

Dug

March 1972

Heroin traffic:

Some amazing
coincidences linking
the CIA, the Mafia,
Air America,
several
members of
the Brook Club,
Chiang
Kai-Shek,
the Kuomintang,
Prince Puchartra
of Thailand,
many banks and
insurance companies
— practically
everyone except
Richard Nixon.

Wasn't he asked?

by Peter Dale Scott

Professor Samuel Eliot Morison has written how in 1903 Theodore Roosevelt, "in the face of international law and morality" secretly ordered the US Navy to support the "revolutionary" secession of Panama from Colombia. The secession, which led swiftly to the Canal Zone treaty, is described by him as a plan by "Panama businessmen, agents of the French company [which stood to gain \$40 million in compensation under the treaty] and United States army officers."¹ He neglects to add that the "agents" of the French Panama Canal Company were New York investment bankers J. & W. Seligman and their Washington lobbyist Buneau-Varilla, who organized and financed the "revolution" out of a suite in the Waldorf-Astoria.

In some ways, the Panama exercise in "big stick" partition is an instructive precedent for the post-war US involvement in Indochina.² Legally, the picture appears to be different today; for many of the bankers' activities in preparing for revolution and war would today be outlawed, under sections 956-60 of the US Criminal Code. In theory, at least, responsibility for this kind of defense of American "interests" is now a monopoly of the CIA. But in fact, the CIA still maintains close contact with J. & W. Seligman and similar Wall Street institutions.

These contacts have been powerful; it was pressure from Wall Street which succeeded in pushing the infant CIA into its first covert operations. President Truman, who created the CIA in 1948, has since declared his unhappiness at the deflection of the CIA from its intelligence function: "I never had any thought . . . when I set up the CIA that it would be injected into peacetime cloak-and-dagger operations."³ His intentions, however, counted for less than those of Allen Dulles, then a New York corporation lawyer and President of the Council on Foreign Relations. The Administration became concerned that the Communists might shortly win the Italian elections:

Forrestal felt that a secret counteraction was vital, but his initial assessment was that the Italian operation would have to be private. The wealthy industrialists in Milan were hesitant to provide the money, fearing reprisals if the Communists won, and so that hat was passed at the Brook Club in New York. But Allen Dulles felt the problem could not be handled effectively in private hands. He urged strongly that the government establish a covert organization with unvouchered funds, the decision was made to create it under the National Security Council.⁴

In short, the Defense Secretary for the operation against the Communist rebels in the Philippines should be private, but a private corporation lawyer determined it should be public. By this arrangement, presumably, the men in the Brook Club even got their money back out of the hat; since then the funds—unvouchered—have come from us, the public taxpayers.

Truman's lack of sympathy for the way the CIA was being "diverted" into covert operations did not result in any measures to curb the control of the CIA by Wall Street Republicans. On the contrary, as the CIA began to burgeon under Bedell Smith, *all seven* persons who are known to have served as Deputy Directors of the CIA



Harry S. Truman

under Smith and Truman came from New York legal and financial circles.⁵ These men used their corporate experience and connections to set up a number of dummy private enterprises, as "proprietaries" or wholly-owned fronts for the CIA, particularly for Far Eastern operations. The capital came from government sources, but profits, if any, are said to have been retained by the "companies" themselves.

Thus William Ray Peers (an Office of Secret Services hand from Burma and China, later the Army Chief of Staff's Special Assistant for Special Warfare Activities) headed up Western Enterprises, Inc., in Taiwan, a cover for the launching of Kuomintang—Nationalist Chinese—commando raids from the

against the Communist rebels in the Philippines. Bird (OSS, China) headed a Bangkok "trading company" called Sea Supply, Inc., which supplied arms and other supplies to the Kuomintang troops of General Li Mi in Burma,⁷ and later trained the Thai border police under Thai Interior Minister Phao Sriyanon.⁸

But by far the largest CIA proprietary in Asia was Civil Air Transport—CAT Inc.—chartered in 1950 and known since 1959 as Air America. In 1961, General Edward Lansdale wrote a memorandum to Maxwell Taylor on unconventional warfare, published as part of the Pentagon Papers, confirming Air America's link with the CIA:

CAT. Civil Air Transport (Chinese Nationalist)

