by the Deputy Chief of the Domestic Collection Division (whose name is deleted on the FOIA documents).

Turner had invited the presidents, saying that it was time to improve CIA-academic relations. "In the wake of considerable public criticism over the last several years," Turner wrote in a May 1978 letter to Michigan University President Robben Fleming, "the Agency has had difficulty in maintaining open and mutually beneficial relationships" between the CIA and academia. "I would like to ask your help and advice in determining how best to restore a useful but proper connection between academia and the world of intelligence."

The conference seems to have been a success. Several days after it, Turner wrote to Jack Peltason that he found "our exchanges both stimulating and helpful." "I am especially appreciative," Turner continued, "of the concrete suggestions that you and your colleagues left behind." Turner's letters to the other participants were equally laudatory. Although Peter Magrath from the University of Minnesota urged Turner to keep his participation at the CIA conference secret.

Pentagon Contracts

The CIA is not the only intelligence agency active at U.S. universities. For the last few years, the Defense Intelligence Agency has increasingly tried to "farm out" research projects to academicians and universities. In 1981, for instance, the DIA offered various universities specializing in African studies hundreds of thousands of dollars. CIA analysts wanted to attend these African studies departments to study languages. And, the departments would also participate in DIA research projects and conduct field studies.⁵

According to a *Christian Science Monitor* article, all African Studies Centers (there are 12 in the country) turned down the DIA offer, in spite of the DIA's promise that everything would be "out in the open, aboveboard." Rita Breen, executive officer of Harvard University's Committee on African Studies argued that "any intelligence linkage is a suspicious one. . . . Even the agency's overtures might compromise scholars, there is so much suspicion of U.S. intelligence." Other academicians argued that collaborating with the DIA was incompatible with academic openness. And that "even the appearance of such a relationship is very dangerous from an academic point of view."⁶

Even more common than university collaboration with intelligence agencies is university research for the Pentagon. (The 1976 Senate Select Committee on Intelligence report on the CIA stated that academics collaborating with the CIA "are located in over 100 American colleges, universities and related institutes.") 250 universities and colleges had Pentagon contracts during 1980 and 1981, with a combined value of about \$1 billion. Two universities were able to attract nearly half of that money: Massachusetts Institute of Technology and Johns Hopkins University.

Topics for academic research projects range from biological warfare related issues (University of Maryland at College Park) and laser technology (University of Washington at Seattle) to weather modification (University of Berkeley) and submarine warfare (Catholic University).

Universities are becoming increasingly dependent on Pentagon money

under the Reagan administration. While programs such as the national Science Foundation have been cut, the Pentagon budget is on the rise. Several months after Reagan took office, an internal Princeton University memorandum stated that the university would try to make up some of the NSF cuts by applying for Pentagon grants. Chemical and biological warfare were listed as especially promising fields.

The lucrative Pentagon contracts and a close relationship with the CIA have tied many universities closely to the "National security apparatus." The Reagan administration is deliberating additional steps to bring the international studies field virtually under the control of the National Security Council. Under such an NSC scheme —favorably described in a publication of Georgetown University's Center for Strategic and International Studies—the NSC, advised by governmental and academic committees, would be in charge of allocating government money for various international study projects. The NSC would determine which research best served U.S. government interests.⁷

Advocates of that scheme argue that the U.S. has a "deficit" in international studies research. This is said to have impeded foreign policy decisions. "Failures" such as the revolution in Iran were not intelligence failures, but research failures, according to Robert Ward (Stanford University), one of the originators of the NSC scheme. "There was . . . a persistent failure to analyze or appreciate the precariousness of the Shah's rule in Iran. . . ." As of now, universities simply are not prepared to research problems in a timely and systematic

way geared to policy makers. Under the NSC proposal, that would change.

Some university presidents have expressed concern about "academic freedom" if much of the government money for research is channeled through the National Security Council. And the NSC plan is likely to remain on hold until after the presidential elections. With further cuts in other government funding programs, however, it seems likely that more and more universities might eventually agree to the project. Many U.S. professors have no qualms about doing research for the CIA and the Pentagon. They seem to agree with former CIA Deputy Director Frank Carlucci's statement that the CIA functions much like a university.

Some organizations and individuals examining the CIA's academic connections have come to a different conclusion. The Student Cooperative Union at the University of California, in its report entitled "A Censored History of Relations Between the University of California and the Central Intelligence Agency" concluded that the "university cannot collaborate with the CIA without sharing culpability for its actions. Research done for the CIA has direct impact on the lives of people around the world. . . . As long as the university functions as a service agency for the CIA, or as a cover for its 'academic' and propaganda purposes, any claim to the university's role as an open and democratic institution is farce."

Notes

1. Quoted in Walden Bello, "CIA Taps Academia to Design Post-Marcos Scenario," *Counterspy*, vol. 8, no. 2, p. 29.
2. See *Counterspy*, vol. 7, no. 2, p. 8.
3. Cf. supra, n. 1.
4. *Washington Post*, 6/12/78.
5. *Christian Science Monitor*, 8/20/81.
6. Ibid.
7. See John Kelly, "Princeton is No Tiger Lily," *Counterspy*, vol. 6, no. 4, pp. 23-29.
8. Robert Ward, "Studying International Relations," *The Washington Quarterly*, Spring 1983, pp. 160-168. See also Andrew Kopkind, "A Diller, A Dollar, An NSC Scholar," *The Nation*, 6/25/83, for an analysis of the NSC plan.
9. Robert Ward, "Studying International Relations," *The Washington Quarterly*, Spring 1983.

This article appeared first in an abbreviated version in Konkret (Hamburg, West Germany), May 1984.

The Professor Speaks

First telephone call to Mansbach. Question: Who is paying for the ENSAP research? Mansbach: "Basically the State Department." Is it true that you are a CIA consultant at present? "Yes, it's true, but it has nothing to do with ENSAP."

Second call, a few days later. Confronted with more evidence, the professor cedes that ENSAP is financed by the CIA. The professor is angry. His work in ENSAP presents no conflict with academic standards, he says. "If I saw a conflict, I

wouldn't do it." Everything about ENSAP is open, according to Mansbach.

The professor says he does not like the "conspiracy sound" of the questions. He prefers it, he says, when intelligence agencies gather material the way they do it through ENSAP. Intelligence agencies should use more open sources, he adds.

Mansbach also denies that he discussed the shape of ENSAP with the CIA. *Counterspy* has documents proving the contrary.

SOUTH AFRICA GOES FOR OLYMPIC GOLD



South Africa claims it no longer discriminates against some eleven million blacks because they are now "citizens of their own homelands." Thus Pretoria argues that it should be allowed back into the Olympics.

BY DR. DENNIS BRUTUS AND ALLAN EBERT-MINER

By signing non-aggression pacts with Mozambique, Angola, and Swaziland, Prime Minister Botha of South Africa has won a victory of sorts. It is an indication that South Africa has shifted its tactics. The largest resistance movement of South Africa, the African National Congress (ANC), will undoubtedly feel the brunt of these moves, which will also serve to appease Pretoria's Western critics. These initiatives may even help South Africa get a publicity office outside the 1984 Olympic Games in Los Angeles, and may very well get them full participation in the 1988 Games in South Korea, a move they desperately desire.

To understand the connection between South Africa's latest "peace"

initiatives and their participation in the Olympics, some history is in order. South Africa last had a team in the Olympics in Rome in 1960. Then, in 1964, after heated debates and demonstrations, South Africa was excluded from the Tokyo Olympics for refusing to pledge that it would select its best athletes on merit and not exclude blacks. In 1968, after more rankling and demonstrations, South Africa was excluded from the Mexico Olympics. Several countries threatened a massive boycott at that time if South Africa were allowed to participate.

In 1970 South Africa was finally expelled from the International Olympic Committee (IOC) for violating a fundamental principle of the Olympic Charter which forbids membership to any country that discriminates on the basis of race, color, religion or politics.

