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WHAT CASEY KNEW

The CIA and the Secret Contra Network

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The Voice has learned that Central Intelligence Agency director William Casey routinely received intelligence reports about and monitored missions by the supply network that, in violation of U.S. law, delivered hundreds of tons of weapons to the contras over the past year. The secret operations supplying military aid to the contras from the Ilopango airbase in El Salvador—which led to the capture of downed pilot Eugene Hasenfus—were monitored by at least two CIA agents who reported through channels to Casey. Both men served under U.S. government cover identities, one as a military officer and the other as a Foreign Service officer in the San Salvador embassy, according to high-level administration sources in Washington.

As the recipient of such intelligence information, it was Casey's duty to inform other top administration officials about the progress of the secret aerial supply program. Among those whom Casey briefed about the illegal contra supply operation, according to administration officials, was President Reagan himself. These sources emphasize that this information does not show that either Casey or Reagan knew about the diversion of funds from the Iranian arms shipments to the contra program. And the CIA last week issued an unusual public statement denying that it had any role in the use of Iranian funds to aid the contras. But it is scarcely believable that Casey, who had intimate knowledge of the operation itself, would not have learned how it was paid for.

Assistance to the contras by U.S. intelligence agencies was specifically prohibited by Congress in 1984 when it passed the Boland Amendment. The law, which remained in effect until this fall, made it illegal for the CIA to provide such aid either "directly or indirectly." The evidence increasingly indicates, however, that the contras were aided by the agency both directly and indirectly.

Other recent reports indicate that officials of the Reagan administration outside the CIA also monitored the program. On Friday *The Washington Post* reported that the senior U.S. military adviser in El Salvador, army colonel James Steele,

"closely monitored the aerial supply network" and "maintained regular contact with crew members about how the operation was run." The *Post* said that Steele was instructed by the U.S. ambassador to El Salvador, Edwin Corr, to keep track of the contra flights.

And on Monday, *The New York Times* quoted Americans who had served on contra flight crews as recalling that CIA agents were present at the rebel base.

Planes and pilots involved in the secret contra airdrop program have been linked to Southern Air Transport, Inc., a Miami-based air cargo company described by its owners as a "former CIA proprietary," which became a private business in 1973, when the CIA sold it.

On October 14, Southern Air chairman James Bastian responded to recent publicity with a three-page letter to the company's 200-odd employees. "First," he wrote, "Southern Air is not owned by the CIA and is not performing any services for the CIA and to the best of its knowledge is not performing any services with any company connected with the CIA. Any statement to the contrary is simply not true.

"Second, the C-123 aircraft which crashed in Central America, and any other aircraft identified with that operation, were not and are not owned by Southern Air Transport, and were not and are not being operated by Southern Air Transport, nor were the operators of those aircraft controlled or directed by Southern Air through any other entity."

Contrary to Bastian's claims, however, Southern Air has long continued to provide cover to the CIA for some of its covert operations. According to individuals who have worked in flight crews and as pilots on some of Southern Air's overseas flights, there were CIA operatives working among them, and they knew it.

"There were individuals on the flights who not only worked for Southern. They also worked for the government," a long-time Southern Air employee told the Voice. "Everybody knows that, but nobody ever talks about it." The same employee said other employees—though not CIA operatives—were also asked to provide information to the agency.

"If somebody flew to a part of the world that the agency was interested in," he said, "that person could expect to be debriefed when he returned to Miami,

and would then be introduced to someone who was said to work for the U.S. government. But we knew who they really work for."

Southern Air frequently flies to places in which the agency has a keen interest. In one two-month period this year alone, according to Department of Transportation records, the company's Lockheed L-100 cargo planes made 271 flights to and from Luanda, Angola, and other cities in the African nation whose Marxist government is currently engaged in a civil war with UNITA rebels backed by South Africa—and the CIA.

Southern Air spokesman William Kress says the firm has a contract with a European firm called IAS-Guernsey, which serves Angola's diamond industry. But DOT records show that Southern Air often flies to Menongue, a town in south-central Angola far from the northern diamond region, that happens to be a major staging area for government attacks on the CIA-backed rebels. In other words, Southern Air is operating behind the military lines of a regime targeted by the agency for destabilization.