CAT is a commercial airline engaged in scheduled and non-scheduled air operations throughout the Far East, with headquarters and large maintenance facilities located in Taiwan. CAT, a CIA proprietary, provides air logistical support under commercial cover to most CIA and other US Government agencies' requirements. . . . During the past ten years, it has had some notable achievements, including support of the Chinese Nationalist withdrawal from the mainland, air drop support to the French at Dien Bien Phu, complete logistical and tactical air support for the [1958] Indonesian operation, airlifts of refugees from North Vietnam, more than 200 overflights of Mainland China and Tibet, and extensive support in Laos during the current [1961] crisis.⁹

General Lansdale erred, however, in failing to distinguish between the Taiwan commercial airline CAT Co., Ltd. (alias Civil Air Transport, or CATCL), and the American operating firm CAT, Inc., the CIA proprietary which supplied CATCL with pilots and other personnel. Sixty percent of the capital and control of CATCL was Chinese Nationalist, represented by officers of the former Kin-cheng Bank in Shanghai, who allegedly fronted for T. V. Soong, the brother of Madame Chiang Kai-shek.¹⁰ Soong is one of the most important figures in this history.

CATCL had been set up by General Chennault in 1946. Chennault's partner in CAT was Whiting Willauer, a US "economic intelligence" officer who during World War II supplied the Flying Tigers as an officer of China Defense Supplies under T. V. Soong. CAT's treasurer in the 1940's was James J. Brennan, who after the war served as T. V. Soong's personal secretary in China. And the lawyer for CAT, as for the Flying Tigers, was Tommy Corcoran, who after the war was rumored to be handling T. V. Soong's multi-million dollar investments in the United States.¹¹

In the late 1940's, CAT flew military support missions for the Kuomintang against the Communists, while Chennault lobbied openly from a Washington office against the more cautious China policy of the Truman-Acheson State Department. In November, 1949, Chennault, after a similar visit by Chiang, flew to Syngman Rhee in Korea, "to give him a plan for the Korean military air force"; even though at this time it was still US official policy to deny Rhee planes, to discourage him from invading North Korea.¹² In December, 1949, *Time* later claimed, Dean Acheson told one of its correspond-

Chinese Nationalists"; while in January, 1949, George Kennan predicted that "by next year at this time we will have recognized the Chinese Communists."¹³

All such thoughts were frustrated by the sudden outbreak of the Korean War in June, 1950—an event still imperfectly understood, but which may have been anticipated by certain Kuomintang speculators; who, because of the war, "cleared an estimated profit of about \$30,000,000" in soybeans.¹⁴

Shortly after the outbreak of the Korean War, the CIA proprietary, CAT Inc., was chartered in Delaware. The American CAT promptly supplied planes, pilots and US airlift contracts to the Taiwan's CATCL, which in this period was the sole flag air carrier of Chiang's new Republic.¹⁵ While Tommy Corcoran continued to represent Soong, Chennault, and CATCL, the aviation law firm of Pogue and Neal handled the incorporation of CAT Inc. During this period of formation, a vice-president of the National City Bank of New York, Walter Reid Wolf, was recruited briefly as a CIA Deputy Director from 1951 to 1953; soon afterwards, two of Wolf's fellow-directors in the small Empire City Savings Bank, Samuel Sloan Walker and Arthur B. Richardson, were named to the board of CAT, Inc. At the same time, Desmond Fitzgerald entered the CIA. He was a cousin of Walker's and a close business associate of Wolf's and, like them, a member of New York's 400-member Brook Club, "perhaps clubdom's richest from the point of view of inherited wealth."¹⁶ Other Brook Club members included three directors of CAT, Inc., two directors of Pan Am, and Chiang Kai-shek's promoters Walter S. Robertson, who for six years was Eisenhower's Assistant Secretary of State for Far Eastern Affairs, and journalist Joe Alsop.

In this pyramid, the CIA's official control over CATCL was remote and unreliable. While it owned 100 percent of CAT, Inc., and of CAT's Asian subsidiary, the CIA only owned 40 percent of CATCL, and thus could hardly be called to account when (as frequently occurred) CAT planes flew in support of operations conforming to Taiwan and Kuomintang foreign policy, but at odds with the official foreign policy of the United States. Even the CIA's control over the Airdale/Pacific Corp., which is said to clear profits in the order of \$10 million a year, is open to question: it is possible that the proprietary relationship is as useful in supplying an "official" cover for private profit as it is in supplying a "private" cover for the CIA.¹⁷

Air America itself has a private stake in Southeast Asia's burgeoning oil economy, for it

Flies prospectors looking for copper and geologists searching for oil in Indonesia, and provides pilots for commercial airlines such as Air Vietnam and Thai Airways and for China Airlines [Taiwan's new Chinese-owned flag airline which since 1968 has taken over CAT's passenger services.]¹⁸

Much larger has been the economic stake of the financial interests represented on the boards of Pacific Corp. and CAT Inc. over the years (such as Dillon Read, represented by William A. Rust, Jr., and the Rockefellers represented by Laurance Rockefeller's employee Harper Woodward.)

