

# Statement of CIA Inspector General to The House Committee On Intelligence - March 16, 1998

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Prepared Statement of Frederick P. Hitz Inspector General, Central Intelligence Agency Before The House Committee On Intelligence

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Subject - Investigation of Allegations of Connections Between CIA and the Contras in Drug Trafficking to the United States

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## VOLUME I: THE CALIFORNIA

Chairman Goss, Congressman Dicks, Congressman Dixon and members of the Committee and Congress, thank you very much for affording me the opportunity to appear before you to discuss the progress of our investigation.

When I appeared before the Senate Select Committee on Intelligence in open session on October 23, 1996, I reported that, at the request of then-Director of Central Intelligence John Deutch on September 3, 1996, I immediately initiated an inquiry into allegations that stemmed from a three-part series called "Dark Alliance" that was published in the San Jose Mercury News in August 1996. That series discussed the drug trafficking activities of several individuals who had been implicated in cocaine trafficking in California. As you know, the series also suggested that the Nicaraguan Contras--described as "CIA's Army"--benefited from the drug trafficking activities of Ricky Ross, Danilo Blandon, Norwin Meneses, and others, and that these activities were responsible for the emergence of crack cocaine in South Central Los Angeles and elsewhere in America. The series also intimated that CIA may have been involved in drug trafficking--or at least had knowledge of those activities and may have given its approval for them.

On October 23, 1996, I promised Congress and the American people to have my office "conduct as thorough a review as possible of all available information (and) report what we find candidly and completely." I am pleased to be able to come before this committee today and say that we have done that.

On December 17, 1997, we published our classified Report of Investigation Volume I--called "The California Story"--that specifically focused on CIA knowledge of, and actions taken regarding, the individuals and events that were the focus of the Mercury News series. A little over a month later--on January 29, 1998--we released this report in an unclassified version following a classification review by the Agency.

I believe those of you on the Committee who have read the classified version of volume I and have had the opportunity to "compare it with the unclassified version will agree that the information about this matter that is now publicly available does not differ in any significant way from- that presented in the classified report, Our purpose is to provide the American public with the relevant facts without compromising information relating to the national security that the DCI is--by law--bound to protect.

Our report presents an exhaustive array of facts and allows me to reiterate what I said before the Senate Select Committee on Intelligence in 1996: "(W)e will present the unvarnished truth as we find it and will do so to the best of our abilities."

Today, I can say that we have done that. We reviewed an estimated 250,000 pages of documents and used the information gleaned from these documents to conduct over 365 interviews of persons on four continents. These interviews included current and former Directors and Deputy Directors of Central Intelligence, current and former senior Agency staff personnel, secretaries, communicators, logistics personnel, operations officers, attorneys, present and former CIA assets, contractors, law enforcement personnel, former Contra leaders, convicted drug traffickers, and others. Our investigative team went to great lengths to obtain relevant documents. We sent officers to the National Archives to review records compiled by the office of Independent Counsel for Iran-Contra Matters. We examined CIA's own Iran-Contra records that comprised about 300 linear feet of Agency and other Executive Branch documents. We worked directly with DEA, FBI, and the Department of Justice IG to obtain relevant information from the files of those organizations. We reviewed reporting from other intelligence community agencies--including NSA and DIA--that had been shared with CIA. We contacted DoJ's National Drug Intelligence Center and DEA's El Paso Intelligence Center to seek further information. We reviewed available Congressional records, including relevant information compiled by the Kerry Committee and the intelligence oversight committees and spoke with individuals associated with the Joint Iran-Contra Investigating Committee and Office of Independent Counsel for Iran-Contra matters.