In 1983 Southern Air reportedly transported arms to the contras on behalf of the CIA, which was then legal. CBS News reported that on April 9, 1983, the firm carried 22 tons of small arms to a Honduran military base, which were later shipped to the contras. Both Southern Air and the U.S. government denied that report.

Finally, Southern Air was involved in the recent arms shipments to Iran. Reagan administration officials say that the company made at least two shipments of arms to the Middle East that were destined for the Iranians. On May 28, a Southern Air plane transported former National Security Adviser Robert McFarlane, then-NSC aide Oliver North, and George Cave, a former CIA official, to a meeting with Iranian officials to discuss arms deals and the release of American hostages in Lebanon. Aboard the same plane were sophisticated TOW missiles and anti-aircraft weapons supplied by the administration to the Iranian government.

Congress enacted the Boland Amendment following the early 1984 disclosure of the CIA's mining of Corinto harbor in Nicaragua, which violated both U.S. and international law. The amendment presented President Reagan and CIA direc-

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tor William Casey, who had created the contra army and political directorate, with a problem whose clandestine solutions are now beginning to come to light: how to step around the law and provide money, arms, aircraft, trained personnel, and staging areas for the contras. The other possibility—to obey the law and seek a negotiated solution with the Sandinista government—was obviously never considered.

Yet the contra assistance program had to be undertaken without openly violating the Boland Amendment and other U.S. laws, notably the Neutrality Act, which forbids U.S. nationals from participating in warfare against a government with which the United States is at peace, and the Arms Export Control Act, which regulates the sale of weaponry abroad. Open defiance of the law would have led to a constitutional crisis and public outrage, especially since most Americans did not favor military action against the Sandinista government.

Until the recent disclosures of direct White House, CIA, State Department and National Security Council involvement began to emerge, many reporters believed that aid efforts for the contras were being run by retired General John K. Singlaub, head of the U.S. affiliate of the World Anti-Communist League, or WACL, an organization set up by the CIA in the '60s and long since infiltrated by European neo-Nazis, South American fascists and death squad figures, and dictators from around the world. Singlaub boasted that he had the approval of both the president and the CIA director, not to mention NSC deputy North, for his activities, which he said included fundraising in the United States for nonlethal aid and abroad for weapons shipments. Singlaub told reporters that he kept North informed of his missions, and interpreted North's silence during these briefings as assent.

The Singlaub story was plausible because of the general's own background in covert operations, which spanned OSS missions during World War II in Europe and Asia, a stint with the CIA in Korea, and a key role in Vietnam as head of the so-called Studies and Observation Group, which conducted covert air missions into North Vietnam, Cambodia, and Laos (some of which may have violated U.S. law). WACL, moreover, was in many ways the perfect vehicle for raising foreign funds for the contras, since most of its own support came from right-wing dictatorships in Taiwan, South Korea, and Saudi Arabia. The League also had longstanding ties to the Reverend Sun Myung Moon's immensely wealthy Unification Church, sponsor of a WACL precursor in Asia, and thus to CAUSA, the church's political affiliate which has been active in Honduras, Guatemala, and El Salvador. At last year's WACL conference in Dallas [see "The Old Right's New Crusade," *Voice*, October 22, 1985], Singlaub told two reporters that he had opened Swiss bank accounts for foreign contributions to the contra cause.

Recent revelations throw a different light on Singlaub's role, however. Congressional investigators and informed journalists now believe that he may have been, in spy parlance, a "cutout" whose function was to divert attention from the far more significant activities of Oliver North and other key players. There is little doubt, given his credentials, that Singlaub provided military advice to civilian contra leader Adolfo Calero and rebel commander Enrique Bermudez, a former Somoza military attache. He also played a part in domestic and foreign politics as a tireless propagandist for "rolling back Soviet imperialism." But there is considerable doubt that Singlaub's fund-raising actually accounted for the \$25 million he was claiming from private sources in 1985. It's far more likely, close observers now believe, that those funds came from such sources as the sale of weapons to Iran and contributions from foreign governments solicited by top American officials—all potential violations of U.S. law.