Nonetheless, the Pretoria govern-

ment is bidding for participation in the 1988 Olympics in South Korea. They have already applied to the IOC for readmission¹ and are looking forward to operating a propaganda center in Los Angeles during the summer games. South Africa also has eight honorary consulates in country, and an additional two approved in principle by the State Department. These consulates offer information on South African sports which argues that they have been wrongfully excluded.

In a British Broadcasting Corporation telecast last summer Dr. Wilf Rosenberg, former Springbok rugby center and League player for the Leeds, South Africa team, claimed that "unbelievable changes" have occurred since the 1970s. He admitted that some wrongs have occurred in the past. But, he said, "we are moving forward in the right direction, particularly the present [Botha] government."²

Recent advertisements in major U.S. newspapers and magazines boast that change is occurring in South Africa. One particular ad features two students strolling through the white-pillared halls of a university, amiably conversing with books in hand. One student is white, the other black. The heading reads, "South Africa Is Changing."

Another recent advertisement appeared in a major mid-west newspaper. It featured three little black children playing in front of a newly-built ranch home. We get the impression that they live in that home. The ad reads: "Imagine buying a four-roomed, State-built house for as little as \$800. Or a five-roomed house for between \$2,331 and \$16,000. It's happening right now in South Africa." The ad goes on to assert, "South Africa is involved in a remarkable process of providing fair opportunities for all its population groups. The South African government is committed to ensure that each of South Africa's many nationalities have the ability and resources to realize their social, economic and political aspirations."

The implications are clear. South Africa is saying that everyone is being given a fair chance. All races are on equal footing now. Apartheid and racial discrimination have been eradicated. But it may all be part of a long-distance game plan to win friends and influence people before the 1988 Olympics in South Korea. The truth is things have not gotten better for black athletes. They're gotten worse.

In fiscal year 1982-83 the South African government spent 9.9 million Rand (1 Rand equals 1 U.S. dollar) promoting white school sports. It spent a mere 14,700 Rand on black children "interested" in sports.³ Black school age children outnumber white children 4 to 1. In short, the white rate of spending was 680 times that of the black rate on school sports. Of interest also is the comparison of the 14,700 Rand spent on black sports and government expenditures on visiting teams and athletes: 47,500R was spent on foreign cycling tours; 20,000R on a fencing tour; 15,000R on some foreign gliders; and 35,000R for an international "tug-of-war."⁴ The South African government claims that such expenditures are related to the international importance of the events, and the publicity they generate for Pretoria.

In 1964, after heated debates and demonstrations, South Africa was excluded from the Tokyo Olympics for refusing to pledge that it would select its best athletes on merit and not exclude blacks.

The sharpest clash of sporting disparities comes when one looks at Soweto, that overcrowded ghetto of black workers, and Johannesburg, its largely white, metropolitan neighbor. Soweto has well over a million inhabitants while Johannesburg has about one-third as much. Soweto has only five swimming pools, six cricket patches, four rugby fields, 140 soccer fields, most of them in poor condition, one bowling green and one golf course.⁵ According to Harry Pangola, black boxing reporter for the white *Rand Daily Mail*, Soweto has only one gymnasium, its condition appalling. It has one 'Twilley' lamp, a punch bag, no showers, no lockers and "no semblance of a ring."⁶ Meanwhile, Johannesburg has per capita the greatest number of private tennis courts, swimming pools and golf courses in the world. Behind only the United States and Australia, South Africa is the greatest user and importer of swimming pool chemicals.⁷

South Africa's official and complicated sports policy is based on 1971 recommendations by the "Broederbond"—a secret brotherhood of "Super Afrikaaners" who harness all political, administrative, social and, where possible, economic forces for its own cause.⁸ This policy states that Bantustans, which are ostensibly "independent" and only recognized by South Africa, control their own sports matches. And South

African teams, called "internationals," can compete against them. Athletes of all races, called "internationals," should belong to their own clubs and control their own sporting events. Committees from these "international nations" are to cooperate among themselves and arrange, with government permission, inter-group competition. By permit from the Minister of Sport they arrange matches between themselves and even "leagues comprising different groups."⁹ Finally, sports facilities for blacks are to be improved, but their use is to be reserved for black associations which respect this official policy. A small black elite is encouraged and portrayed publicly to buttress Pretoria's claims that things inside South Africa are truly changing.

Pretoria claims it no longer discriminates against some eleven million blacks (about 40% of black population) because they are now "citizens of their own homelands." These independent homelands are free to make their own sports policy. Thus, Pretoria argues that they have "been persecuted too long" and want back into the Olympics. But these are all very strange and paradoxical arguments. The government forcibly removes blacks, "colored" and Asians from communities where they have been living for generations and dumps them into desolate, barren, rural areas where there is no possibility of work or any kind of social development. Families of 6 are supposed to live on 10R a month. Malnutrition, diarrhea and other diseases are rampant. This side-stepping or abandonment of blacks into "homelands" on the grounds of their "independence" is as calculated and vicious an evasion of responsibility as any in South Africa's racial history.

South Africa is more readily changing its relations with its neighbors. Domestic changes in sport and elsewhere have simply not occurred. Change will not occur if the South African government can appease its critics through non-aggression pacts which are tentative and often unenforced, but good for their international image. Recent parliamentary reforms have only come about because of external pressure. Any proposed change in social, cultural, or sports life will only come about because of bannings, boycotts and the

like and not because the government or sports administrators suddenly get struck by brotherly love.

Serious questions are being raised now with the Los Angeles Olympics a few short months away. It has been reported that the Olympic Charter is being completely revised, maybe in time for the summer games. Various groups want to see the ban against South Africa upheld. They don't want the wording of the Charter diluted so as to provide the IOC with a loophole for South Africa's readmission. The South African Non-Racial Olympic Committee (SAN-ROC) wrote a letter in February to Dr. Juan Samaranch, president of IOC. They requested an answer to the rumor that he had convened a committee to investigate whether or not South Africa could be readmitted. SAN-ROC also wanted information on what considerations were going into revising the Olympic Charter. The letter ended with a demand that South Africa not be readmitted into the Olympics "until all legislation discriminating against athletes on the ground of race be removed."

A month later Dr. Samaranch responded. But never mentioned whether or not a committee had been convened to look into South Africa's participation. He did not declare his position on the future participation of South Africa, but merely stated that the IOC's "policy has not changed" with regard to South Africa.

One problem faced by organizations opposed to South African participation in the Olympics is that the Olympic Executive Committee generally votes in secret on these matters. That would defuse much needed public debate. The U.S. Olympic Committee Chair is William Simon, Richard Nixon's Secretary of the Treasury. He has not come out against South Africa's participation in the Olympics. As in other international organizations, U.S. influence in the IOC is quite formidable.

If the Olympic Charter is revised and reflects a relaxed attitude toward the participation of apartheid South Africa in the Olympic games, then Dr. Samaranch would also be following policy in the interests of Pretoria. A simple declaration that South Africa would not be able to participate in such a great event until it dismantles apartheid seems sufficient and would defuse explosive controversy for the IOC.

South Africa

Houses for sale: \$16 000 and less

Imagine buying a four-roomed, State-built house for as little as \$880. Or a five-roomed house for between \$2 331 and \$16 000. It's happening right now - in South Africa.

SHARING A BETTER QUALITY OF LIFE

South Africa is involved in a remarkable process of providing fair opportunities for all its population groups. The South African Government is committed to ensure that each of South Africa's many nationalities have the ability and resources to realize their social, economic and political aspirations.

Housing is a leading example of South Africa's development process. And as an integrated part of its drive towards home ownership for everyone, the South African Government has given the go-ahead for the sale of 500 000 State financed homes at discounts of up to 40% of their market value.

MEETING THE HOUSING CHALLENGE

South Africa's urban Black population is expected to rise from 9 million currently to around 20 million by the turn of the century. It is estimated that an additional 4.9 million housing units will have to be provided to accommodate this phenomenal urbanisation.