Perhaps the most obvious stake has been that of Pan Am (on whose board sit Robert Lehman of Lehman Brothers and James Sterling Rockefeller of the National City Bank). Like the National City Bank itself, and the larger Bank of America which in the early post-war period was still allied with it,¹⁹ so also Pan Am was particularly oriented towards development of a "Pacific rim community," as opposed to an "Atlantic community." It has been shown that Pan Am's staggering profits in the 1960's were built on its early monopoly of commercial air service to Thailand and Indo-China. Pan Am's Indo-China service was opened, with the assistance of the US Government "in the national interest," on May 22nd,



Walter Spencer Robertson

1953, 17 days after CAT, using planes and pilots "loaned" by the USAF, began its military airlift to Dien Bien Phu.

The inauguration of CAT's airlift to Laos in September 1959, which has continued with little interruption ever since, was likewise a godsend to Pan Am and the other big US airlines, at a time when they were suffering badly. Laos generated a need for additional military airlift which, after considerable lobbying and threats of quitting international service, was awarded by contract to the commercial carriers.²⁰ Thanks to its Pacific operations, Pan Am saw its charter revenues soar almost 300 percent in four years, and showed a profit in 1961 for the first time since 1956, even though its Atlantic service continued to operate at a loss.²¹

One can note with some cynicism that at the heart of the so-called China Lobby in Congress in the early 1950's was to be found the heart of the Pan Am lobby. Senator Pat McCarran of Nevada, who chaired the Congressional inquiry into Owen Lattimore and the Institute of Pacific Relations, had first achieved fame as author of the 1938 Civil Aeronautics Act, and later as an oil lobbyist. In his heyday as a China Lobbyist, McCarran was also known as "the gamblers' senator"; and is said to have held court at the Riverside Hotel in Reno, making deals with Syndicate men to obtain casino licenses despite the law.²² Nevertheless, one cannot call lobbying a *conspiracy*, any more than one can discern anything illegal in the fact that Air America's top operating personnel were also recruited from Pan Am.²³ But when one looks beyond the Washington offices of Air America to the Asian field operations of CAT, with its 60 percent Chinese Nationalist control, the possibility of Kuomintang-criminal connections and activity demands to be explored.

The most questionable of CAT's activities was its sustained supply of arms and other supplies to Kuomintang (KMT) General Li Mi and his successors in Burma and North Thailand, between 1949 and 1961. Li Mi is probably the only major opium-dealer in the world to have been honored with the US Legion of Merit and Medal of Freedom; his 93rd Division began collecting opium from the Meos of northern Laos as early as 1946.²⁴ Faced with a public scandal after Burma complained about these foreign intruders on its soil, the US hired CAT Inc. to fly them out in 1954. Nevertheless, the bulk of the troops refused to move, and CATCL continued to supply them, possibly using some of the very

same planes chartered for the opium repatriation. According to an informed source, "the CIA saw these troops as a thorn in Mao's side and continued to supply them with arms and money," even though they had "decided to settle down and become rich by growing opium."²⁵

The decision to finance and supply the remnants of Li Mi's troops had grave consequences for the world opium and heroin traffic, and also for that part of it handled by the so-called National Crime Syndicate in the United States. The new right-wing Thai Government of Phibum Songgram, having seized power in a 1948 coup (over the issue of controlling the local Chinese),²⁶ legalized the sale of opium and established an official Thai Government Opium Monopoly, on September 17, 1949. This happened just as the Chinese Communists were expelling the last of the KMT-linked warlords who had supplied the Far East and America with opium before World War II. Shortly thereafter, prepared opium in the containers of the Thai Government Monopoly was seized in a raid in Boston, Massachusetts, an event not noted in the US press but duly reported by the US Government to the United Nations Commission on Narcotic Drugs.²⁷ Throughout the 1950's, US Government representatives continued to notice quietly that Thailand was a source for the opium and heroin imported into the United States, though this relative candor waned in the 1960's with the escalation of the war in Vietnam.²⁸ They also reported the rapid increase in both opium-trading and opium-growing in northern Thailand, where the KMT troops were established; and noted that most of this opium was exported out of Thailand for illicit traffic abroad.²⁹