Specific revelations about the contra supply operations in El Salvador and Costa Rica have directed attention to individuals who cultivated a lower profile than General Singlaub. Details of the covert program have been emerging steadily in recent weeks:

- North and his associates were instrumental in setting up the aerial supply program. North and retired air force major general Richard V. Secord used an informal network of several former CIA and other intelligence operatives to oversee this program.

- Attorney General Edwin Meese has said that between \$10 million and \$30 million in profits from arms sales to Iran may have been diverted for use by the contras. This diversion is the subject of current investigations by both the Justice Department and the Senate Intelligence Committee. Saudi Arabia and other right-wing governments, reportedly solicited by top administration officials, may also have funneled money into these accounts.

- Southern Air Transport was deeply involved in the North network, providing planes, pilots, and flight crews.

- Reagan administration officials, including CIA director William Casey,

kept other top officials informed, including the president.

The man who apparently directed the clandestine air supply operations was Secord. On Monday, Secretary of State George Shultz identified Secord as a key figure in the Iran arms-hostages deal, and Swiss authorities said that Secord and North were being investigated by the U.S. for their role in diverting the Iranian profits to the contras through Swiss accounts.

Secord was the chief U.S. Air Force official in Iran from 1975 to 1978. As a top adviser to Secretary of Defense Caspar Weinberger, Secord also lobbied for the sale of the AWACS strategic control

aircraft to Saudi Arabia in 1981, as did Oliver North. According to Peter Maas's *Manhunt*, an account of the capture and conviction of rogue CIA agent Edwin Wilson, Secord helped to direct the secret air war waged by the CIA in Laos in the late '60s. Maas also writes that Secord had a close business and personal relationship with Wilson, and appeared as a defense witness at Wilson's 1983 trial. Secord resigned from active duty soon after his ties to Wilson became known.

Secord's involvement with the supply network dates back as early as July 1984, one month after CIA funds for the contras ran out. Aircraft registration records kept by the Federal Aviation Administration show that on July 26, 1984, a firm called American Marketing and Consulting, Inc., purchased a Short-Takeoff-and-Landing plane called a Maule from the plane's Georgia manufacturer, Maule Air. The FAA records list Secord as president of American Marketing and Consulting; the vice-president is listed as Robert Lilac, a one-time senior National Security Council officer who, until he left the NSC, was Oliver North's immediate supervisor as director of political-military affairs. When Lilac resigned, North assumed his post, which North held until his own resignation last month. Curiously, the NSC denied to the *Voice* last Monday that it had any record of Lilac's service there.

In October 1985, according to FAA records, American Marketing and Consulting—Secord's front company—sold the plane, which is ideal for use in Central American jungle settings, to a shadowy Panamanian outfit, NRAF, Inc. By that time, according to eyewitness accounts, the Maule was already in use by the contra network. Last Thursday, a federal grand jury in Georgia subpoenaed the records of Maule, Inc., regarding the sale of one plane to Secord and three planes sold to others. Federal investigators believe that all four may have been destined for use in the contra fleet.

A second Maule, according to FAA records, was sent to NRAF. But a notation on the bottom of a letter from Maule Air

Secord was also involved in its purchase.

The notation said a copy of the letter was being sent to "Dick Secord."

According to an employee of Maule Air, one of the planes that ended up in the clandestine contra fleet was paid for with a check from CSF, Inc. This Zurich-based firm, whose initials stand for *Compagnie de Services Fiduciaires*, has been linked to the transfer of funds from the Iranian arms sales to secret Swiss accounts.

Since April or June of this year, a Secord deputy—retired colonel Robert Dutton—managed the contra supply operation. Another former military officer with intelligence responsibilities, retired air force lieutenant colonel Richard Gadd, apparently preceded Dutton. Gadd once worked closely in the Pentagon with Secord.