The housing challenge is being met by both the Government and the private sector. Government initiatives are directed mainly towards providing the machinery and support for self-help building projects, while private enterprise provides loans, subsidies and guarantees.

THE FUTURE - BETTER PROSPECTS FOR ALL

A recent survey indicated that 82% of all employers were prepared to provide their Black staff with assistance to buy their own homes.

The facts on housing present only part of the picture. Many aspects of South African life have changed - and are changing at an ever-increasing rate. The future is exciting because we have the people, the dedication and a buoyant economy to enable us to keep on providing opportunities and improving the quality of life of all our people.

Because South Africa is a microcosm of so many of the world's sensitivities, it is often a contentious subject. If you are faced with a decision regarding South Africa, make sure you have all the facts.

For more information, simply complete the coupon below.



To: The Minister (Information),
The South African Embassy,
3051 Massachusetts Avenue,
Washington D.C. 20008 N.W.

Please send me more information on such economic and political developments in South Africa.

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Address: _____

Code: _____



We're looking forward to the future.

This ad which appeared in the Chicago Tribune in January claims that "the South African Government is committed to ensure that each of South Africa's many nationalities have the ability and resources to realize their social, economic and political aspirations."

NOTES:

1. "Keep South Africa Out of the Olympics," D. Brutus, *Los Angeles Times* (March 1984).

2. "South Africa Sport and the Boycott," Producer, Ron Pickering, British Broadcasting Corporation. Televised in England June 28, 1983; shown in U.S. on ABC's "Four Corners" (Aug. 6, 1983).

3. House of Assembly in South Africa, *Hansard* (May 2, 1983) cols. 6115-6128; cited by Colin Tatz, "Sport in South Africa," *Australian Quarterly*, Vol. 55, No. 4 (Sum. 1983) p. 6.

4. C. Tatz, p. 5.

5. BBC Broadcast.

6. C. Tatz, p. 6.

7. C. Tatz, p. 7.

8. "The Super Afrikaners: Inside the Afrikaner Broederbond," Ivor Wilkins and Hans Strydom, Jonathan Ball Publishers, (1978) Ch. 14, "Sport Policy," pp. 239-252.

9. *Ibid.*

Dennis Brutus is a South African exile, poet and professor at Northwestern University. He led the successful movement in the 1960s to exclude South Africa from the Olympics.

Allan Ebert-Miner is a freelance journalist and student at Antioch School of Law. He is also the Washington coordinator for Africa Network.

REWALD'S CIA STORY

Continued from p. 17

parties. H & H's cover sheet said it was run by Rewald and Sunny Wong. Rewald's wife, Nancy, is also listed as someone to call. The cover sheet concludes: "All expenses related to the operation of this cover shall be reimbursed by the Central Intelligence Agency."

At this point, says Rewald's affidavit, "In my role as an international business consultant, and attempting to cultivate social and business contacts with wealthy and well-placed businessmen and government officials, I became concerned that I did not have, and needed to have, something sufficient in the way of academic credentials to carry off the cover of an international businessman."

To this end, Rewald did not return to college. Welsch provided him with diplomas in business administration and law from Marquette University in Wisconsin.

A computer print-out from 1978 from Marquette University listed Rewald as a graduate. On the basis of his Marquette "law degree," Rewald later attended Harvard's Program of Instruction for Lawyers (PIL). The PIL is exclusively for members of the Bar or anyone licensed to practice law. The CIA "set up" Rewald's attendance at the PIL "to meet certain people." A copy of a PIL attendance roster lists Rewald as an attendee. Within the intelligence community, Rewald says, Harvard is considered one of the "family."

Later, Rewald felt his cover needed further embellishment. "In carrying out my Agency charge to cultivate these [wealthy] individuals on a social and business level, I was required to live in a style commensurate and compatible with the social and economic status which these people enjoyed in their own countries. I did so largely through the use of Agency funds, and my own salary from Bishop, Baldwin. . . This explains my use of Bishop, Baldwin monies, which were in turn fueled by CIA funds on an as-needed basis (up to \$2,000,000 of CIA monies could be supplied to me, more or less on demand, within a two-month period of time)."

In 1978, Welsch directed Rewald to replace CMI with a new company,

Rewald cultivated Enrique Zobel for the CIA through joint ventures. "Our whole purpose in developing Zobel was he was very, very close to President Marcos. And, we were getting very, very high intelligence on Marcos' frame of mind, his moods, his intentions."

Bishop, Baldwin, Rewald, Dillingham & Wong. During the initial phase of BBRDW, Sue Wilson, formerly of the National Security Agency (NSA), was hired. "Her experience with the NSA," says Rewald's affidavit, "was more than merely that of a secretary, and thus we were starting to develop more of an intelligence profile. Sue Wilson was brought in by Sunny Wong for her intelligence background in the hope that we might attract more Agency work. She was approved by Eugene Welsch."

In the exhibits is a copy of Wilson's career resume. It indicates that she had top level security positions at NSA. Wilson later stated on KITV/4 in Hawaii that it was "pretty common knowledge" that BBRDW was a CIA operation. And that she had regular contacts with the CIA for BBRDW.

Welsch was replaced by Jack Kindschi as CIA Chief of Station in Honolulu. Under Kindschi, another cover operation was created, Canadian Far East Trade Corp. Kindschi was to pay its expenses and phone bills. In the exhibits are copies of Kindschi checks

corresponding to Canadian's phone bills. There is also a State of Hawaii incorporation statement. Dated May 30, 1979, it was signed by Rewald as vice-president/treasurer. In court, interim bankruptcy trustee Thomas Hayes stated that BBRDW was providing a "special phone" for the CIA. A reporter found a black phone in Rewald's office separate from BBRDW's switchboard. It was listed in the telephone directory under Canadian Far East Trade Corp. CIA agents James T. Edwards (aka "James T. Bishop") and Jack Porter (aka "Thomas Thompson") operated out of Canadian according to the affidavit.

Another full-time CIA agent provided cover was Charles H. Richardson, aka "Richard P. Cavannaugh." Richardson operated out of California on projects involving the Far East and the Middle East. His cover was CMI which had been taken over by the CIA. This was done without the knowledge of CMI's vice-president. In the exhibits are letters from Richard P. Cavannaugh to Rewald regarding this cover arrangement. Also, there are copies of Cavannaugh's call card and a printer's bill for same.

"As time progressed," says the affidavit, "our activities on behalf of the CIA began to expand from merely maintaining cover names." An example given was Kindschi's request to facilitate an operation to investigate the feasibility of trading with the People's Republic of China. This was to be carried out by Wilfred K. Dorociak (aka "Thomas Tom Song"). He posed "as Chinese American born on the West Coast." A copy of apparent instructions about Dorociak from Kindschi is in the exhibits. It concludes: "The station is grateful that 'R' has agreed to facilitate request. Again, our thanks for his support." "R," says Rewald, was his codename which had replaced "Winterdog." There are also lists of intelligence questions (CIA requirements) and an internal CIA report about the PRC in the exhibits.

Argentina

The following is a copy of the rarely-seen CIA "hit-lists." In this case, for Argentina and Mexico. Persons on the hit lists were individuals of interest to the CIA to be assessed and possibly cultivated by Rewald. Calvin Gunderson had been given a copy of

this hit list. He informed us that Rewald had asked him to go to Mexico to undertake this assignment. Gunder-son was under the belief that this information was for the CIA.

Also in the exhibits was a two-page briefing paper on Argentina. Its headings were: Present status of Argentine banking system; Status of the peso; Argentine debt; Union demands; and Argentine credit status. Rewald went to Argentina under the guise of BBRDW and polo. Ostensibly, he was attempting to buy a bank. As the attached requirements sheet indicates, Rewald was mainly gathering financial intelligence. As usual, the use of such information to U.S. corporate and financial investors is immediately evident. While its relevance to true U.S. national security is hard to decipher.