Up until about 1964, however, the United States also complained officially and ostentatiously to the UN Narcotics Commission about "Yunnan opium," brand "999" morphine, and heroin from "the Chinese mainland," as part of Peking's "twenty-year plan to finance political activities and spread addiction."³⁰ In 1958, for example, the US reported the smuggling into the United States of 154 pounds of heroin "from mainland China"; and in 1960 that "the principal sources of the diacetylmorphine [heroin] seized in the United States were Hong Kong, Mexico, and communist China."³¹ But other delegates and the Commission itself would complete this misleading picture: "Yunnan opium" was opium which came from anywhere in the "fertile triangle" (the Burma-Thai-Laos-Yunnan border area). The Hong Kong authorities "were not aware of a traffic in narcotics from the mainland of China through Hong Kong"; but "quantities of narcotics reached Hong Kong via Thailand."³² The bulk of "Yunnan opium," and the "999" morphine in particular, were in fact trafficked under the protection of the KMT troops in Burma and north Thailand supplied by CAT. In 1960, the UN Commission discreetly noted the presence in the Burmese sector of the "fertile triangle" of "remnants of KMT troops who were maintaining themselves largely on the profits of the opium trade. It was reported that they received their supplies periodically by air."³³

Why did CAT planes continue until 1961 to support the suppliers of heroin which was flooding, via Thailand and Hong Kong, into the United States? One reason was indeed the KMT. The KMT made "as a

Senator Pat McCarran





Madame Chiang Kai-shek

thorn in Mao's side," especially during the CIA/CAT-supported operation in Tibet from 1956-60, for which the CIA agent Tony Poe (later stationed in the Laotian opium center of Ban Houei Sai) trained Tibetan guerrillas in the mountains of Colorado.³⁴

But a second reason was political: to maintain contact with the elaborate fabric of Chinese secret societies or "Triads" throughout Southeast Asia. The profits and relationships of the opium trade, in other words, would help to preserve the pre-war Nationalist influence among the Chinese middle class of these countries, and thus challenge their allegiance to the new Chinese People's Republic. This question of Chinese allegiance was particularly acute in the early 1950's in Malaya, where the farming of the opium franchise among Chinese "Triads" had been resorted to by the British authorities since at least the 1870's.³⁵ Organized opium traffic, in other words, had become a well-established accommodation and control mechanism; and after World War II the opium was supplied by the "fertile triangle."³⁶

Although the British by and large resisted Triad-KMT offers to mobilize against the Chinese insurgency in Malaya, they also found it difficult to crack down on the opium and gambling activities of the Wa Kei secret society, "without disrupting the fabric" of the Wa Kei and leaving a vacuum for the Communists to fill.³⁷ Meanwhile the wealthy Chinese owners of tin-mines in the more exposed countryside found it expedient to subsidize a Wa Kei-Triad private army, "with strong KMT

backing" as a mobile armed force against the Communist is given credit for restoring security to the Malayan tin industry by 1954.³⁸

In Thailand, also, the farming of the opium franchise has been used by the government for over a century as a means of controlling the local Chinese population; and the enormous profits from the opium traffic have been a traditional source of corruption inside the Siamese Government.³⁹ In the 1950's, the Thai police Interior Minister General, after an initial phase of anti-Chinese administration, "showed every willingness to co-operate with Kuomintang Chinese in the campaign against Communism."⁴⁰ At the same time, his police, and in particular his border police, collaborated with Li Mi's KMT troops in Burma by officially "confiscating" their contraband opium in return for a reward to KMT "informers." (As early as 1950, a US Government representative noted cynical reports that it was profitable for the opium-trader to be seized and to share the reward with police).⁴¹

It seems indisputable that some elements in the KMT used opium as a means to organize and finance KMT links with and control over the important Chinese communities of Southeast Asia. This is not surprising: the KMT had relied on the Triads and gangs involved in the opium traffic as early as 1927, when Chiang Kai-shek, encouraged by foreign bankers, used the "Green Gang" of Tu Yuch-sheng to break the Communist insurrection in Shanghai.⁴²

