

CONVERGENCE

The Christic Institute

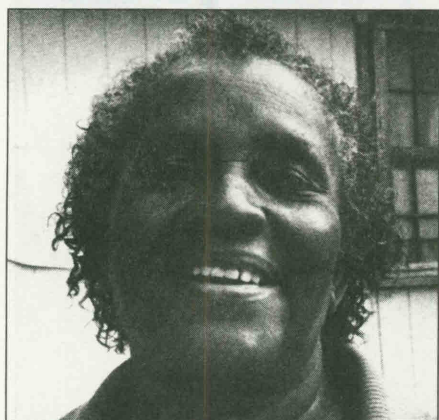
Fall 1990

One Dollar

Washington, D.C.

S&Ls funded covert operations

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Covert warriors used savings institutions to launder money

By RICK EMRICH

Fearful of the wrath of angry voters, politicians are rushing to minimize the fallout from the savings and loan scandal and to fix blame for the mess on anyone but themselves.

Republicans and Democrats alike were courted by S&L interests and pushed hard to deregulate the industry, ushering in what may become the biggest financial crisis in United States history. George Bush, who chaired the Reagan-Bush Administration's Task Force on Financial Regulation, was the executive branch's chief proponent of deregulation.

Many of these same politicians are now demanding a full investigation of the fraud, mismanagement and insider dealing which brought down the thrift industry.

However, politicians and the news media have almost entirely ignored evidence that covert operators, many of them part of Richard Secord's *contra* support enterprise, used thrifts and other Federally insured financial institutions to fund congressionally prohibited paramilitary operations, leaving taxpayers to pay the bill when the institutions failed.

The evidence suggests that S&L deregulation made it easy for the Secord enterprise to exploit the industry to fund its illegal *contra* resupply operation through sources outside Congressional control.

Uncovered evidence

In late 1988 Christic Institute investigators uncovered evidence that drug traffickers used dozens of thrifts in several southwestern states to launder cocaine profits destined for the illegal *contra* war in Central America. In February 1990, the link between S&L embezzlers and the *contra* war was publicly exposed by *Houston Post* investigative reporter Pete Brewton. Since then, the *Post* has published a series of reports by Brewton detailing evidence that "at least 27 failed financial institutions—25 S&Ls and two banks—had links to C.I.A. operatives or to organized crime figures with links to the C.I.A."

Each of these financial institutions made "substantial loans" to individuals with links to the C.I.A., organized crime or both, the *Post*

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RICO

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general" in cases where the Government is unable or unwilling to prosecute criminal charges.

Avirgan v. Hull is an example of a RICO lawsuit designed to fill such a "prosecutorial gap." It alleges that the racketeering enterprise used by Oliver North to arm the *contras* decided to assassinate Eden Pastora, a dissident *contra* commander, when he refused to merge his small guerrilla force with a cocaine-smuggling *contra* group controlled by the Central Intelligence Agency. A group of *contra* leaders and their private backers in the United States allegedly hired a professional assassin to plant the bomb that exploded during Pastora's press conference on May 30, 1984, in La Penca. The bomb failed to kill Pastora, but killed or wounded several reporters.

The Bush Administration is unlikely to bring the defendants to trial on criminal charges that they bombed a civilian target. Other charges raised in the Institute's lawsuit, including the systematic use of planes hired by the North enterprise to smuggle tons of cocaine into the United States, have never been investigated by the Justice Department. In fact, the Administration has blocked criminal investigations of *contras* and other clients in Latin America accused of drug trafficking.

"The RICO law, however, gives the plaintiffs in this case, Tony Avirgan and Martha Honey, the ability to sue racketeering enterprises and collect massive punitive fines if the allegations can be proved in court," says Christic Institute General Counsel Daniel Sheehan. "In effect, they are acting as 'private attorneys general' in a case that for political reasons the Bush Administration will never investigate."

H.R. 5111 would restrict the rights of citizens to sue similar enterprises under the RICO statute. In a rare legislative move, the bill would apply retroactively to cases now pending before the courts. "In the hands of a judge hostile either to RICO or to our lawsuit, the bill could be used to delay a jury trial for years," says Lanny Sinkin, litigation director of the Christic Institute. "Plaintiffs would then be involved in protracted and costly litigation. They might never see their day in court."

Under the current RICO law, a civil suit can be brought against all members of an "enterprise" responsible for causing damage to property or business. But RICO also allows plaintiffs who have been injured by an enterprise to sue not only defendants who allegedly caused the injury, but members of the same enterprise who committed other criminal acts.

For this reason, RICO is a useful tool for civil litigants in cases against S&L fraud. Plaintiffs have used the law to bring lawsuits not only against the individual officers responsible for bank failures, but also against the accountants who audited the books, appraisers who listed false values on property and companies responsible for securing S&L loans based on false information.

In their present form, the proposed amendments would restrict RICO lawsuits to "major participants" in the injury alleged by plaintiffs. That would restrict S&L cases under RICO to a small number of defendants, leaving others who may have committed crimes in connection with S&L fraud beyond the reach of the civil law.

According to legal scholars, retroactive application of a law is an unusual and highly offensive practice. In a recent opinion, Supreme Court Justice Antonin Scalia traced objections to retroactivity back to ancient Roman law. "The principle that the legal effect of conduct should ordinarily be assessed under the law that existed when the conduct took place has timeless and universal human appeal. . . . It has long been a solid foundation of American law."

Potential conflict of interest in House committee

Members of the House Judiciary Committee who cosponsored H.R. 5111 had different reasons for supporting RICO "reform." One member, conservative Republican Bill McCollum of Florida, faces acute political embarrassment if *Avirgan v. Hull* goes to trial.

Recently released records kept by former National Security Council aide Oliver North show that McCollum and Republican Rep. Henry Hyde of Illinois, also on the Judiciary Committee, met with North and former National Security Adviser Robert McFarlane in March 1985 to discuss illegal plans to equip the *contras* through third countries. The "third-country" option was an attempt to circumvent the Congressional ban on military aid to the *contras* by pressuring foreign governments to ship weapons to the Nicaraguan rebels.

Christic Institute investigators have learned that McCollum's senior aide, Vaughn Forrest, was directly involved in the illegal *contra* resupply operation, at times conducting meetings for the operation in Congressman McCollum's office.

The Institute's investigation has placed Forrest in Costa Rica on the night of the La Penca bombing. He was meeting at a safe house in San Jose, the Costa Rican capital, with John Hull and Rob Owen, two defendants in *Avirgan v. Hull*. Hull has been indicted for murder in Costa Rica for his role in the La Penca bombing. He fled to the United States last year after his release on bail from a Costa Rican jail. Owen was North's liaison with the *contras*.