ARGENTINA

Guillermo Walter KLEIN,
Economist and Attorney
Adalberto Kreiger VAS (?),
Former Minister of Economy
Alvary Carlos ALSOGARAY,
Economist
Domingo CAVALLO, Former
Central Bank President
Juan OCAMPT, Banker

MEXICO

Manuel CLOUTHIER, President
of the Businessmen's Co-
ordinating Council
Emilio Goicoecea LUNA, Presi-
dent of the Confederation of
Chambers of Commerce
Alfonso Pandal GRAF, President
of the Confederation of National
Chambers of Industry
Jose Maria Basagioti, President
of the Board of the Alfa
Industrial Group
Ernesto Fernandez HURTADO,
Chairman of RAMSA and Uncle
of DE LA MADRID

Need personality assessment and biographic information. Current information on their expertise, influence with the government and international connections, and attitude toward the U.S. is needed. Comments on the likelihood of any private sector leaders being asked to assist the government in any way would also be valuable.

REQUIREMENTS FOR ARGENTINA
MAIN FINANCIAL CONTACT:
MARTINEZ HOZ

An assessment of Argentine credit statis [sic] with western banks.



Rewald poses with Robert Jinks, BBRDW's investment development manager, and Sonny Wong, president of BBRDW. Jinks has stated in a lawsuit filed against the CIA that BBRDW was a CIA operation and that he was consciously involved in the company's CIA functions.

"In other words, what lies we were to tell."

—Ron Rewald

Perception of Argentine access to major credit marketable long-term and short-term in nature for funds.

What contingency plans does Argentina have in the event hostilities break out after May.

What exposure do European banks have in Argentina, namely United Kingdom.

How are United Kingdom debts being serviced under present circumstances.

Statis [sic] on Argentine banking system.

Describe use of guarantee and non-guarantee requirements to the private sectors by banks.

What effect has the crisis had on the Peso in the black markets of Argentina.

What effect has the hostilities had on union demands during this period of time.

Who has supplied financial assistance to Argentina should war break out.

Chile

Rewald went to Chile for the CIA under the guise of BBRDW and polo. BBRDW consultant Michael Dailey, a Hawaii polo player, assisted in the project. Because he had business connections there. And was fluent in Spanish. BBRDW telexes from Dailey to Chile discuss his trip. It is not known whether he was aware of the CIA's involvement.

While in Chile, Rewald says he was briefed at the British Embassy. There he received classified information that the Argentines had shot down a British Harrier jet with an intercept missile. And, a British naval vessel had been sunk.

In Chile, Rewald was attempting to buy a bank, \$1 million for a \$16 million bank. In this regard, he met with the second-ranking member of the CIA-installed Pinochet junta. He offered to give BBRDW 28,000 acres of prime agricultural land in Southern Chile. For arranging the bank deal.

Germany

The following were Rewald's CIA requirements for Germany. Rewald says he passed them on to BBRDW consultant, Ned Avary. Who was apparently involved in a multitude of CIA/BBRDW operations.

1. Prospects for the West German elections to be held March 1983.
2. West German reaction to the stationing of U.S. Intermediate Nuclear Forces (INF) in the country, such as the Pershing II missiles, in summer 1983.
3. Reaction to the recent agreement by the European Community to limit steel exports to the U.S.
4. Reaction to U.S. concerns over technology transfer to Eastern Europe by West European firms; reaction to U.S. easing of restrictions on European subsidiaries selling pipeline equipment to the USSR.
5. Current West German political-economic concerns regarding the Western alliance and NATO, in view of the NATO Ministerial Meetings in December 1982.
6. West German expectations regarding the visit of Soviet Foreign Minister Gromyko to the country in January 1983.

In a letter from Avary to Rewald, Avary said he had passed on the Germany requirements to various German sources including Jon Lodeesen. Jon S. Lodeesen is deputy director for (Soviet) broadcast analysis at Radio Free Europe/Radio Liberty in Germany. He worked for Radio Liberty when it was a CIA program. Prior to that, he served in the intelligence section of the U.S. Embassy in Moscow. He was expelled from the Soviet Union for "suspected spy activities."

More recently, according to Avary's letter, Jon "visited his father and in a 2-hour confidential 'unloading'—had described in graphic detail many of his interviews with Soviet double agents, disidents [sic] and escapees." In the letter, Avary says he

CIA cover sheets contain phony names of personnel and the financial make-up of a company. The cover sheet for H & H Enterprises, set up by Rewald at the request of the CIA's top man in Hawaii, states, "All expenses related to the operation of this cover shall be reimbursed by the CIA."

gave Lodeesen the Germany requirements and asked for a report. "Obviously," added Avary, "Jon Lodeesen's report will comprise unclassified although expert, information—from a truly superb source." However, "If indicated, a personal 'family' visit to Jon in Munich by myself would have an excellent chance of obtaining any special data required and requested—of a highly classified nature."

We have obtained a copy a Lodeesen's report. It consists of one-paragraph responses to each of the six questions. In Lodeesen's note accompanying the report, he described the replies as: "The highly opinionated insights appended are the fruits of the labors of the deranged mind of a super patriot living in involuntary exile."

We have also obtained another interesting memo from Avary to Rewald. " 'Dolfo' Galland," says the memo, "is a highly respected and superbly successful businessman-industrialist in Bonn, West Germany. He represents top U.S.A. Aircraft Corporations like Sikorsky, General Electric, Hamilton Standard, Pratt and Whitney, etc."

"As a personal and professional friend of mine for many years—BBR-

DW has a sympathetic and powerful potential contact in General Galland." The stated subject of Avary's memo was: "An 'Ace' German Friend, for BBRDW." General Adolf Galland was the Nazi Supreme Commander German Fighter Forces during World War II. Obviously, the CIA has a blind eye for Nazis with superb business acumen.

Guam

Rewald had incorporated a trust company in Guam. We have obtained a copy of the incorporation certificate. Rewald explained the objective of the trust.

"The agency always needed bankers. And laundry operations and so on. They were always pushing us to put up offshore banks and things of this nature. We would spend, I had a couple of people in our company working on that and we would send it [sic] down to research offshore bank possibilities in the Caymans and the Cook Islands. . . . This is what we were doing in Guam. Guam was going to try an offshore banking system. And we opened the trust company there. We had the only trust company approved for Guam. The full purpose of it really was going to be moving foreign funds into the United States. . . ."

"... It's an important part of the Agency function to be able to leave funds around the world. And banks and trust companies are the easiest way to do that."

An article in the *Pacific Daily News* (7/21/83) reported about BBRDW's trust company in Guam. It said that BBRDW's objective was to turn Guam into a Netherland Antilles-type tax haven for investors. Staffing the Guam office were Allen and Mary Pelletier and BBRDW consultant, Dan Clement. According to Clement: "I will work with families whose goals are perpetuating their wealth and improving their financial position."

Hong Kong

Another BBRDW consultant working with the Guam trust was Robert Jinks. He was BBRDW's investment manager. And told the *Pacific Daily News* that "Guam will see a lot of Hong Kong

money invested here" if BBRDW could turn Guam into an offshore banking center. There is at present a worldwide scramble for the capital of Hong Kong which reverts back to the People's Republic of China (PRC) in 1997. Right in the center of this scramble is the CIA. Battling for private U.S. corporate and financial interests. "The CIA," says Rewald's affidavit, "determining that it would benefit the United States to attract to the United States the 'flight' of foreign capital. . . determined to use [BBRDW] as the vehicle to attract such capital."

Thus, the CIA had BBRDW conduct a study on how to lure Hong Kong capital to Hawaii. The CIA, through a "John C. Edwards" funded the study and provided much of the data according to Rewald. The study called for corporate tax incentives and other legislative changes to lure Hong Kong investors to Hawaii. In conducting their research for the study in Hong Kong, BBRDW personnel made key contacts and publicized BBRDW as a haven to place Hong Kong capital. They also had input into the on-going media campaign to stimulate the flight of Hong Kong capital.