After the remnants of the Shanghai "Green" and "Red Gangs" had relocated in Hong Kong, one finds increasing references in UN Reports to the narcotics trafficking of Triad societies in Hong Kong and indeed throughout the world. In 1963, for example, the US representative to the UN Narcotics Commission "observed that the problem of the Triad organizations (Chinese groups involved in the illicit traffic in the Far East and Europe) appeared to be significant in recent trafficking developments." Other delegates, confirming that "many heroin traffickers . . . had Triad backgrounds," noted the activities of Hong Kong Triad representatives in Germany, Spain, and Switzerland.⁴³

This world-wide network of Chinese secret societies in the opium traffic extended both before and after World War II to the Hip Sings, one of the Chinese tongs in the United States, and also to the Bing Kong and other American tongs. In the 1930's, the national president of the Hip Sings, Yee On Li, was convicted for a Mafia-linked narcotics operation involving the wife of Lucky Luciano's partner, Thomas Pennachio; Yee was also involved with "Hip Sing dope dealers in Chicago, San Francisco, Pittsburgh, New York, Cleveland, Dallas, and other important cities."⁴⁴ In January, 1959, a new generation of Hip Sing officials, including San Francisco president George W. Yee, were again indicted for narcotics smuggling. A US Government report on the indictments noted that the tong's activities possibly paralleled "the operations of the Triad societies in Hong Kong."⁴⁵

It has been claimed that profits from narcotics smuggling in the United States have been channeled into Chiang Kai-shek's lobby in the US Congress, thus helping to keep open the opium supply lines through Laos and

Thailand. In 1960, Ross Y. Koen, in his book, *The China Lobby in American Politics*, wrote that

There is . . . considerable evidence that a number of [Nationalist] Chinese officials engaged in the illegal smuggling of narcotics into the United States with the full knowledge and connivance of the Nationalist Chinese Government. The evidence indicates that several prominent Americans have participated in and profited from these transactions. It indicates further that the narcotics business has been an important factor in the activities and permutations of the China Lobby.⁴⁶

Professor Koen expressed the hope that his charges would lead to a fuller legal investigation; they led, instead, after a denial from Narcotics Commissioner Anslinger, to his book's being suppressed by the publisher. But Anslinger's denial, recently published, does not touch upon Mr. Koen's charge about the China Lobby:

I can give you an unqualified statement that this is manufactured out of the whole cloth: that there is no scintilla of evidence that any Chinese officials have engaged in illegal smuggling of narcotics into the United States *with the full knowledge and connivance of the Chinese Nationalist Government.*⁴⁷

And, without the italicized qualification, Mr. Anslinger's refutation is hard to believe. For Chiang's Consul General to San Francisco at the time of the Hip Sing arrests in the late 1930's, Huang Chao-chin, himself "narrowly escaped conviction . . . on charges of smuggling narcotics in the US."⁴⁸ Since 1952, Huang has been a member of the KMT Central Committee, and today he is Chairman of the First Commercial Bank of Taiwan.

The KMT's stake in the CAT airlift to its troops in the "fertile triangle" became obvious in 1961, when Fang Chih, a member of the KMT Central Supervisory Committee and Secretary-General of the Free China Relief Agency (FCRA), admitted responsibility for an unlisted CAT plane that had just been shot down over Thailand by the Burmese Air Force.⁴⁹ The Asian Peoples' Anti-Communist League (APACL), of which the FCRA at the same address was a member agency, was itself an organization through which the KMT maintained overt contact with right-wing political and financial interests in Europe and America, as well as with overseas Chinese communities.

The Chairman of the APACL's secret liaison group in America (in effect the heart of the American China Lobby) was in 1959 Charles Edison, yet another right-wing member of the Brook Club.⁵⁰ The APACL also wrote of its collaboration with psychological-warfare experts in the Department of Defense, and with the John Birch Society. The unpublicized visit to Laos of Fang Chih, in the weeks immediately preceding the phony Laos "invasion" of 1959, suggests that the narcotics traffic, as well as Pathet Lao activity, may have been a reason why CAT's planes inaugurated their flights in that year into the opium-growing Meo areas of Sam Neua province. This, in turn, may explain the extraordinary rumors, reported in the *Christian Science Monitor*, that the Laotian Air Force's "opium runs are made with CIA 'protection.'⁵¹