The retroactivity provision in H.R. 5111, which would apply the amendments to *Avirgan v. Hull* and other pending RICO cases, was narrowly approved by six votes to four in the Judiciary crime subcommittee. Voting in favor was Congressman McCollum.

At press time, the fate of H.R. 5111 and S. 438 was still uncertain. The quick action by Christic Institute supporters to oppose the bill derailed the H.R. 5111 in the House Judiciary Committee. A vote, originally scheduled in July, has been postponed. No vote has been scheduled in the Senate for S. 438.

"Our supporters must keep alert for an attempt to bring up these bills before the end of the current session of Congress," says Sinkin. "It is now possible we will be able to defeat entirely this attempt to abolish RICO under the guise of RICO 'reform'. If we succeed, our supporters can take credit for using their power as citizens to oppose successfully the powerful combination of lobbies that tried to push this legislation through without a public debate." □

[For further information on how you can help oppose H.R. 5111, read the flyer attached to some copies of this issue, or call the Institute's Organizing Department at (202) 797-8106.]

SAVINGS AND LOAN

■ *Continued from page 1*

reported. The owners of many of the thrifts had personal ties to the agency. In some cases C.I.A. operatives or mob figures with ties to the C.I.A. approved loans to their associates or obtained loans that were never repaid.

According to the *Post*, the Federal bailout of the 27 failed institutions could cost taxpayers up to \$75 billion. Fraud played a substantial role in the failure of each institution.

Both the Christic Institute's investigation and Brewton's investigative series suggest a direct connection between covert operations and the S&L crisis that can be traced back to the "off-the-shelf" enterprise targeted by the Christic Institute's Federal racketeering lawsuit, *Avirgan v. Hull*. This suit, now pending before the 11th Circuit Court of Appeals in Atlanta, charges that 29 defendants were participants in a criminal enterprise which ran a covert war against Nicaragua on behalf of the Reagan-Bush administration.

Filed six months before the Iran-*contra* scandal was made public, the lawsuit charges that Richard Secord's enterprise organized a paramilitary supply operation to arm the *contras* and smuggle drugs into the United States. Secord, a retired Air Force general, controlled the secret Swiss bank accounts where the profits from illegal missile sales to Iran were deposited.

Many of the Institute's charges have since been confirmed in Congressional testimony, Federal drug trials and government investigations. In 1988 the Senate Foreign Relations narcotics subcommittee released evidence showing that *contra* bases in Central America were used as staging areas for cocaine smuggling operations. Earlier this year the Costa Rican legislative assembly voted to bar several Iran-*contra* figures from entering their country—including General Secord and Oliver North—for their role in setting up the illegal arms-smuggling operation that was used to transport narcotics through Costa Rica.

The Institute's investigation showed that the enterprise has for years been engaged in a pattern of racketeering activity, including the use of contract agents and dummy corporations to finance illegal covert operations. Acting in defiance of Congressional prohibitions, the enterprise sought secret funding sources to ensure continued assistance to the Nicaraguan rebels. Proceeds from the sale of missiles to Iran were diverted to the *contras*, third countries were pressured to support the rebels, and drug traffickers who contributed to the *contras* were allowed to fly their supply planes back into the United States

loaded with narcotics. Savings and loan fraud is now revealed as yet another source for covert funding.

Names surface regularly

Names of individuals and companies linked to the enterprise surface regularly at several failed lending institutions. Among the most familiar of these are Frank Castro, Farhad Azima, Adnan Khashoggi, Global International Airways, Southern Air Transport, and the Egyptian-American Transport and Services Corp.

The Institute's investigation shows that many of the same individuals who ran the guns-for-drugs operation for the Secord enterprise were involved in illegal transactions with S&Ls and commercial banks.

One of these figures is Frank Castro, a Cuban exile recruited by the C.I.A. to overthrow the Castro Government. The *Post* reported that he was part of a drug smuggling ring that purchased Miami's Sunshine State Bank.

Castro was arrested in 1983 by the Drug Enforcement Agency for smuggling 425,000 tons of marijuana into the United States. The drug charges against Castro were dropped in June 1984, after he began training *contras* at a camp near Naples, Fla.

Castro was an associate of Francisco "Paco" Chanes, another *contra* supporter and a defendant in *Avirgan v. Hull*. Chanes owned "Ocean Hunter," a Miami seafood

company whose boats were used to smuggle cocaine into the United States.

Both Castro and Chanes were recruited by Oliver North's network to assist the *contras*.

Contributed to bank collapse

Another businessman who figures prominently in the Christic and *Post* investigations is Farhad Azima, a native Iranian who was both a director and major shareholder of the Indian Springs State Bank in Kansas City, Kan. Azima, who was closely involved with covert operations, took out loans that contributed to the collapse of the bank.

Companies owned by Azima borrowed more than \$1 million from Indian Springs. One of these firms, Global International Airways, reportedly was controlled by the C.I.A.

Global was an international air freight company specializing in the transport of military supplies. The firm's principal client was the Egyptian American Transport and Services Corporation (EATSCO).

EATSCO was run by the former C.I.A. operations chief Theodore Shackley and his deputy, Thomas Clines. Along with their third EATSCO partner, General Secord, they are among the principal defendants in *Avirgan v. Hull*.

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Faye Schenkman

SAVINGS AND LOAN

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Global filed for bankruptcy in 1983. The Indian Springs State Bank collapsed in 1984, pulled down partly as a result of the money lost when Global failed. Global's bankruptcy case revealed that the firm owed money to another C.I.A.-related firm, Southern Air Transport, which the agency used to ship weapons to the *contras*.

Federal law enforcement sources told the *Houston Post* that an F.B.I. investigation of Azima's role in Indian Springs' failure was halted when the C.I.A. told the bureau that Azima was "off limits."

"I was told by the F.B.I. that Azima had a get-out-of-jail-free card," a source in the investigation told the *Post*.

Washington bank tied to *contras*, organized crime

The *Post* found that a bank opened in Washington, D.C., by two businessmen with close ties to the intelligence community and organized crime provided funds and made loans to the *contras* and to their associates. Seed money for the new bank's operations was provided by Herman K. Beebe Sr., a Louisiana mob figure involved in the failures of at least a dozen S&Ls.

The two men behind Palmer National Bank were Stefan Halper and Harvey D. McLean Jr. The two men were officials in the 1980 Bush campaign for Vice President. Halper was the son-in-law of Ray S. Cline, the C.I.A.'s former deputy director of intelligence.

The *Post* reported that Palmer National "lent money to individuals and organizations that were involved in covert aid to the Nicaraguan *contras*" and transferred money to a Swiss bank account used by Oliver North for *contra* military assistance. Halper also helped organize North's legal defense fund, according to the *Post*.