It is important to note that our investigation was not intended to prove or disprove allegations of drug trafficking by specific individuals or organizations. Rather, our 17-person team worked some eighteen months to identify:- Any information in CIA's possession relating to Danilo Blandon, Norwin Meneses, or Ricky Ross;

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

- Any contacts between CIA and law enforcement authorities regarding that information. I believe our investigation is the most comprehensive and exhaustive ever conducted by the CIA/OIG and that the Report of Investigation reflects accurately what was found by our team. Having said that, one may ask if it is possible there is some relevant document we did not find or some relevant person we did not interview that would alter our conclusions. As for the documents, the answer to that is, "Yes, it is possible, but I do not believe it is likely." As for individuals, the Report explains that six former CIA employees and a former DEA agent refused our request to be interviewed. We had no power to compel them to do so... Given the effort I have described, however, I do not believe it is likely that any significant information that would have substantially altered the conclusions of this Volume has escaped our attention. Now let me turn to the Findings of Volume I. Before I go any further, I want to make clear that we found absolutely no evidence to indicate that CIA as an organization or its employees were involved in any conspiracy to bring drugs into the United States. The first half of volume I discussed CIA knowledge of the activities of Ross, Blandon and Meneses. Ross, Blandon and Meneses are convicted drug dealers. Our investigation found no information to indicate that any past or present employee of CIA, or anyone else acting on behalf of CIA, had any dealings with Ross, Blandon or Meneses, or had any knowledge of their drug trafficking activities. Ross was a drug dealer who, by his own admission, says his sole motivation was to derive personal financial gain from the illegal trafficking of drugs. During the 1980's, Ross was a major cocaine and crack trafficker who...says he made millions in the drug trade. His activities helped to foster the crack epidemic that erupted in South Central Los Angeles. However, Ross told us that he never sold drugs for the Contras or donated any money to the Contras. CIA never had any relationship with Ross.

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

Blandon and Meneses each claimed to have provided between \$3,000 and \$40,000 worth of support to the Contras, although we found no information to substantiate these claims. Blandon claims that portions of his contributions were from the proceeds of his narcotics trafficking. Blandon states that he gave the impression when donating money that it was derived from his legitimate business activities, while Meneses claims his contributions were from the proceeds of legitimate business activities. Our investigation found that Blandon had a personal relationship with Contra leader Eden Pastora, and that he provided Pastora with assistance in the form of rent-free housing in Costa Rica and two used vehicles for personal transportation. Much of this assistance was provided to Pastora after he left the Contra movement. Blandon also claims Pastora was not aware he was engaged in drug trafficking. Pastora confirmed this when he testified before the SSCI in November 1996.

Blandon also says he met Contra leader Enrique Bermudez on four occasions from 1981 to 1983. Blandon states that one meeting occurred in Honduras in 1982 while he and Meneses were traveling to Bolivia to conduct a drug deal. Blandon says that Bermudez told them that the Contras were having trouble raising funds and asked that he and Meneses help, stating that "the ends justify the means." Blandon adds that it is his belief Bermudez did not know that he and Meneses were engaged in drug trafficking, but was aware of Meneses' alleged Nicaraguan organized crime connections. This investigation found no further information on this subject.

Unfortunately, we could not obtain information from Bermudez since he was murdered in Managua in 1991. No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, conviction, or sentencing of Ross, Blandon or Meneses. Additionally, Ronald J. Lister or David Scott Weekly--who were mentioned in the media in connection with Blandon--had no relationship with CIA or its employees. Lister, a former police officer, trafficked in drugs for personal benefit and admits 'that people may have received the false impression that he was connected with CIA and that he may have fostered such misconceptions because it benefited his private security business.

Our investigation also found no information to connect Weekly to the drug trafficking activities' of Ross, Blandon, Meneses, or Lister. The second half of our Volume I--The Northern California Story-- pertains to a case in San Francisco often referred to as "The Frogman Case." The case got its name when law enforcement authorities in San Francisco arrested several swimmers who had come ashore from a Colombian freighter on January 17, 1983. At the time of their arrest, the swimmers had with them some 430 pounds of cocaine. In all, some 12 arrests were made on January 17 and more followed soon thereafter-- including the arrests of two Nicaraguans: Julio Zavala and Carlos Cabezas. Unlike the events relating to Ross, Blandon or Meneses, this was a case where the CIA became involved because it mistakenly thought it had an interest to protect.

CIA first learned of The Frogman Case in late July 1984--about a year- and-a-half after Zavala's arrest. At that time, CIA was informed that two representatives of the U.S. Attorney's office in San Francisco-- which was prosecuting Zavala--planned to attend depositions in Costa Rica from two members of Contra organizations who had provided Zavala with letters that claimed that some \$36,000 that the authorities had seized from Zavala at the time of his arrest belonged to the Contras.