Robert Jinks has now stated publicly that BBRDW was a CIA operation. And that he was consciously involved in the CIA functions of BBRDW. In a lawsuit filed against the CIA in the U.S. District Court in Northern California, Jinks (plaintiff) made the following charges.

A. Plaintiff met with [name deleted] the Station Chief of the Honolulu office of the C.I.A. in the office of Bishop Baldwin on several occasions. Discussions revolved around activities Bishop Baldwin was engaged in on behalf of the C.I.A. On no occasion did [name deleted] ever object to reference to the C.I.A. or disavow C.I.A. involvement [sic].

B. Plaintiff was shown a telephone in the office of Ronald R. Rewald at Bishop Baldwin that was a direct and exclusive line to C.I.A. headquarters. Plaintiff overheard numerous conversations between Ronald R. Rewald and C.I.A. personnel concerning C.I.A. activities.

C. Plaintiff was introduced to numerous C.I.A. agents, either active or retired, who were employed by Bishop Baldwin. Plaintiff was able to confirm through outside

"I became concerned that I did not have, and needed to have something sufficient in the way of academic credentials to carry off the cover of an international businessman." So the CIA provided Rewald with diplomas in business administration and law from Marquette University in Wisconsin.

sources that these personnel were in fact employees or past employees of the C.I.A.

D. Plaintiff was made aware of the association of [name withheld] with Bishop Baldwin. [Name withheld] was the former senior C.I.A. representative in Moscow, responsible to the American ambassador and C.I.A. for all aspects of C.I.A. intelligence activities in the U.S.S.R.

E. Plaintiff was shown a study, compiled by Bishop Baldwin in 1978, that analyzed the economic consequences of recognizing Communist China by the Nixon administration. Plaintiff was told that the report had been prepared by the C.I.A. on a confidential basis for President Nixon.

F. Plaintiff accompanied Ronald R. Rewald and [name withheld] on an interrogation mission of a refugee from Afganistan [sic] shortly after the Russian invasion into Afganistan [sic]. Plaintiff was told that the mission was being conducted for C.I.A. purposes.

G. Plaintiff was introduced to [name withheld], the former Station Chief of the Honolulu office of the C.I.A. Plaintiff was told that [name withheld] was now a "consultant" to Bishop Baldwin.

H. Plaintiff made a trip with Ronald R. Rewald and [name withheld] to Hong Kong using an alias for the purposes of obtaining information regarding banking policies in light of the treaty negotiations between the British and Communist China over the future transfer of ownership of Hong Kong.

I. Plaintiff saw in the office of Ronald R. Rewald a magazine entitled "Association of Former Intelligence Officers" that had Ronald R. Rewald's name on the mailing label. Also on the wall was a plaque that said that Ronald R. Rewald was a member of the Association of Former Intelligence Officers. On numerous occasions while plaintiff was in the office with [name withheld] and [name withheld] who were well known C.I.A. officers, no mention was made of Ronald R. Rewald not being an officer of the C.I.A.

J. Plaintiff was told by Ronald R. Rewald that he had requested the help of [name withheld] of the C.I.A. to stop an IRS audit of Bishop Baldwin for fear that their covert activities would be uncovered. Plaintiff learned of this request in the presence of [name withheld], a known C.I.A. officer who did not disavow the request.

K. Plaintiff Robert W. Jinks had numerous other meetings with Ronald R. Rewald and [name withheld] to discuss C.I.A. operations conducted by and through Bishop Baldwin.

India

Even dirt poor India was a financial target of the CIA under the guise of national security. The Fund of India (FOI) was a pending venture which the CIA encouraged Rewald to join. We have obtained an FOI prospectus. Its officers were to be: Rewald, Shauna Pasrich, "Chan" Pasrich, David J. Baldwin, Sunny Wong, Teri Wong, and Gaylord Nelson, former U.S. Senator and Governor of Wisconsin. One stated objective of FOI was: "To channel some of the 'holy money' in the hands of Foundations and Ashrams for direct investments into India or through the Fund of India." Rewald explained FOI's purpose in the following exchange.

Q: "What was the Fund of India going to do? Or supposed to do?"



Dave Baldwin, a BBRDW consultant seen here with a friend, helped arrange a military hardware sale to Indira Gandhi. He signed a CIA secrecy agreement.

RR: "They wanted to bring out a whole lot of money out of India. And, they wanted, they wanted also to utilize funds that belonged to Indians that had left India...."

Q: "I mean what were they going to do with this money?"

RR: "It was going to be invested in the United States."

The Philippines

In the exhibits was a list of corporate directors, clergy, political figures, educators, labor officials, and media personnel in the Philippines. Rewald was supposed to cultivate them for the C.I.A. In a confidential memo dated August 19, 1983 from attorney Robert Smith, entitled "CIA Contacts and Operations," the following was noted.

(3) Also, the CIA is concerned to monitor Marcos in the Philippines, both in respect of capital flight and in that Mrs. Imelda Marcos is a close friend of Jean Ariyoshi [wife of Hawaii's governor] and is buying real estate through another name. It is [Enrique] Zobel who is close to the Marcos family, and this is Ron's contact.

(4) Additionally, Zobel and members of the Marcos family—all involved in the Philippine government—have the project being proposed in Soto Grande, Spain...."

In a confidential attorney/client interview, Rewald discussed Imelda Marcos.

"We were keeping a close eye on Mrs. Marcos the last couple of years under the direction of the Agency. She had been negotiating on purchasing some land here, all this is legal. They're allowed to do that. But it was the Agency's feeling that they were doing it in anticipation of early exile and obviously they looked to the United States. They had developed a close relationship with [Hawaii's] Governor and Mrs. Ariyoshi. And we had developed a very close relationship with the Governor's chauffeur. And we really were coming up with real good information."

BBRDW did contract Legal Investigations, Inc. for a "confidential investigation" of Hawaii property purchases by Marcos. The report (Case #030281-01) was submitted to Sunny Wong on March 4, 1981. It was the understanding of the investigator that the information was for the CIA.

According to the report, Marcos had purchased two estates in 1977 and 1980. Through Bienvenido and Oliceria Tantoco, Marcos purchased a 28,714 sq. ft. estate at 2338 Makiki Heights Drive for \$717,000 (\$200,000 down payment). The Tantocos are friends of Marcos and reportedly owners of the Rustan Shopping Center in Manila. Through Antonio Floirendo, Marcos bought the 46,280 sq. ft. Helen Knudsen Estate at 2443 Makiki Heights Drive, across the street from his other estate. The price was \$1 million with an \$800,000 down payment. Floirendo is reportedly a major land owner in the Philippines and a supporter of Marcos.

As mentioned earlier, Enrique Zobel claimed that his only connection to Rewald was through polo. In a confidential attorney/client interview, Rewald said the following about Zobel.

"Enrique Zobel. This is such a key thing and such a big deal. Because he was the number one, number three person on the Agency's list of most influential people around the world. They wanted to establish contact with and develop. And, I had developed that over a period of many years. My first contact with Enrique was back in '79, and it developed to the point in the last couple of years where, you know, we were doing very, very big things. But, Ayala-Hawaii Corporation was never set up to develop or handle polo.

"First of all, I had everything there was in polo already wrapped up in the Hawaii Polo Club which was a corporation. If I had wanted to do something with Enrique in polo, we would have done it through there. Ayala was set up really to hold a transaction we were closing in Soto Grande, Spain where we were transferring millions of dollars and much of that, half of it would have gone back to Enrique. And, Ayala is really his company, and his name and everything else. It was just being set up here to facilitate that, and, you know, at the Agency's urging."