While working on the 1980 Reagan-Bush campaign, Halper was implicated in the "Debategate" scandal in which confidential information from the Carter campaign was stolen and given to Reagan aides to help their candidate prepare for his televised debates with Carter.

Brewton came across the name of another Iran-*contra* funder, Saudi Arabian businessman Adnan Khashoggi, while investigating the failure of two thrifts in Texas.

The two thrifts, Lamar Savings of Austin and Mainland Savings of Houston, made loans to Khashoggi in a complicated land deal that left the institutions with a \$48 million loss that ultimately will be covered by taxpayers. Khashoggi's company came away from the deal with a profit of \$12 million and a \$5 million line of credit. Just a few weeks later, Khashoggi put up \$5 million to help finance the Reagan-Bush arms-for-hostages deal with Iran.

'Known money launderer' in Federal records

Robert Corson, a Houston developer under Federal criminal investigation in the failure of two thrifts, has also been identified in Federal law-enforcement records as a "known money launderer." He is a target of both the Christic Institute and *Houston Post* investigations.

A former C.I.A. operative told the *Post* that Corson frequently was used by the agency as a "mule," carrying large sums of money from country to country.

In 1986, Corson purchased Vision Banc Savings in Kingsville, Texas. Four months later, Vision collapsed after lending \$20 million dollars to a consortium of

End of a dream

The savings and loan bailout has already cost taxpayers over \$50 billion. Government estimates of the final cost for the "rescue" of insolvent thrifts run as high as \$500 billion—an average of about \$5,000 for every taxpayer in the United States. Bush Administration officials have admitted that they do not really know how high the cost will go. However, it is certain the bill will burden the nation for several generations.

To put in perspective the economic impact of the S&L bailout, the estimated Federal deficit for 1991 is \$232 billion—slightly more than half the highest official estimate of \$500 billion for the rescue.

Since the mid-1930s, the savings and loan industry has represented a stepping stone for millions of Americans who dreamed of owning their own home. Since the New Deal S&Ls have been a secure and Federally-insured haven for their savings and a sympathetic source of financing for home loans.

But as the economy was shocked by Vietnam wartime deficit spending, rising energy prices and the declining worth of the dollar, S&Ls began to run into trouble. In a high-inflation environment, money markets promising high yields on uninsured accounts competed aggressively with the thrift industry, which could pay only the smaller interest rates required by Federal regulation. Depositors began to desert the savings and loan.

The Reagan-Bush Administration believed that "deregulation" of the economy would get the Federal Government "off the backs" of private business, ushering in a new age of prosperity. At the same time, Congress was pressured by the powerful S&L lobby to remove the burden of Federal regulation. As a result, both the Administration and the banking committees agreed on legislation designed to help the S&Ls compete. The institutions were now allowed to make high-risk investments and the Government no longer closely regulated the character of businessmen eager to buy into an industry that suddenly seemed to offer the possibility of lucrative profits.

The attraction of S&L ownership was sweetened further by the security of Federal insurance, which now guaranteed individual accounts up to \$100,000—an investment far beyond the means of the average saver. In effect, the Federal Government had begun to offer cut-rate accident insurance to sky-divers—and used U.S. taxpayers to underwrite the policy.

Speculators rushed into the industry. New thrift institutions sprang up overnight. When their risky loans failed—including the loans made by at least 27 thrift institutions and banks to front companies used by the Second enterprise to smuggle guns to the *contras*—they brought the industry down with them. □

investors—including several C.I.A. operatives and organized crime figures—for the purchase of 21,000 acres of Florida coast property. This one loan represented more than 20 percent of Vision Banc's total assets. About \$7 million in the deal went to a company with known ties to drug smugglers and drug money launderers, the *Post* said.

The loan was negotiated with the help of Lawrence Freeman, a lawyer and convicted drug money launderer. Freeman was counsel for Castle Bank and Trust, a Bahamian bank that laundered money for both the C.I.A. and the Mafia, the *Post* reported.

Freeman was also a business associate of the late Florida organized crime boss Santo Trafficante Jr. and had connections with one of the C.I.A.'s founders, Paul Helliwell. Helliwell laundered millions of dollars of Southeast Asian opium profits through Florida businesses during the late 1940s and early 1950s, according to independent sources.

Silverado and Neil Bush

Another of the failed thrifts where Brewton found links with the C.I.A. and organized crime—Denver's Silverado Banking, Savings and Loan—has achieved notoriety because of its prominent link to the White House.

Neil Bush, third son of President Bush, was appointed to Silverado's board of directors in 1985, when his father was vice president. At the time, the younger Bush was 30 years old and had no expertise in the savings and loan industry. He sat on the board until his resignation in August 1988, one week after his father won the Republican presidential nomination. Silverado failed shortly thereafter.

Neil Bush's appointment to the board has all the appearances of an attempt by the S&L's principals to win influence in Washington. His failure to report conflicts of interest and his acceptance of questionable favors from Silverado business associates may lead to Federal sanctions against him.

According to the *Houston Post*, four of Silverado's biggest borrowers had business ties to Robert Corson or to convicted mobster Herman K. Beebe Sr.—the same man who provided the seed money for Palmer National Bank in Washington. Three of the four also had "independent business relationships" with Neil Bush.

Another source of funding

A detailed investigation of the savings and loan debacle is likely to show that the Secord enterprise took advantage of loosened thrift regulations and used political muscle to turn S&Ls into another source of funding for their "off-the-shelf" operations.

But the few public officials who have tried to investigate the role of C.I.A. operatives in S&L fraud have met with resistance from the agency. In February, C.I.A. Director William Webster refused to appear before the House Banking subcommittee on financial institutions to discuss the C.I.A.'s role in the collapse of several thrifts. And in at least two cases the C.I.A. appears to have blocked Federal criminal investigations of alleged involvement by its agents in S&L and banking fraud.

The subcommittee's chair, Illinois Democrat Frank Annunzio, is himself under fire for backing thrift deregulation in the early 1980s. To check into the validity of the *Post*'s investigative series, his staff interviewed several of

Brewton's sources, including a former F.B.I. agent and a former Federal prosecutor who told the committee they were pressured to abandon investigations of C.I.A. operatives involved in S&L cases.

Early this year Annunzio asked C.I.A. Director William Webster to appear before a closed session of the subcommittee to address the allegations made by the *Post*. The C.I.A. responded with a letter characterizing the allegations published in the *Post* as "scurrilous and unsubstantiated." Webster refused to appear.

Annunzio later referred the allegations to the House Permanent Select Committee on Intelligence, which agreed to conduct an investigation. In a letter to the intelligence committee, Annunzio said he did not believe "a well-respected former Justice Department prosecutor and a former F.B.I. agent would make up something so serious as the C.I.A. charges."