Is it too much to suggest that CAT's entry into Laos in 1959 had more to do with the non-existent "invasion" of Laos, reported by Brook Club member Joe Alsop, than with opium? The US Government itself, commenting on the nearby rebellion of the same year in the Shan states of Burma, called it "an instance of a rebellion precipitated by the opium traffic."⁵² The KMT-sponsored Shan rebellion followed a crack-down in the summer of 1959 by the Burmese Government, after Pai Che-jen and some 2,000 KMT troops had been driven from Sanskyin Mountain in Yunnan into Burma in 1958.⁵³

By March, 1959, according to Bernard Fall, "Some of the Nationalist guerrillas operating in the Shan states of neighboring Burma had crossed into Laotian territory and were being supplied by an airlift of 'unknown planes'."⁵⁴ Their old opium routes were being threatened to the south as well. In July, 1959, the Thai Government, in response to years of US Government pressure, ended its opium monopoly and announced it would clamp down on the narcotics traffic.⁵⁵ Shortly after this prohibition, heroin, in the place of the bulkier opium, "came to be regarded as the major problem" in Thailand.⁵⁶ By September, 1959, CAT had commenced charter airlift in Laos at the expense of the American taxpayer.

Meanwhile, in May and June of 1959, Fang Chih of the Asian Peoples' Anti-Communist League (APACL) visited KMT camps in Laos, Burma, and Thailand, as he did again in 1960. On August 18, 1959, five days before the arrival of the two CAT planes in Vientiane, and 12 days before the alleged "invasion," Ku Cheng-kang, who was President of the FCRA as well as of the Taiwan APACL, received in Taiwan the mysterious but influential Colonel Oudone Sananikone, a member of what was then the ruling Laotian family and nephew of the Laotian Premier Phoui Sananikone.⁵⁷ On August 26th, 1959, in Washington, Oudone's father, Ngon Sananikone, signed the US-Laos emergency aid agreement which would pay to charter the CAT planes, eight days after their arrival. This was only a few hours after Eisenhower had left for Europe on the same day, not having had time to study the aid request, for Ngon had only submitted it on August 25. On August 27, Col. Oudone Sananikone attended the founding in Taiwan of a Sino-Laotian friendship society, whose trustees included Ku Cheng-kang and Fang Chih.⁵⁸

Oudone Sananikone headed a "Laotian" paramilitary airline, Veha Akhat, which in those days serviced the opium-growing areas north of the Plaine des Jarres with Chinese Nationalist planes and personnel (CAT had not yet begun its operations to the Meos in this region, which offered such profitable opportunities for smuggling as a sideline for enterprising pilots.)⁵⁹ Colonel Oudone Sananikone also figured prominently in the secret three-way talks between officers of Laos, South Vietnam, and Taiwan, which preceded the Laotian coup and resulting crisis of April 19th, 1964, a coup which was reported two days in advance by Taiwan Radio.⁶⁰

Another major figure in the 1959 and 1964 Laotian plots was General Ouane Rathikoune, who flew with Joe Alsop to Sam Neua and showed him the staged evidence of the 1959 "invasion." General Ouane is said to have admitted in a recent interview that he was "the real boss" of opium operations in Laos.⁶¹

What is extraordinary, and quite possibly criminal under US law, is not the involvement in narcotics of the KMT, nor that of the Taiwan airline CATCL which it controls, but of Americans exercising the authority of the CIA.

The CIA as an agency, it is true, cannot be identified with the narcotics trade any more than can the whole of the Kuomintang. In 1955, for example, while the CIA was running its airlift to the opium trade in Thailand, General Lansdale in Vietnam used CIA funds to smash a pro-French organization, which controlled the dope and gambling activities of Saigon and its Chinese suburb, much as the Triads operated in Malaya.⁶² In 1971, Air America planes are reported to have taken part in the growing US crackdown on the narcotics traffic.

But while General Lansdale was cracking down on narcotics in Vietnam, William H. Bird, the CAT representative in Bangkok, is said to have co-ordinated CAT air-drops to Li MI's troops in the "fertile triangle." In 1960, after CAT began flying in Laos through "the great Laos fraud," his private engineering firm began the construction of short airstrips in Meo territory which were soon used for the collection of Laos opium, some of it destined to be manufactured into heroin in Marseilles, and forwarded to the National Crime Syndicate in the United States.⁶³ Soon Bird and Son had its own airline of 50 planes flying US contract airlift to the opium-growing tribesmen, and rumors soon arose that

Walter B. Smith



these planes, like Air America's in the same area, were not infrequently used for smuggling.⁶⁴