Zobel never mentioned a joint project in Soto Grande, Spain. BBRDW files contained several items regarding Zobel, BBRDW, and Spain. One was a note to Rewald from his secretary. It says: "Enrique Zobel would like to know when you are going to Spain. He is holding a house for you...."

Another item was a June 27, 1983 report from BBRDW consultant, Ned Avary. It was a detailed assessment of the Soto Grande community. It portrayed Soto Grande as a highly-attractive investment. And that "Soto Grande has a past and possibly present cash flow problem." Finally, it said the reported owners included the Ayala Family of Manila (75%). BBRDW files also included telexes from Avary originating in Soto Grande.

A fourth item was a financial viability study on Soto Grande by Richard Ellis.

Before being jumped on by Zobel, the *Honolulu Star Bulletin* reported that the Philippine government was scrutinizing the Ayala-Hawaii Corp. The government was concerned that Zobel might be placing money directly into Ayala-Hawaii. This way he could avoid exchanging pesos through the Philippine Central Bank. Thus, he could secretly export his money to the U.S. and there would be no government record of this flight of capital.

Rewald claims the CIA and BBRDW were so sheltering foreign monies. In a memo from attorney Robert Smith, attorney Peter Wolff argued that the reported, pending Zobel/BBRDW project in Soto Grande was to secretly export Zobel's money to Spain, then to shelter in Hawaii.

Rewald explained the CIA's cultivation of Zobel. "And, our whole purpose in developing Zobel was he was very, very close to President Marcos. And, we were getting very, very high intelligence on Marco's frame of mind, his moods, his intentions, and, you know, movements at high levels in the Philippines. And, that was the purpose of it."

In the same interview, Rewald addressed Zobel's assertions that he had not become involved except for polo. Also, Zobel's contention that he advised others not to trust Rewald and to withdraw their money in BBRDW.

"That was back in 1980 that Enrique supposedly did that. And, it's obvious to see that everything we were doing with Enrique in the last couple of years happened after that. And, if he was advising people that we were doing something wrong and they should take their money out, he was sure acting funny because that's when we set up Ayala-Hawaii. That's when we put together the project in Spain with the Sultan of

According to Rewald's affidavit, "We were approached to arrange through the CIA for the supply of military hardware to Indira Ghandi." "Kickbacks and bribes were the key to the whole India thing."

Brunei. That's when we planned this trip. November, he was introducing me personally; had meetings set up with President Marcos and myself and dinners and so on. Even though I was going on this mission, the [U.S.] government mission, in November to the Philippines, Enrique had set up private dinners and meetings besides that, you know, which...plus we were doing an awful lot. None of it relating to polo....

"...But, Enrique in anticipation of that had set up his own personal meetings between Marcos and Enrique and I and, you know, dinners and that was being handled separately on that Reagan trip. Some of the delegation was going on to Hong Kong or other places afterwards. I don't even remember where they were. I think possibly Indonesia or something, I'm not sure. I just don't recall. And, Enrique had asked me to stay on there which I had agreed to do, you know. And, we were going to do some business."

In a separate confidential attorney/client interview, Rewald elaborated about Zobel.

"Everybody in town [Hawaii] had tried to develop a relationship with him. And I started doing that about 3 or 4 years ago. It developed to the point where last time he was in town we had dinner together maybe 4 or 5 times in about a week and a half. And his kids and all sorts of things. We had a very, very close relationship and we were getting very, very high level intelligence out of him on Marcos. They would have dinner

together, entertain other politicians and world leaders together. And he'd come back and tell me about it.... Because we were talking about finance, investments, Philippines and the United States...we really hit it off and we developed a very close relationship. So we were really using this to monitor not only President Marcos, who we were getting a lot of intelligence on him, but the financial world in the Philippines, in Europe, where ever they [Ayala] had...he owns banks in San Francisco, on the mainland, and large projects in Spain and in Europe...."

When asked whether Zobel was aware of the CIA involvement, Rewald answered: "Yeah, I believe he was." Rewald added: "And, he was an easy talker. I mean, he was very opinionated. He was not a fan of Marcos. Although he was, you know, very close to Marcos. They would have dinner together. And, he would relay, you know, all the type of information we wanted freely, you know. But, understand, we were saying 'yes' to everything he wanted too."

Indonesia

In the affidavit, Rewald says, "We were presently funding small expenses to Mr. Gardell Simpson, the Indonesian Consul General here. I think we were covering his car payments. He was to name me Honorary Consul General this Fall [1983], which would have further opened the door for high level Indonesian intelligence."

Simpson maintained an office at BBRDW. In a confidential lawyer/client interview, Rewald added that his appointment would be the "entry to our doing a lot of work with the government in Indonesia.... I was being asked to do more and more...and we [CIA] were getting a lot out of it too."

In Rewald's personal papers there was a letter from Gardell Simpson, Jr., Honorary Vice Consul for Indonesia in Honolulu. Dated March 8, 1983, it read, "With as strong a language as the Indonesians are wont to use, it was 'assured' that upon Mr. Rehberg's retirement from PRI and his resignation as the current Honorary Consul in Honolulu, your name would be presented for the honorarium to President Soeharto. Now, please understand that this is

not set in concrete or guaranteed; however, at this juncture the position is yours if at the time of appointment you are still desirous of same."

Simpson began his letter by saying it was a "trip report" for the period February 25—March 4, 1983 to Washington, D.C. He added, "Attached please find most of my expenses incurred. I have another receipt for approximately \$300 but am unable to find it. When I do will submit." The report was an itemization of Simpson's daily visits with various Indonesian officials in Washington.

Simpson promised to keep Rewald informed of Indonesian dignitaries passing through Hawaii. And to arrange meetings with them. "The people in Washington felt that this could be accomplished," said Simpson, "and an exposure of yourself [Rewald] would benefit you when appointment time comes."

Simpson stated that "I look forward to a long and lasting relationship." Still he cautioned: "I cannot over emphasize the requirement for confidentiality at this time; I'm sure you can appreciate my position."

The same day, Simpson sent a letter to the Indonesian Counselor in Washington, Sadjjar Sastrohandjo. "Now that I have thawed out from your frigid D.C. weather," said Simpson, "I... extend my most sincere thanks for all your efforts on my and Mr. Rewald's behalf.

"I have relayed to Mr. Rewald the circumstances under which his recognition will be forthcoming and he is anxiously awaiting the opportunity to serve."

One Indonesian connection to Rewald was the wealthy industrialist, Indri Gautama, a BBRDW consultant and investor. There are many photographs of Rewald and Guatama together in business and social settings. Rewald says he incorporated Hawaiian-Arabian Investment Company, Inc. on July 2, 1982 and the United Arab Emirates Investment Co. with Guatama. In Rewald's papers was a share in Hawaiian Arabian Investment. It showed it to be incorporated in Hawaii on July 2, 1982 with Rewald as president and secretary.

A notice in the *Pacific Business News* (8/30/82) reported both companies had been incorporated in Hawaii. And Guatama was treasurer of both. Notarized State of Hawaii corporation papers exist for both Hawaiian-Arabian and United Arab

Sue Wilson, a BBRDW employee who had worked for the National Security Agency, told a Hawaii TV station that it was "pretty common knowledge" that BBRDW was a CIA operation. She had, she said, regular contacts with the CIA for BBRDW.

Emirates. They list Guatama as treasurer for both.

Guatama's precise role is not known. But, Rewald's affidavit does say that: "The Agency's concern is to know what OPEC countries are going to do so as to gain advance knowledge on the movement of oil prices. Indonesia is a leading member of OPEC.... These covert operations are ongoing today, and involve... the Guatamas, wealthy Indonesian industrialists.... The ultimate aim was to place monies with them, at their disposal, in 'investments' in foreign countries in various joint business activities. But these investments were secondary to the intelligence to be gathered from them concerning the OPEC community."