The Intelligence Committee began a months-long preliminary inquiry into the allegations to determine if they deserved full hearings. The results of that inquiry, which began in March, have been delayed several times and are not expected to surface before Labor Day, Committee Staff Director Dan Childs has told the Institute.

[Meanwhile, other legislators appear to be trying to block investigations of the savings and loan collapse. A proposed amendment to the Racketeer Influenced and Corrupt Organizations Act (RICO) would make it far more difficult for private citizens to use the courts to recover civil penalties in cases of S&L fraud. See the story on page 5 of this issue.]

Part of a pattern

The role of covert operators in the savings and loan collapse is best seen as part of a pattern of covert mechanisms to raise and disburse funds for paramilitary operations. Each of these mechanisms is different in detail. But the overall pattern that emerges—in the sale of arms to terrorists, the bartering of United States foreign policy, the importation of illegal narcotics and now the defrauding of Government-insured financial institutions—shows covert operators have little regard for the welfare of the general public. □

ACTION BOX

S&L crisis

We suggest our supporters write to the chair of the House Intelligence Committee to urge the committee to (1) schedule *public hearings* on the *Houston Post*'s reports on misuse of thrift institutions to launder money for covert operations, and (2) release of *public report* on the charges. The address: The Hon. Anthony Beilenson, Chairman, House Intelligence Committee, U.S. House of Representatives, Washington, D.C. 20515. □

Christic activists nationwide

By MARY CASSELL

The Christic Institute is spearheading a national public outreach campaign to expose the deadly connection between covert operations and international drug trafficking. Grassroots activists are educating their communities about the links between drug traffickers and the enterprise that illegally armed the *contras*. The activists' goal is to put pressure on the Bush Administration to address the root problems of the drug crisis and build support for *Avirgan v. Hull*, the Institute's La Penca lawsuit.

■ Thanks to a tremendous groundswell of opposition from the Christic Institute action networks and other supporters, attempts in Congress this summer to amend RICO—the racketeering act which forms the legal basis of *Avirgan v. Hull*—were effectively blocked (see story on page 5). Most offices of House Judiciary Committee members were swamped with phone calls urging defeat of the most damaging and unfair provision in the bill—a retroactive clause that could apply to RICO cases already pending before the courts. Some offices were forced to assign additional staff to answer telephones. Others reported calls opposing the RICO amendments on an average of every ten minutes. Christic supporters sent more than 400 mailgrams and 2,000 letters to members of Congress. Our **Portland, Ore.**, office alone generated almost 100 mailgrams and several hundred phone calls.

■ While many citizens are angry about the looting of the nation's savings and loan institutions, Christic Institute activists are doing something about the crisis. On Aug. 18, 22 cities participated in a "National Canvass for Truth" to gather signatures on a petition demanding a full Congressional investigation of the link between the failure of 27 financial institutions and fraudulent loans to front companies used to supply the *contras*. With the help of professional canvassers from the **Citizen/Labor Energy Coalition**, Institute support groups went door to door registering the opinions of their neighbors on this issue.

■ More than 250 letters and opinion pieces generated by the Institute's Media Watch network have been published in newspapers ranging from *The Washington Post* and *The Los Angeles Times* to *The Norman Oklahoma Transcript* and *The Purdue University Exponent*. The network of 500 activists presses for more accurate, fair and responsible coverage of issues related to the La Penca lawsuit and the Iran-*contra* scandal.

■ Hundreds of Christic Institute supporters are educating and activating their communities this summer. They are part of a nationwide effort to air the video *Crack, Covert Operations, and the Constitution* in hundreds of homes, classrooms, union halls and places of worship across the nation. With help from our action team in **Boulder**, the Institute has assembled a "how-to" packet for hosting a video showing. The packet comes complete with invitations, brochures, a discussion guide and step-by-step organizing instruc-

tions. Supporters in **Iowa** have already held over a dozen video house meetings and have broadcast the video on cable television. Showings in 70 cities and towns nationwide were planned this summer.

■ Resolutions calling for an end to the links between drug trafficking and covert operations have been passed in the **Democratic Clubs of Maryland and Wisconsin**. Similar resolutions are working their way toward passage by local jurisdictions of several church denominations, including the **United Methodist Church** (Iowa, Michigan and Illinois annual conferences), the **Episcopal Church** (the Los Angeles and Minnesota dioceses, the Peace Fellowship and the Standing Commission on Peace) and the Minnesota Synod of the **Lutheran Church**.

■ The Christic Institute is playing a central role in the **Methodist Church's** attempts to stem the tide of the drug trade. Institute staff briefed 100 Methodist bishops on the international aspects of the drug epidemic. The June issue of the Methodist's *Christian Social Action* magazine features articles on the "Politics of Drugs" by Christic Institute Executive Director Sara Nelson and Religious Outreach Director Fr. Bill Teska. Methodist parishioners are using the articles in study groups, prayer and reflection.

■ Christic Institute speakers and La Penca plaintiff Tony Avirgan have been criss-crossing the country this spring and summer—appearing in civic forums, campus auditoriums and union halls. Thanks to local organizing efforts, large audiences assembled in **Seattle, Portland, San Francisco, Santa Cruz, Los Angeles, Amherst, New York City, St. Louis, Chicago, Blacksburg, Boston, New Haven, Washington D.C., and Concord, N.H.**

■ **San Francisco** supporters have successfully reached key student and activist audiences by scheduling Christic Institute tapes on local public-access radio stations and in community centers. Museums and libraries in the Bay area have shown the video *Cover-Up*. A new Christic audiotope recorded in May 1990 is now available for public broadcast. Order the two part set for only \$15.95.

■ Armed with thousands of petitions demanding investigations into the connection between drug trafficking and covert operations, the **Boston** area Contragate Action Team made two trips to Capitol Hill in March. They met with several members of Congress including Reps. Lee Hamilton (Ind.) and Jack Brooks (Tex.) and key staffers from the Government Operations Committee and the select committee on narcotics. □

The Christic Institute's video house party packet is free upon request with the purchase of the video or available separately for \$2.50. For more information on these and other organizing activities, contact the Christic Institute Outreach Department at (202) 797-8106. □

Bush knew about contra resupply

What's behind the move to dismiss Special Prosecutor Walsh

By LEWIS PITTS, MARLENE SMITH
and LANNY SINKIN

A few days after an appellate court vacated the criminal convictions of Oliver North, Rep. William Broomfield, Republican of Michigan, wrote a letter to Attorney General Richard Thornburgh urging the abolition of the office of Independent Counsel Lawrence Walsh.

Broomfield, previously a member of the congressional Iran-*contra* committee, based his arguments on a claim that the "Iran-*contra* affair has been thoroughly investigated."

But Congressman Broomfield's demand is similar to Richard Nixon's demand that Attorney General Elliott Richardson fire Special Prosecutor Archibald Cox during the Watergate investigation, as the Cox investigation closed in on Nixon.