CIA officials mistakenly identified one of the Contra members as a former CIA asset, and there was a concern that the depositions might expose a Contra support group in which CIA had an operational interest.

No information was found to indicate that the two Contra officials who wrote the letters supporting Zavala or the organizations with which they were affiliated were involved in drug trafficking. Moreover, the principal author of the letters reportedly was later expelled from the Contra group when its leadership learned he had written the letter in support of Zavala's claim and he could not satisfactorily explain the basis for his actions.

in any event, an attorney from the CIA's Office of General Counsel met with the responsible prosecutor and possibly other representatives from the U.S. Attorney's Office. Prior to the CIA attorney's meeting with the prosecutor, the prosecutor had discussed with one of Zavala's attorneys the possibility of returning the money to Zavala rather than expending the time and money necessary to travel to Costa Rica in connection with the depositions.

That said, accounts differ as to why the money was returned to Zavala. The AUSA who the U.S. Attorney at the prosecuted Zavala, time--Joseph Russoniello, and others involved in the prosecution state that the decision to return the money to Zavala was not based on any CIA representations, but on their own judgment as to whether it was worth the time and expense to go to Costa Rica for the depositions. However, we found a CIA cable that was written soon after the CIA attorney had met with the responsible prosecutor. The cable indicated the money was returned to Zavala at CIA's request. Unfortunately, the CIA attorney cannot recall the facts of the case or the meeting in question.

In summary, the key points I would emphasize with regard to the Frogman Case are that:

- Whatever impact the CIA attorney may have ultimately had on the decision of the U.S. Attorney's office to return the money to Zavala, we have found no evidence to indicate the return of the money weakened the prosecution's case against Zavala. Zavala was convicted and sent to prison.
- Carlos Cabezas, who was also arrested and convicted in connection with The claims he was a part of Frogman Case, a network that sold cocaine for the Contras. We found no information to support his claim.
- We found no information, as stated in the Mercury News series, to connect Meneses with The Frogman Case.

Meneses says he was never part of the Zavala organization. Zavala and Cabezas confirm this assertion.

We will soon be issuing Volume II of our report. Whereas Volume I focused on drug traffickers in California, Volume II will closely examine any other linkages between CIA, drug trafficking, the Contra program, and Contra leaders and organizations.

In volume II, we will set the background by describing what, at the time, were CIA's legal and regulatory responsibilities, policies and guidelines governing dealings with people and organizations that were subject to drug trafficking allegations. We will also explain the intelligence collection requirements that existed at the time concerning drug trafficking. However, the bulk of Volume II--and it is bulky, approaching 600 pages--will be devoted to a detailed treatment of what was known to CIA regarding dozens of people and a number of companies connected in some fashion to the Contra program or the Contra movement that were the subject of any sort of drug trafficking allegations. Each is closely examined in terms of their relationship with CIA, the drug trafficking activity that was alleged, the actions CIA took in response to the allegations, and the extent of information concerning the allegations that was Shared with U.S. law enforcement and Congress.

AS I said earlier, we have found no evidence in the course of this lengthy investigation of any conspiracy by CIA or its employees to bring drugs into the United States. However, during the Contra era, CIA worked with a variety of people to support the Contra program. These included CIA assets, pilots who ferried supplies to the Contras, as well as Contra officials and others. Let me be frank about what we are

finding. There are instances where CIA did not, in an expeditious or consistent fashion, cut off relationships with individuals supporting the Contra program who were alleged to have engaged in drug trafficking activity or take action to resolve the allegations. Volume II will be delivered to the Director of Central Intelligence and the intelligence oversight committees as a classified report near the end of this month. To the extent possible, we and the Agency are committed to producing an unclassified version of Volume II as well, although the time required for that effort is uncertain.

In closing, I urge the American public to read Volume I which is available on the Internet at [www.odci.gov/cia](http://www.odci.gov/cia). That Report includes a great deal of information and quotes many documents. Those who read it will then see the full weight of our effort and be in a position to judge for themselves.

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