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Before he retired in November 1982, Gadd's last assignment was as liaison between the Joint Special Operations Center at Fort Bragg, North Carolina, and the Joint Special Operations Agency, a Pentagon unit set up by the Reagan administration to develop a unified special forces command for the army's Green Berets, the air force's Commandos, and the navy's SEALs. Sources say Gadd's position gave him frequent contact with the CIA, which worked closely with the special operations agency.

After he left the Pentagon, Gadd became president and treasurer of a firm called American Management Corporation, located in a Washington, D.C., suburb. Phone records from San Salvador "safe houses" identified with the contra aerial network show that calls were regularly made earlier this year to the American Management office, to Gadd's home, and to the home of retired colonel C. L. Stearns, a Gadd assistant.

During the same period, another company headed by Gadd was awarded a \$100,000 contract from the State Department's Nicaraguan Humanitarian Assistance Office to ship nonlethal aid to the contras. This was under a congressionally approved \$27 million program of food and other humanitarian assistance, although military aid was still banned. The State Department's decision to award the contract to Gadd's firm, AIRMACH, Inc., was a curious one, since at the time AIRMACH had no planes or full-time employees.

To fulfill the contract, AIRMACH subcontracted to Southern Air Transport, Inc., a company notorious for its ties to covert intelligence operations for more than two decades. Southern Air was first purchased by the CIA in August 1960 to supplement the operations of the legendary CIA-owned company Air America, which conducted numerous airlifts in Southeast Asia during the Vietnam War. Fearing that the public procedures necessary for Air America to obtain Pentagon contracts would lead to its exposure as a CIA front, the agency decided to buy Southern Air instead for about \$307,000. During the period of CIA ownership, the company's Pacific Division conducted heavy air lift operations for both the CIA and the Pentagon in East Asia, while its Atlantic Division "furnish[ed] support for certain sensitive operations" in the Caribbean and South America, according to the 1976 report of the Senate Select Committee, known as the Church Committee after the late Idaho Democrat Frank Church, which probed CIA domestic operations. In 1972, the report said, the agency decided that it no longer needed full-time operational control of the cargo firm.

The result was a directive from CIA director Richard Helms that "*on the record* (italics added) therefore, the Agency should divest itself of the Southern Air Transport complex entirely." On December 31, 1973, the company was sold to its former owner, Stanley Williams, who had been the nominal president of Southern Air during its 13 years of ownership by the CIA. This sale, from which the CIA

realized over \$6 million, supposedly ended the relationship between the agency and its former airlift proprietary.

But in some sales of secretly owned CIA businesses, as the Church Committee report noted, "transfer of the entity was conditioned as an agreement that the proprietary would continue to provide goods or services to the CIA." The report doesn't comment on whether such an agreement was part of the Southern Air sale, but it asked: "Looking toward the future, will new air proprietaries be established? The CIA thinks not, but the matter is not resolved. The ultimate question is whether there will be future United States involvement in covert wars..."

Williams had reason to be grateful to the CIA after the firm's sale. For one thing, according to documents obtained by the *Voice*, the agency initially agreed to sell the company for about \$300,000 less than a private appraisal commissioned by the agency said it was worth.

In a secret 1973 memo obtained by the *Voice*, then-CIA general counsel Lawrence Houston wrote the director of the agency urging that Williams' below-market offer for Southern be accepted. He noted in the memo that "There are certain values beyond price, both tangible and intangible, which accrue to the government and the agency in the case of the sale of assets to Mr. Williams."

Houston was later forced to testify in litigation concerning the sale of Southern Air. Asked if the agency had sought competitive bids for the cargo firm, he replied, "It did not."

But despite all of the CIA's concessions to Williams, he still had trouble raising enough money to buy Southern Air. So Houston helped Williams obtain a large loan from Manufacturers Hanover Trust, a bank Houston admitted "has done substantial business for and with the agency over the years." He denied that the bank was doing a favor for the CIA in making the loan to Williams.

Just when the deal seemed consummated, three other U.S. air carriers filed complaints with the now-defunct Civil Aeronautics Board challenging the sale. They alleged that Southern Air had engaged in unfair competition, and that its business had grown because of government subsidies and favorable charter routes granted by the government. These objections were overcome when the CIA voluntarily dropped Southern Air's CAB certification, which covered the charter routes. With the CAB and the objecting competitors out of the way, the below-market sale to Williams was completed in utter secrecy.