In this instance, the continuation of the Walsh investigation provokes fear that the trail of evidence will inevitably lead to the door of President George Bush.

In particular, numerous media reports state that Walsh is now investigating Donald Gregg, National Security Adviser to then-Vice President George Bush and now ambassador to South Korea. An honest and thorough investigation of Mr. Gregg would reveal Mr. Bush as a major participant in the scandal and subsequent cover up.

This revelation would subject George Bush to impeachment today for obstructing justice by withholding from the Congress and the Special Prosecutor information about his participation in the Iran-*contra* crimes.

For some in Congress and the media, George Bush's involvement in the Iran-*contra* scandal will remain an unanswered question until Bush actually confesses. For the rest of the nation, the publicly available evidence is enough to conclude that Bush's "out of the loop" cover story is so absurd as to be insulting.

To date, the Special Prosecutor has focussed on one group: John Poindexter, Oliver North, Richard Secord, and Secord's associates. Reagan as Poindexter's boss and William Casey, as North's mentor and Secord's sponsor, were part of this same group.

Now, apparently, the Special Prosecutor is turning his attention to a second group playing a leading role in the scandal: Bush, Gregg, and Felix Rodriguez.

Extensive investigation

As part of a lawsuit brought by the Christic Institute on behalf of two U.S. journalists, Tony Avirgan and Martha Honey, the Institute has conducted an extensive investigation into the Iran-*contra* scandal. From the North notebooks, the documents surfaced during the congressional hearings and the Avirgan case file, a picture emerges that inextricably ties these two groups together.

When Congress moved to cut off funding and other

OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 30, 1986

BRIEFING MEMORANDUM FOR: THE VICE PRESIDENT

Event: Meeting with Felix Rodriguez
Date: Thursday, May 1, 1986
Time: 11:30-11:45 a.m. - West Wing
From: Don Gregg

I. PURPOSE

Felix Rodriguez, a counterinsurgency expert who is visiting from El Salvador, will provide a briefing on the status of the war in El Salvador and resupply of the Contras.

III. PARTICIPANTS

The Vice President Felix Rodriguez
Craig Fuller
Don Gregg
Sam Watson

IV. MEDIA COVERAGE

Staff photographer

George Bush denies he ever discussed contra resupply with Felix Rodriguez, who organized arms shipments to the rebels. This memo reminds Bush that he is scheduled to meet with Rodriguez on May 1 to discuss "contra resupply."

assistance to the *contras* through the Boland amendments of March and October, 1984, North turned to C.I.A. Director William Casey, who in turn directed North to Secord's off-the-shelf, self financing, covert operation as an alternative to official funding. North then brought Secord and his associates in to replace the C.I.A.-funded supply network.

Meanwhile, in response to the same congressional decisions, Gregg, in December 1984, introduced North to Rodriguez, a long term associate of Gregg's during Gregg's 30 years in the C.I.A. and a friend of George Bush. In February 1985, General Paul Gorman in Panama sent a cable to the State Department stating: "His [Rodriguez] acquaintanceship with the VP is real enough, going back to the latter's days as DCI [Director of the C.I.A.]. Rodriguez primary commitment to the region is in [deleted] where he wants to assist the FDN [the *contras*]."

Rodriguez touted his chain-of-command linkage with Bush, leading North to note on January 9, 1986: "Felix is talking too much about VP connection." But that "connection" remained solid. Bush's Assistant National Security Adviser, Col. Sam Watson, travelled in late January 1986 to Central America, met with Rodriguez, and even addressed a formation of *contra* troops.

Upon his return, Watson wrote a memorandum for Gregg, dated February 4, 1986, discussing the pressing military needs of the *contras*. Gregg initialed the memo, underlined the portion about *contra* military needs and added his own notation that "Felix agrees with this—it is a major short coming." Gregg then forwarded the memo to Bush.

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WALSH

■ *Continued from page 11*

At this point, it is worth noting the Bush's official position is that he first learned of the illegal *contra* resupply in November 1986 when then-Attorney General Meese held a press conference announcing the diversion of Iranian arms sales money to the *contras*. Bush further claims he did not know Rodriguez was involved until December 1986, when he read an interview Gregg gave to the *New York Times*.

The February 1986 memo from Watson forwarded to Bush by Gregg eight months before the Meese announcement demonstrates Bush's claim to be false. Later developments demonstrate the Bush claim to be absurd.

Rodriguez, as a member of the assassination team set up by then-Vice President Nixon to eliminate the leadership of the Fidel Castro Government, is a true believer in the cause of anti-communism in Latin America. Secord, however, has a history of involvement in covert operations that were tainted by corruption and profiteering.

The presence of Rodriguez and Secord in the same operation created a conflict within the ranks of the *contra*-resupply operation that eventually forced direct involvement by Bush, putting Bush beyond any hope of "deniability."

An April 16, 1986 "schedule proposal" prepared by Gregg arranged a May 1 meeting between Bush and Rodriguez in the Washington. The Gregg memo stated the purpose of the meeting was "to brief the VP on the status of the war in El Salvador and resupply of the *Contras*."

By this time, Rodriguez was clashing with North and Secord over the latter's profiteering. In fact, North, Secord and others flew to Ilopango Air Force base in El Salvador to meet with Felix on April 20, hoping to iron out differences.

Apparently North's efforts to reconcile Rodriguez and Secord failed because on April 30, Gregg prepared a memo for Bush regarding his appointment with Felix. The purpose of the meeting was to be "a briefing on the status of the war in El Salvador and resupply of the *contras*."

On May 1, Rodriguez came to Washington to meet with Bush as scheduled. He first went to North and threatened to quit over the Secord issue. Rodriguez then went to his meeting with Bush, Gregg, and Watson. North later joined the meeting.

So on May 1, 1986, George Bush, Donald Gregg, Sam Watson, Felix Rodriguez, and Oliver North are all sitting in the same room discussing "resupply of the *contras*." How could George Bush preside over a meeting attempting to resolve a dispute among people in an operation when he now claims he had no knowledge what those engaged in the dispute were doing or that the operation existed? The question answers itself.

Bush's efforts to calm the dispute failed. The conflict raged over the summer, with North calling Gregg at one point to accuse Rodriguez of stealing an airplane belonging to Secord's enterprise. According to North's notes, on August 6, North got another complaint about Rodriguez, had a "mtg w/Don Gregg" and then a "mtg w/VP." Earlier that same day, North had lied to congressional investigators about his involvement with the *contras*.

Notes from Gregg and Watson show that on August 8, Rodriguez was back in Washington railing about Secord being a crook, identifying North as the "conceptualizer" of the operation, and warning that the scandal would be potentially greater than Watergate.