Another example of Guatama's role was a pending Philippine resort development project. CIA money, some \$600,000, was to be passed to Saud Mohammed through Indri. The affidavit says: "... I did locate eight checks in small denominations, to Indri Guatama [Exhibits 86 through 94], totalling \$48,000. This is but one example of using someone as a conduit for the funnelling of [CIA] funds."

The affidavit indicates a G. Guatama as having \$399,893.83 in a

sheltered account (#506) at BBRDW. This was a CIA/BBRDW service. It secured an individual's money outside his or her country. If they had to flee, the money was waiting for them in the U.S.

Asked whether Indri Gautama was aware of the CIA involvement, Rewald replied. The "Guatamas maybe didn't [know] for about three weeks, and then from then on they did."

Cambodia

Marshall Lon Nol is the former CIA installed president of Cambodia. Rewald bought a house from Lon Nol in Hawaii. And used it as an address for some of his CIA ventures. Rewald's affidavit says Lon Nol "asked for help in supplying arms to fight the Khymer [sic] Rouge. After talking to the Agency, all I could provide was some supportive editorials."

The exhibits include a Rewald letter-to-the-editor attacking Pol Pot and the Khmer Rouge and a December 4, 1978 letter to Rewald from Lon Nol. The letter thanks Rewald for his L-T-E. Advocates the overthrow of the Khmer Rouge regime. And, requests a "donation" of "weapons" for "the resistants in the Country..."

Domestic Propaganda

Rewald claimed to be planting articles in the U.S. press for the CIA. An illegal domestic propaganda operation. His exhibits included a "Media Highlights Update" bearing the CIA emblem. A notification states that the updates are "to bring to the attention of key Intelligence Community personnel news items of interest to them in their official capacities. They are for internal informational purposes only." The update featured highlights from a critical review of the anti-CIA film, "On Company Business." Attached was a copy of the review. It was by the ultra-right tabloid, *Human Events*.

Rewald said the CIA would show him "things that other people had written." To give him "ideas to write on and areas they'd like covered..." In an interview with attorney Robert A. Smith, the following exchange occurred.

RR: "Here's an editorial I did on Cambodia. The agency [CIA] would direct activity they wanted created, whether they be in the area of getting the word out on certain political issues there, their economic issues, this one happens to be on Cambodia on the communists and I put on an editorial which got published."

RAS: "Ya, the article is in there, the newspaper."

RR: "Ya, all of mine got published. I probably put out you know, dozens, you know in various papers, and so on..."

The exhibits included Rewald's editorial on Cambodia printed as a Letter-to-the-Editor in a Hawaii newspaper. As well, there was a letter from Marshal Lon Nol, the former CIA-installed President of Cambodia. It thanked Rewald for his L-T-E. (Rewald once owned Lon Nol's former home.) Another exhibit was an editorial by Rewald published in the *Honolulu Star-Bulletin* of May 21, 1980. Appropriately entitled: "Rebuilding the CIA."

Rewald added the following in another confidential attorney/client interview.

RR: "... I was just going to mention in passing that Jack Kindschi, when he was station chief, had me working on some anti-ACLU [American Civil Liberties Union] project. We wrote a number of editorials, submitted them to papers and so on."

Q: "Any overt action on your part?"

RR: "Not other than editorial writing. But I know that these editorials are available somewhere, too. It might be interesting reading for you or other friends of yours down the road."

"Kindschi wrote a number of them. I might have, somewhere in the files, the name that Kindschi used to write them under. I used my own name sometimes. Mine is easy. Kindschi used another name, because he was the overt officer here. They were always trying to subvert that."

Information Rewald sent to Senator Edward Kennedy and then-presidential candidate Ronald Reagan has also to be seen as domestic propaganda. The information he sent to Kennedy

"The Agency always needed bankers. And laundry operations and so on. They were always pushing us to put up offshore banks and things of this nature. It's an important part of the Agency function to be able to leave funds around the world. And banks and trust companies are the easiest way to do that."

was based on CIA-connected trips. And, Rewald said he was trying to personally cultivate Reagan for the CIA in case he was elected.

Retirement

Rewald claims he wanted to retire at 40. But the CIA continued to escalate its involvement. This was personified in John Sager. As Rewald put it,

"Despite all the investigations, many covert CIA operations continued; and almost the last thing I did before the events of July 29 was extend an offer of employment to one John Sager, whose resume [Exhibit 79] marks him unmistakably as a full-time intelligence and counter-intelligence officer of absolutely top caliber. There would have been no reason for me to hire him except in furtherance of Agency activities; and thus my relationship with the Agency was ongoing as of July 29."

John Sager's resume, reportedly released by interim bankruptcy trustee

Thomas Hayes, did mark him as a top level CIA officer. It bears quoting at length.

Experience

INTELLIGENCE OFFICER—Soviet and Middle East Affairs—overseas collection operations, counterintelligence and security. CIA Headquarters operations executive.

Intelligence interviewing and reporting on contemporary [1980s] Soviet internal affairs. Interviewed former Soviet citizens employed in scientific and research/development programs. Prepared intelligence reports for distribution throughout U.S. intelligence community covering critical-interest topics in computer hardware technology, petroleum extraction and production planning, and anti-aircraft weapons systems.

Senior CIA representative in Moscow, responsible to American ambassador and CIA headquarters for all aspects of CIA intelligence activities under control or jurisdiction of CIA representation in USSR. Ten years' overseas residence and experience in the USSR and Middle East, plus numerous official visits to European capitals and major cities.

Liaison and negotiations with foreign government officials, civil and military. Secured and then implemented agreements of cooperation and support to American intelligence collection programs. Developed and participated in training programs for foreign intelligence officers. Provided frequent guidance to program development within foreign intelligence services.

In the U.S., CIA Branch Chief, supervised work of thirty intelligence officers, intelligence assistants and clerical personnel. Initiated operational programs to be executed by overseas field stations and supervised Headquarters support of these activities. Also responsible for preparing or reviewing personnel performance evaluations, assessments of intelligence collection programs, budget preparations and requests, and reviewing and modifying organizational structures.

Over the years developed, recruited, trained and utilized scores of individuals, foreigners and Americans, from a wide variety of occupations, as sources of foreign intelligence. Planned, managed and directed intelligence support networks and collected, processed, and reported to CIA headquarters foreign intelligence in the military,

economic, science/technology, and social fields, especially relating to the USSR and the Middle East.

Counterintelligence and security, American embassies abroad. Responsible for counterintelligence programs at U.S. Embassy in Moscow and for personnel security measures among U.S. Mission staffs.

Speak, read, write Russian.

Teaching/training (have been trained in then taught others):

Observation, description, report writing.

Intelligence collection techniques.

Repair of technical collection equipment, photographic other.

Psychological assessment techniques and evaluation of potential intelligence sources.

Balloon piloting.

Intelligence tradecraft (photography, Identi-Kit, flaps/seals and surreptitious entry, locks and safes, secret writing, agent radio communications, surveillance and countersurveillance).

John Sager's call card says he's a retired U.S. Foreign Service Officer. When he was contacted, he said he was joining BBRDW with regards to investments in fly-fishing. Informed that his resume was in hand, he said: "I thought we had sealed all those."

Rewald says that Sager's fly-fishing contention was an "absolute lie." Rewald adds that Sager had previously worked on BBRDW projects with Jack Kindschi. That Sager "was a Russian expert for the most part." That Rewald was "directed by Kindschi to hire" Sager. And that Sager "was being brought in at that particular time to work with Kindschi."

IRS

In November 1982, Rewald became concerned about an audit of BBRDW by the Internal Revenue Service (IRS). It threatened to uncover the CIA involvements. So Rewald contacted CIA station chief Jack Rardin. To get the IRS to "stand down" from its investigation, i.e., to stop.

"Yet the IRS investigation," says Rewald, "had continued unabated. I became concerned, at this point, that I was not getting support from the Agency which I felt I should be getting. This in turn caused me to decide that I should take steps to insure that I

Rewald planted articles in the U.S. press for the CIA: an illegal domestic propagandea operation. Rewald said the CIA would show him things that other people had written to give him ideas to write on and areas they'd like covered.

have evidence, should the time ever come when it was necessary to use such evidence, establishing my connections with the Agency."