In other words, the new owner of a potentially lucrative air carrier owed his new business to the largesse of its former CIA owners—who could bestow even greater riches in the future.

Although there were some lean years for Southern Air since the 1973 sale, Department of Transportation documents show that the firm's business has grown enormously during the past two years—which coincides with its involvement in the contra air operation. Much of its

business in recent years has been with the Pentagon, including scores of flights, both domestic and international, from U.S. Air Force bases. One congressional investigator believes that the administration may have steered business to Southern Air to reward it for covert services.

From 1981 to 1983, Southern Air was doing mediocre business, losing money during several quarters. Its total operating revenues in 1983 were \$11.6 million. But in 1984—the year the contra operation began—its operating revenues suddenly increased by 150 per cent, to \$28 million. By December 1985, its annual operating revenues had increased to \$38 million; and for the 12 months reported in the quarter ending last September 30, the company had recorded another increase, to \$48 million. In less than three years, the company's revenues quadrupled, and its work force virtually doubled.

Southern Air has also been significantly aided by the infusion of new government contracts since it became involved with the contra air network. According to Defense Department records, the Pentagon's Military Airlift Command awarded \$13.3 million in contracts to Southern Air in 1986, and say they expect to award another \$42.4 million to the firm in the next fiscal year.

While Secord and his associates apparently were in charge of the operation, and Southern Air contributed its cargo planes and crews, nothing would have happened without the involvement of key field operatives. The four top officers were all former CIA agents. William Cooper, for example, the pilot who died on October 5 when a C-123 plane carrying him and Eugene Hasenfus crashed in Nicaragua, apparently ran the daily business of the clandestine aerial network. Cooper had been one of the CIA's chief pilots in Southeast Asia during the Vietnam War, when he worked for Air America—like Southern Air, a CIA proprietary. Cooper recruited others like Hasenfus, who also worked for Air America during the Vietnam era.

Also running day-to-day operations was a Cuban exile known to the flight crews as Ramon Medina. Medina has since been positively identified as Luis Posada Carriles, a Bay of Pigs veteran and a contract agent for the CIA from 1961 to 1967. Posada is wanted in Venezuela as a convicted terrorist for his role in the October 6, 1976, bombing of a Cuban airlines DC-8 which was flying between Barbados and Havana. Minutes after the plane took off, a bomb planted aboard exploded, killing all 73 persons aboard. Posada and three other Cuban exiles living in Venezuela were accused of planting the bomb and were subsequently convicted. In August 1985, Posada escaped from a Venezuelan prison and within a year was working at the Ilopango airbase, supervising the contra air operations.

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Two other Bay of Pigs veterans and former CIA operatives also helped: Rafael Quintero, who arranged flights and determined where supplies were to be dropped inside Nicaraguan territory; and Felix Rodriguez, who, under the pseudonym Max Gomez, served as liaison to the Salvadoran Air Force. Rodriguez is famed for his part in the Bolivian Army's capture and execution of Cuban revolutionary Ernesto Che Guevara in 1967. He was reportedly recruited for the contra operation by Donald Gregg, national security adviser to Vice-President George Bush. Gregg himself served in the CIA for 31 years, including the period when Bush himself was the CIA director. And Gregg was reportedly the CIA station chief in Seoul, South Korea, when John Singlaub was the chief of U.S. forces there.

The CIA is deeply implicated in the emerging history of the Reagan administration's secret effort to circumvent U.S. law and the will of Congress in its war against Nicaragua. The contra operation is not the first covert war perpetrated by the agency without benefit of democratic consent. Unless the Congress and the courts expose and punish those responsible, it will not be the last. ■

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General John K. Singlaub



Major General Richard V. Secord

RICHARD FOLKERS

AP/WIDE WORLD PHOTOS



Lieutenant Colonel Oliver L. North

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PERCUTIVE UNITED

CIA director William Casey: What did he know and who did he tell?



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Southern Air Transport: the wings of the CIA