When Eugene Hasenfus' plane was shot down in October 1986, the first calls placed by Rodriguez were to Gregg and Watson. North then attempted to blame the crash on Rodriguez.

If Walsh indicts Donald Gregg for perjury, obstruction of justice, lying to congress or other offenses, there will be no problem of immunized testimony, because Gregg was not given immunity. The documents on which this story is based are all a matter of public record.

Attorney General Thornburgh might well seek to use claims of "national security" to scuttle Gregg's prosecution, but such an effort would by then be transparent to all except those who refuse to look. With Gregg clearly in focus, can Bush be far behind? That's why those who seek to protect Bush are now moving to stop Walsh. □

ACTION BOX

Independent counsel

If you are concerned about attempts to close the books on the Iran- *contra* scandal, we suggest the following steps:

- (1) Write the office of Independent Counsel Lawrence Walsh to urge him to continue his investigation. His address: Lawrence Walsh, Office of Independent Counsel, 555 13th Street, N.W., Suite 701, Washington, D.C. 20004.
- (2) Write to the Attorney General of the United States to express your support for continued investigations by the Independent Counsel. Tell him the counsel's office must not be closed down until the American public learns the whole truth. His address: Dick Thornburgh, U.S. Attorney General, Department of Justice, Washington, D.C. 20530.
- (3) Send copies of your letters to the Christic Institute and to Rep. Jack Brooks, chair of the House Judiciary Committee. His address: The Hon. Jack Brooks, Chairman, House Judiciary Committee, U.S. House of Representatives, Washington, D.C. 20515. □

Interns, volunteers, staff needed

The Christic Institute is looking for full- and part-time interns and volunteers to work at our offices in Washington, D.C., Durham, N.C., Portland, Ore., and San Francisco and Los Angeles. We offer a diverse and enriching experience for activists of all ages who want to work with an effective and experienced organization dedicated to social and political change.

Send resume and cover letter to our Intern Coordinator. □

Plutonium space threat exposed

Public learned of dangers posed by Galileo mission

By TIA LESSIN

On October 18, 1989, the shuttle Atlantis lifted off from Cape Kennedy Space Center in Florida. On board was the Galileo mission, an unmanned space probe powered by 50 pounds of radioactive plutonium sealed in small "radioisotope thermoelectric generators" (RTGs).

Fearing that Atlantis would explode like the 1986 Challenger shuttle, dispersing Galileo's radioactive cargo on their state, the Florida Coalition for Peace and Justice asked the Christic Institute to represent them in a lawsuit filed in the Federal District Court in Washington seeking to postpone the mission. Joining the two groups before the court was the Foundation on Economic Trends.

In an eleventh-hour decision, Judge Oliver Gasch dismissed the Institute's petition for a temporary restraining order. Working throughout the night, Institute litigators and experts prepared an emergency petition to the Supreme Court. As the clerk of the court rushed the petition into the offices of the Chief Justice, Atlantis took off and launched the Galileo probe into space.

Opposing the Galileo launch was a controversial step for the Christic Institute, which supports the exploration of space for peaceful purposes. But the risk of disaster was unacceptable, says Lanny Sinkin, the Institute's litigation director.

"We discovered that the National Aeronautic and Space Administration (NASA) had systematically suppressed critical information related to the safety of this launch in violation of the National Environmental Policy Act," he says. "We also discovered that for years NASA refused to develop practical alternatives to plutonium as a power source for space probes."

Public opinion was divided on the safety of spacecraft powered by plutonium. Writing in the *New York Times*, investigative journalist Karl Grossman warned that there could be "a widespread dispersal of plutonium" if Galileo accidentally reentered the Earth's atmosphere after the

launch. Cornell University physicist Carl Sagan supported the Galileo mission but told a reporter that as "a scientist working on Galileo with a long-time involvement in planetary exploration" and "a long-time supporter of the Christic Institute, . . . I've felt torn on the Galileo RTG issue for years. I still do. . . . I believe there is nothing absurd about either side of this argument."

The Institute and its allies failed to postpone the launch but stirred public opposition to the use of plutonium in future missions.

Opponents of the Galileo launch concluded on the basis of reports from whistleblowers, independent space contractors and investigative journalists that NASA bureaucrats were attempting to cover up the risk of plutonium leakage from the craft's generator after an explosion.

The Institute's petition to postpone the mission forced NASA to release an embarrassing study projecting that if the Galileo probe accidentally reentered the Earth's atmosphere during two planned orbits around the Earth, the spacecraft could disperse its entire plutonium payload of 260,000 curies into the atmosphere. That much radiation could kill 2,000 people, said the study, which NASA had prepared with the Department of Defense and Department of Energy.

While keeping this document secret, NASA claimed publicly that accidental reentry would at worst contaminate only a localized area with 11,000 curies of radiation and kill no more than nine people.

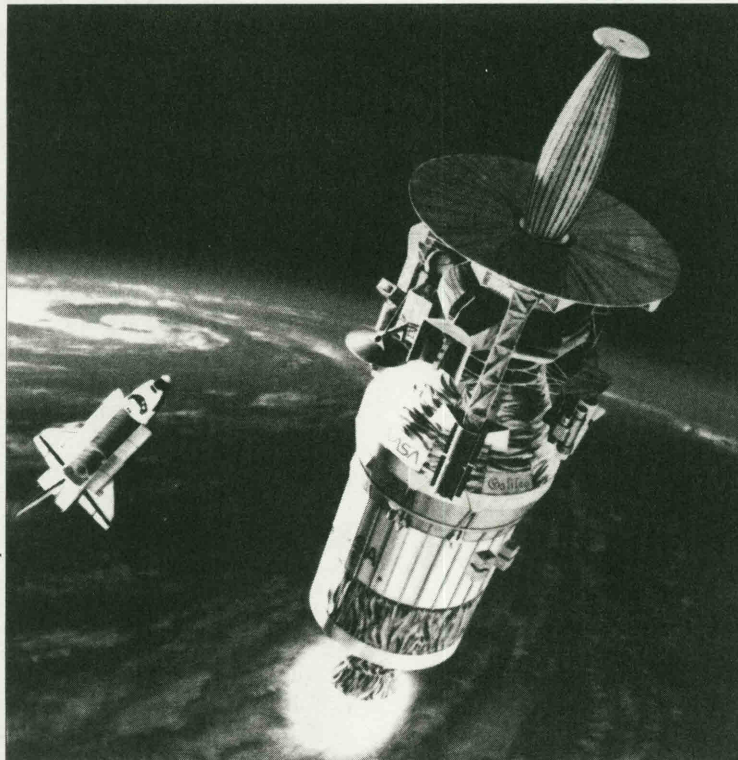
Critics charged that even NASA's behind-closed-doors risk assessments were grossly understated.