So, Rewald secretly taped a meeting with Rardin. Regarding the IRS investigation, the following was recorded.

RR: "Jack, has the agency got back to you on my tax problem and?"

JR: "No, not yet, but I had some, uh, should have some information today, I think."

RR: "You know, I just, you know, really like to get some word and assistance and direction on what I should do and what I shouldn't do and?"

JR: "Ya."

RR: "So if you could get back to me on that I sure would appreciate it."

JR: "Ya. Well, as I say."

RR: I don't want any problems with the IRS."

JR: "No, I know. Sure don't. We don't either."

To Rewald's surprise, the IRS investigation continued. We have obtained a copy of an IRS Summons to Rewald to appear before Camplone on January 28, 1983 along with BBRDW's financial records. The summons was issued on January 17th.

The next day Rewald signed a letter to Rardin dictated by Kindschi. "By this time," said Rewald, "Kindschi was a full-time consultant for Bishop Baldwin but continuing in CIA activities, as Rardin well knew. Kindschi was incredulous and angry that Rardin had not taken steps to stop the IRS investigation."

A copy of the letter has been obtained. It states that the IRS was focused on Canadian Far East Trade Corp., CMI Investment Corp., Hudley, Johnson & Moore, ITTENTER, H&H Enterprises, John C. Kindschi, and Eugene Welsch. And that the pending audit "threatens the security of all subsidiary companies, as well as Bishop, Baldwin, Rewald, Dillingham & Wong and myself."

"Can Washington representative," continued the letter, "meet with cleared IRS official to deflect continuing probes or does Washington prefer to send tax staff experts to Honolulu to counsel me directly???"

"Request immediate action to preserve cover and security of company complex," concluded the letter.

On January 28, 1983, Rewald did not appear before Camplone. Dana Smith, then Rewald's corporate attorney was told by Camplone that a stand down was in effect. Smith confirmed the stand down that same day in a letter to Camplone. It said: "I wish to confirm that the District Director of the Internal Revenue Service has instructed your supervisor, Mr. Ken Taylor, to instruct you to hold off in your investigation of my client, Mr. Ronald R. Rewald." (Subsequent press inquiries to Camplone have met with: "No Comment.")

However, Camplone returned to BBRDW. The *Honolulu Star-Bulletin* claims that in the interim the CIA extracted one of its agents from BBRDW. Because his cover was threatened by the IRS audit.

So, Smith wrote again to Camplone.

"I was surprised to learn that you had visited Mr. Ronald R. Rewald's residence and that you examined his

wife concerning the tax matter under investigation. Your conduct violates what I assumed was our understanding regarding contacts on this case. In addition, it was my understanding pursuant to our telephone conversation of January 28, 1983 and my letter to you of the same date, that government intelligence incursion had resulted in a suspension of your investigation in this matter pursuant to your instruction from the District Director of the Internal Revenue Service...

"At your earliest convenience, I would like to meet with you to discuss the substance of your contacts with the C.I.A., the perimeter and scope of your resumed inquiry, and, in view of intelligence agency interest, the procedural steps you plan to employ."

Subsequently, says Rewald, Camplone informed Smith that sealed instructions had been received by the IRS Director from the CIA. They ordered the stand down. And, the IRS was complying.

By the following June, no IRS audit of BBRDW had been completed. That month Rewald received a letter from CIA agent "Rick Cavanaugh." It said: "I assume your 'tax problem' with CMI has also all been taken care of." Presumably, Cavanaugh was referring to the IRS stand down.

Apparently, a stand down was in effect. For according to IRS records, Camplone had served BBRDW with a second summons for their financial records on March 7, 1983. BBRDW provided some of these records. But, an IRS enforcement action requiring the remainder was not filed until July 27, 1983. And, a summons was not served until August 2nd. After BBRDW had collapsed. To the present time, the IRS has not caused any indictments to be issued in this case.

In March 1984, Senator Daniel Inouye of Hawaii told the Hawaiian press that he had asked the CIA about its involvement with Rewald and BBRDW. "This matter," Inouye was quoted as saying, "has been under active consideration and close scrutiny by the Agency. Beyond that, I cannot say anything."

CIA spokesperson, Dale Peterson, now says that the CIA had only "slight involvement" with BBRDW. "But," added Peterson, "I'm not at liberty to go into details of what the relationship was. We deny any allegations that suggest we had anything to do with running the company."

Rewald contends that the CIA should share responsibility for the missing funds because investor's monies were mixed with CIA funds and expended in CIA investments.

Apparently, some of the investors agree, for they are suing the CIA for their missing funds.

Bankruptcy administrator, Thomas Hayes, after reviewing the financial records, now says BBRDW received \$2,744 from the CIA over a four-year period for phone and telex costs. At one point, he said this figure was \$5,000. Originally, he said there was no CIA involvement.

The *Honolulu Advertiser* (3/28/84) now reports that some eight CIA personnel, including Jack Kindschi and Jack Rardin, invested almost \$500,000 in BBRDW. And, at least some of them made a profit. Both Kindschi and Rardin withdrew their money plus interest shortly before BBRDW collapsed. Rewald's affidavit adds that CIA agent Charles Richardson had an investment account at BBRDW. And, that at one point, BBRDW paid him a 10% commission. We have obtained a copy of a letter from Richardson requesting this payment.

Investments by current and former CIA personnel in a CIA-connected operation would appear to present a conflict-of-interest and a highly questionable practice.

CIA attorney Robert Laprade's affidavit said that: "The CIA was not aware of, and had absolutely nothing to do with, Ronald Rewald's alleged appropria-

tion to himself of the funds of Bishop, Baldwin, Rewald, Dillingham & Wong or its investors."

Where's the Money

Rewald could be using his CIA involvements in an effort to evade potential liability for the \$12 to \$20 million in missing investors' funds. But the way he could have used that was to threaten to expose CIA operations unless the legal charges were dropped. Since much of the CIA's involvement with BBRDW has been exposed, Rewald can hardly use it to evade liability.

What Rewald has apparently contended from the beginning is that the CIA should come forth and share responsibility for the missing funds. Because investors' monies were mixed with CIA operational funds and expended in CIA investments. Thus, "with Agency assistance," as Rewald put it in his affidavit, "it may yet be possible, despite all the publicity, and if Agency connections are utilized, to realize on these transactions or at least bring back into Bishop Baldwin money which has gone into these [CIA] transactions."

Apparently, some of the investors agree. For they are now suing the CIA for their missing funds.

Even if Rewald did abscond with the money, the CIA bears responsibility. Because of its admitted involvement, the CIA knew or should have known of the manner in which Rewald and BBRDW were raising and expending investors' funds. Thus, if there were fraud going on, the CIA should have become aware of it at some point. Particularly since it is an intelligence agency.

Secondly, Rewald had undergone a personal bankruptcy and was convicted of fraud in Wisconsin before his involvement with BBRDW. The CIA either failed to put Rewald through a security check which would have revealed the bankruptcy and the conviction. Or it did put him through a security check. Ignored the bankruptcy and conviction. And undertook a working relationship with him in a position where he could engage in fraud. Either way, it would appear that the CIA was negligent in choosing Rewald. And thus, bears responsibility with regards to missing funds.

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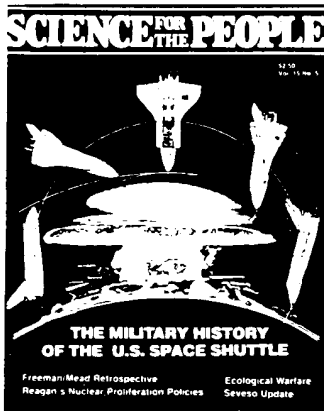
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