Willis Bird, William Bird's brother or cousin in Bangkok, headed the Bangkok office of a "trading company" called Sea Supply, Inc. As I noted earlier, Sea Supply first supplied arms to the KMT troops of General Li Mi, and later trained Phao Sriyanon's Thai border police who were also implicated in KMT opium-smuggling activities. Like William, Willis Bird also branched into the construction business on his own. In 1959, as Vice-President of the "Universal Construction Company," Bird was said by a Congressional committee investigating corruption in Laos to have bribed an ICA aid official in Vientiane.⁶⁵ In 1962, when President Kennedy was struggling to bring the CIA hawks in Thailand under control, his brother the Attorney General belatedly returned an indictment against Willis Bird, who has never returned to this country to stand trial.⁶⁶

What particularly concerns us is of course not the personal venality of a US construction official or of pilots dabbling in opium on the side, so much as the sustained support by CIA proprietaries of narcotics-smuggling activities which affected the continental United States. It is not at all clear that this policy had official sanction: Eisenhower seems to have been unaware of the airlift operations of Air America and Bird and Son in Laos, which were apparently only authorized by an elaborate conspiracy of deceit. By all accounts, the Kennedy Administration was exerting pressure to remove the "estimated 4,000 Chinese Nationalists" who "were reportedly operating in western Laos in 1961," having been "flown from Taiwan into bases in northern Thailand."⁶⁷ Even the Johnson Administration announced in February 1964 that it would withdraw Air America from Laos: this announcement came to naught after the organizer of CAT's American replacement, John Davidson of Seaboard World Services, was "accidentally" killed in a dubious and controversial explosion of a CAT plane.⁶⁸

How could the objectives of a US president be at odds with those of a CIA proprietary? The obvious stake of KMT interests in CATCL is a partial explanation, to which one can perhaps add the stake of private American interests as well. For it is a striking fact that the law firm of Tommy Corcoran, the Washington lawyer for CATCL and T. V. Soong, has had its own links to the interlocking worlds of the China Lobby and of organized crime. His partner, W. S. Youngman, joined the board of US Life and other domestic insurance companies, controlled by C. V. Starr (OSS, China) with the help of Philippine and other Asian capital. Youngman's fellow-directors of Starr's companies have included John S. Woodbridge of Pan Am, Francis F. Randolph of J. & W. Seligman, W. Palmer Dixon of Loeb Rhoades, Charles Edison of the post-war China Lobby, and Alfred B. Jones of the Nationalist Chinese Government's registered lobby, the Universal Trading Corporation. The McClellan Committee heard that in 1950 US Life (with Edison a director) and a much smaller company (Union Casualty of New York) were allotted a major Teamsters insurance contract, after a lower bid from a larger and safer company had been given, testifying under oath before another committee, of intervening on behalf of US Life and Union Casualty, whose agents were

Hoffa's close business associates Paul and Allan Dorfman.⁶⁹

Approved For Release 2005/08/22 : CIA-RDP74B00415R000400050054-0

The National City Bank itself had once leased its racetrack in Havana (and also, through a subsidiary, the Hotel Nacional de Cuba's casino) to Meyer Lansky of the Organized Crime Syndicate.⁷⁰ In 1950, Citibank's largest shareholder, Transamerica Corporation, was represented through James F. Cavagnaro, in the shadowy "World Commerce Corporation" organized by several OSS veterans. In 1950, the World Commerce Corporation was involved in dubious soybean operations⁷¹ while its subsidiary, Commerce International (China), sponsored the unauthorized Pawley-Cooke military assistance mission to Taiwan,⁷² and the illegal smuggling of airplanes from California to the government of Chiang Kai-shek.⁷³ Satiris "Sonny" Fassoulis, accused of passing bribes as the vice-president of Commerce International (China), was under indictment ten years later when he surfaced in the Syndicate-linked Guterman scandals.⁷⁴

A director of Air America through the years has been Robert Guestier Goelet of the City Investing Co., where his fellow-directors through the years have included Joseph Binns of the aforementioned US Life (Binns was involved in Bahamas and other land speculations with Meyer Lansky's business associate Lou Chesler),⁷⁵ and John W. Houser (an intelligence veteran from the Pacific who negotiated the lease of the Havana Hilton hotel casino to Cuban associates of the Syndicate).⁷⁶