Dr. John Gofman, a physicist who conducted the first studies on the health effects of radiation, told *The Miami Herald* in June 1989 that even if only five percent of the Galileo's plutonium were pulverized and escaped into the Earth's atmosphere, as many as 34,000 people would develop cancer.

History of dubious assessments

NASA has a history of dubious risk assessments. Before the Challenger exploded in 1986, killing all aboard, agency's official estimate of the probability of a disastrous shuttle accident was 1 in 100,000. After the explosion, NASA revised the estimate to 1 in 78.

The disaster did not deter NASA's promotional campaign for plutonium as the safest and most efficient



National Aeronautic and Space Administration

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GALILEO

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power source for space missions. The agency also suppressed information about practical substitutes.

After Galileo lifted off, for example, the Jet Propulsion Laboratory of the California Institute of Technology released earlier studies prepared for NASA which recommended concentrated solar arrays as a viable alternative for Galileo other deep space projects.

"It was scientific folly to launch Galileo when alternative technologies could have supplied its electricity," said Dr. Michio Kaku, professor of theoretical physics at the City University of New York. "The alternatives may cost a bit more, but are significantly cheaper than the cost of a plutonium disaster."

Another example of NASA's willful disregard of the public's right to know was uncovered recently by a Seattle newspaper. A study by NASA contractor Morton Thiokol warned before the Galileo launch that a space shuttle's high susceptibility to electromagnetic radiation might cause the craft to fail in future missions. NASA kept the report secret.

Widespread debate, opposition

The story of this first-ever legal challenge to a shuttle launch was covered widely by the national media. Information on the threat of a plutonium disaster uncovered by the Institute was reported on ABC Nightline, the Today Show, Good Morning America, all three network evening news programs and local news programs throughout the country.

Ralph Nader's Public Citizen and local groups in several states joined the Florida Coalition for Peace and Justice in mobilizing resistance to the launch. The entire Green Party delegation to the West German federal parliament asked the Institute to represent them in a petition to postpone the launch.

Legislation requiring NASA to develop alternative power supplies for deep space exploration is now pending in Congress. The Hawaii legislature recently voted to prohibit the launch of plutonium from state territory, which is slated for a new NASA space center.

An enhanced version of Galileo's plutonium generator, the "super RTG," was the first casualty of the Galileo battle. A pet project of the Department of Energy, the super reactor is a progeny of the Star Wars program. The program was dropped from the 1990 energy budget submitted to Congress.

After the Galileo launch, Rep. George Hochbrueckner, a New York Democrat who sits on the NASA oversight committee, openly questioned NASA's refusal to consider alternative power supplies. "NASA has been telling us over and over again that there is no alternative to plutonium—now this," he said, responding to a published report that solar energy could be used to power deep space missions. "Why did we have to undertake the tremendous risk with plutonium in light of these reports? We took a big risk with Galileo and we happened to be lucky. Now we have to make sure we don't undergo an unnecessary risk again with future probes."

"The Institute's opposition to the Galileo launch was controversial with those of our supporters who believe in the exploration of space," Sinkin said after the mission lifted off. "The fact is that many of us strongly support humanity's venture into space. But our time-tested opposition to the terrible risks of radiation leakage

compel us to oppose unsafe power supplies that put human life and the environment at risk."

The Institute's first case, *Silkwood v. Kerr-McGee*, proved in Federal court that a major nuclear corporation was responsible for the fatal contamination of union activist Karen Silkwood with plutonium. The Institute's pretrial investigation showed that even minute quantities of this substance can kill.

Since the Galileo mission was launched, a series of failures and reports of mismanagement have further eroded NASA's credibility. These include flaws in the Hubble telescope which have ruined the mission, leaks in shuttle fuel lines that grounded the entire fleet for several weeks, and a threat to a new generation of NASA weather satellites caused by the last-minute discovery that solar heat would warp mirrors installed on the craft.

A national commission of inquiry is now investigating these failures. □

IN MEMORIAM:

William E. McInnis, 1936-1990

By LANNY SINKIN

In the early stages of the Galileo Project, I was contacted by William McInnis, a former senior staff engineer and assistant to the chief engineer at NASA. He told me of his resignation from NASA in 1984 after 22 years of civil service and of his recent efforts to blow the whistle on NASA practices he considered unsafe and life-threatening.

Having served for two years as manager of risk assessment for NASA, Bill was closely familiar with the details of the mission. He concluded that placing 50 pounds of plutonium aboard the shuttle was an unacceptable risk, particularly in light of NASA's failure to correct known defects in the shuttle technology.

In September 1989, Bill moved to Washington to act as a consultant to the Christic Institute on our Galileo litigation. Often writing and researching throughout the night, he produced affidavits which contained powerful critiques of the shuttle program.

A man of great personal and professional integrity, Bill worked ceaselessly to reform the space program and to protect the planet from disaster. For his efforts, he was blacklisted by NASA and derided as a trouble maker and a boat rocker by many of his former colleagues in the Government.

The October launch of the Galileo mission was extremely demoralizing to Bill. He had lost almost everything—including his career and many friendships—because he refused to keep silent on Government negligence. On June 11, 1990, he took his own life. For those who practice prayer, we ask that you offer a prayer for Bill to rest in peace.

A particularly appropriate memorial to Bill would be a letter to your representatives in Congress demanding an end to the use of plutonium in space. This action will advance the work to which Bill was so selflessly dedicated. □

New trial for Oliver North?

Appeal court reversal could open door for new charges

By **DANIEL SHEEHAN** and **LANNY SINKIN**

In what is popularly known in Washington as the "never-ending scandal," the Iran-*contra* affair continues to bedevil our constitutional system.

In the latest chapter, a divided appellate court overturned the convictions of Oliver North and sent the case back to Judge Gerhard Gesell, a move which should lead to a new trial.

A key element in the appellate court decision was whether testimony given by North before the joint congressional committees was used by the prosecution in securing the convictions. Because North testified under a grant of immunity from the Congress, use of his immunized testimony to convict him later would violate his constitutional rights under the Fifth Amendment.

The decision by the joint congressional Iran-*contra* committee to give North immunity forced the Special Prosecutor to demonstrate in the trial that the jury, his staff and the witnesses involved in the North trial had not been influenced by, or even exposed to, the immunized testimony.

While Judge Gesell did conduct extensive inquiry during the trial into the immunity issue, the two-judge majority of the appellate court ruled that a full hearing had to be convened to determine the role North's immunized testimony played in the trial. The appellate judges said that such an inquiry might have to "proceed line-by-line and item-by-item" through every witness testifying in the trial, a process that could take months.

In response to the ruling overturning the North convictions, Independent Counsel Walsh stated: "Everyone familiar with these proceedings has recognized the difficulties presented by the grant of immunity by Congress."

The roots of the decision to vacate the convictions are found in the congressional decision to grant immunity to North in the first place.

At the time of Watergate, certain lower level players were granted immunity and not prosecuted. Top officials responsible for Watergate, however, were not granted immunity and faced criminal prosecution without the obstacle of immunized testimony.

At the time of the Iran-*contra* hearings, Prosecutor Walsh warned congressional leaders that granting immunity to major participants "would create serious—and perhaps insurmountable—barriers to the prosecution of the immunized witnesses."

Ignored warnings

The Republican and Democratic leaders of the investigation—particularly Senators Warren Rudman and Daniel Inouye—expressly ignored these warnings, declaring that immunity was necessary to make public the entire truth about the Iran-*contra* affair without waiting for a trial.

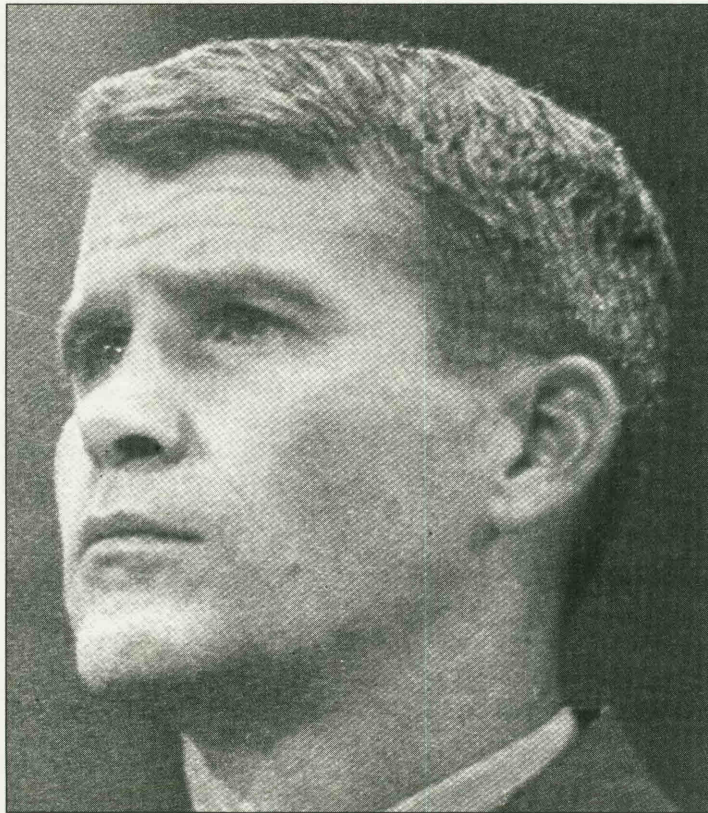
They proceeded to grant immunity to two of the highest placed participants in the scandal—North and Poindexter.

We now know, however, that the joint committee had no real intention of revealing the whole truth. A story by Seymour Hersh in the April 29, 1990 *New York Times Magazine* reveals that the Iran-*contra* committee leaders—such as Rudman, Inouye, and chief staff counsel Arthur Liman—intentionally limited their inquiry to avoid evidence that might lead to impeachment of then-President Reagan. This secret decision meant concealing evidence clearly pointing towards a Presidential failure to see to it that the laws of this country were fully and faithfully enforced.

By protecting the Reagan-Bush leadership against impeachment and

granting immunity to high-ranking Administration officials directly involved in the Iran-*contra* scandal, the process was rigged to avoid anyone being held accountable. As Pamela Naughton, a member of the House committee staff investigating Iran-*contra*, told Hersh, "Once you decide the obvious target is not the target, and you give everyone else immunity, who's left to investigate?"

Special Prosecutor Walsh would now be justified in investigating the possibility that testimonial immunity was in fact granted as part of an overall plan to prevent effective prosecutions and impeachments—a possible obstruction of justice by members of the Iran-*contra* committee.



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NORTH

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Such an inquiry is further warranted by evidence in the newly-released pages of North's diary documenting that Congressman Bill McCollum of Florida and Henry Hyde of Illinois, both members of the Iran- *contra* committee, met with Oliver North and Robert McFarlane on March 4, 1985, to formulate the illegal plan to provide third country aid to the contras.

North's notes of a June 25, 1984, meeting in the White House revealed that then-Chief of Staff James Baker considered such a clear attempt to circumvent the Boland Amendment as an impeachable offense. Reagan himself ordered third country aid kept secret because, if the story came out, "we'll all be hanging by our thumbs in front of the White House."

Congressional aide participated in operation

From the Christic Institute's own investigation, we know that Congressman McCollum's aide, Vaughn Forrest, participated directly in the illegal *contra* resupply operation, at times conducting meetings on this operation in Congressman McCollum's office.

The involvement of Congressman McCollum and his aide directly in the Iran- *contra* affair and McCollum's subsequent participation in the joint congressional investigation of this affair raise serious questions of both conflict of interest and possible obstruction of justice.

If North is given a second trial, the Special Prosecutor could be far more aggressive in delving into the evidence now available and thereby overcome the secret agreements and conflicting interests that prevented the Iran-*contra* committee from revealing the truth. In a new trial, the prosecution would also have the chance to make use of the North notebooks, which were surrendered to the prosecution in the first trial only three days before the Special Prosecutor began his examination of North on the witness stand.

The Special Prosecutor might also pursue entirely new charges against North based on such evidence, including charges related to the narcotics smuggling operation that took place within the *contra* operation. The North notebooks contain numerous references to this trafficking operation but make clear that North did nothing to stop the operation.

If he so chooses, the Special Prosecutor can finally begin the process of really bringing the truth to the people of this country, so we and our elected representative can begin to conduct the house cleaning necessary to put the Iran-*contra* scandal to rest once and for all. □

INTERPOL AND HULL

■ *Continued from page 4*

The target of the bombing was a renegade *contra* commander, Eden Pastora, who refused to merge his forces with a larger *contra* army controlled by the C.I.A. Sworn depositions taken by Institute investigators show that Hull and Owen met with *contra* chairman Adolfo Calero to plan Pastora's assassination.

Pastora survived the La Penca bombing.

The 11th Circuit Court of Appeals in Atlanta is expected to rule early next year on the Institute's appeal to reinstate *Avirgan v. Hull*. The case was dismissed in 1988 by a Federal judge in Miami who said there was no evidence of Hull's role in the bombing.

"With the official findings of the Costa Rican prosecutors and the murder indictments against Hull and Vidal, the Institute now has a stronger case than ever against Hull and his enterprise," says Christic Institute Executive Director Sara Nelson. "Reinstatement of our lawsuit next year will make it impossible for the Administration and Congress to close the books on the international terrorism and drug trafficking practiced by covert operators."

The appeals court will examine the findings of the Costa Rican prosecutor before reaching a decision. □

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