We find the same network linking CIA proprietaries, war lobbies, and organized crime, when we turn our attention from CAT to the other identified supporter of activities, Sea Supply Inc. Sea Supply Inc. was organized in Miami, Florida, where its counsel, Paul L. E. Helliwell, doubled after 1951 as the counsel for C. V. Starr insurance interests, and also as His Thai Majesty's Consul in Miami. It would be hard to say whether Helliwell (the former OSS Chief of Special Intelligence in China) was more active in representing US or Thai government interests: in 1955 and 1956, for example, the Thai Consulate in Miami (operating out of Helliwell's office as secretary for the American Bankers' Insurance Company of Florida) passed over \$30,000 to its registered foreign lobbyist in Washington, Tommy Corcoran's law partner James Rowe. Inasmuch as Corcoran and Rowe were two of the closest personal advisers to Lyndon Baines Johnson, then the rapidly rising Senate Majority Leader, Helliwell's lobbying activities for the opium-dealing Government of Phibun and Phao Sriyanon may well have had a more powerful impact on US policy than his legal activities for the CIA.

Miami, of course, has been frequently identified as "a point where many of the more important United States and Canadian and even the French [narcotics] traffickers congregate."⁷⁷ American Bankers' Insurance, the company from whose office Helliwell doubled as Thai Consul General and counsel for Sea Supply, Inc., appears to have maintained its own marginal links with the institutions servicing the world of organized crime and narcotics.⁷⁸ The most striking interlock is that of its director, Jack L. King, who in 1964 was also a director of the Miami National Bank. The Miami National Bank was identified in 1969 as having served between 1963 and 1967 as a conduit through which

laundered" through the interlocking Exchange and Investment Bank in Geneva.⁷⁰ Lou Poller, King's fellow-director of the Miami National Bank and a director also of the Swiss Exchange and Investment Bank, was investigated by the McClellan committee about his use of Teamster capital to acquire the Miami National Bank, and subsequently indicted for perjury.⁸⁰

It is said that rich Thai and other Asian capitalists, as well as wealthy Syndicate gangsters such as "Trigger Mike" Coppola, have invested heavily in Florida's post-war land boom, through companies such as the General Development Corporation of Meyer Lansky's business associate Lou Chesler.⁸¹ Such business associations might help explain why, for example, Prince Puchatra of Thailand became the only royal representative at the 1966 opening of Caesar's Palace in Las Vegas, a hotel-casino said to be controlled by Jimmy Hoffa.⁸² The same associations, if they were exposed, might cast light on the unexplained 1968 business trip to Hong Kong and Southeast Asia of Santo Trafficante, an old Lansky associate named in narcotics investigations.⁸³ Trafficante had been preceded in 1965 by John Pullman, Meyer Lansky's courier to the Miami National Bank. In April, 1965, Pullman visited "the Peninsula Hotel in Hong Kong, where the syndicate had casinos and obtained much of its narcotics."⁸⁴

The apparent involvement of CIA proprietaries with foreign narcotics operations is paralleled by their apparent interlock with the domestic institutions involved with organized crime. The need to understand such involvements more fully may well become more urgent in the future, as the Indochina war is "Vietnamized" and handed over increasingly to CIA proprietaries such as Air America. For the thrust of this admittedly sketchy inquiry has been to suggest that, with the maturation of both capitalism and third-world nationalism, and with the outlawing of private war operations like those financed by the Seligmans in 1903, wealthy US interests (using the secret authorities delegated to the CIA) have resorted systematically to organized outlaws to pursue their operations.

It is true that the embarrassing links between Air America and CATCL have been diminished in the last five years. But the opium-based economy of Laos is still being protected by a coalition of opium-growing CIA mercenaries, Air America planes, and Thai troops.⁸⁵ The recent crackdown on Turkish opium production handled by Corsicans in France can, of course, only increase the importance of heroin deriving from (and refined in) the "fertile triangle," which is already estimated to supply possibly 25 percent of American heroin consumption.⁸⁶

Official US doubletalk about the domestic heroin problem, and the reluctance since about 1963 to recognize the "fertile triangle" as a source for it, is only one further symptom that the public sanctions of law and the constitution have yielded ground to private interests and the secret sanctions provided by the CIA. More specifically, the use of illegal narcotics networks to fight communism, resorted to by capitalists in Shanghai in 1927 and in Southeast Asia in the 1950's, seems without our knowledge to have been sanctioned inside the United

Approved For Release 2005/06/22 : CIA-RDP74B00415R000400050054-0