

Pentagon aide linked to drug ring



COVERT ACTION

Assistant Secretary of Defense Richard Armitage

By Jim Naureckas

TIME MAGAZINE RECENTLY DESCRIBED ASSISTANT Secretary of Defense Richard Armitage as "a man widely respected for his integrity and effectiveness," but he rarely appears in the news. He's not a household name, like Oliver North or Elliott Abrams. But he should be.

According to the Christic Institute, a public-interest law firm in Washington, Armitage is the last government representative of a decades-old secret network that trafficked in drugs, arms and assassination. The institute calls this group a "Secret Team" that used its members' powerful positions in the U.S. military and CIA to run a quasi-official terror network. Christic Institute researchers say Oliver North gave this group responsibility for rearming the contras after Congress banned government aid.

Most of the men accused of belonging to this Secret Team left government in recent years, especially after one of their associates, Edwin Wilson, was caught selling explosives to Libya. But Armitage retains his post as assistant secretary of defense for international security affairs.

The Christic Institute charges in a recent affidavit that during the '70s, while working for the U.S. government, Armitage served as a "bursar" for drug profits controlled by the Secret Team. Armitage directed these profits, according to the institute, to secret bank accounts that funded assassination programs not officially authorized by the U.S. government.

Not just a job: Despite acknowledged links to Secret Team suspects, Armitage currently directs Defense Department policy toward the Third World and helped initiate "Reagan Doctrine" support for anti-communist insurgencies. Armitage also oversees the newly formed Special Operations Forces, in effect a new military branch for covert

operations, and supervises U.S. military assistance programs.

In 1986 he was also a member of Oliver North's interagency counterterrorism committee, and as part of the Crisis Pre-Planning Group helped coordinate the April 1986 raid on Libya.

The charges against Armitage appear in an affidavit supporting the Christic Institute's lawsuit against contra-network members (see *In These Times*, March 11). The suit argues that the people running the contra network were part of a long-running conspiracy—in legal terms, a group involved in a pattern of illegal activities.

According to the Christic Institute, the Secret Team was deeply involved in the Iran-contra operation: Ret. Gen. Richard Secord, a special operations veteran, masterminded the enterprise; Thomas Clines, a retired CIA officer, was his partner in procuring arms for the contras; and Theodore Shackley, Clines' boss at the CIA and once a candidate for CIA director, was reportedly the first to suggest to the U.S. government the idea of trading arms for hostages.

Although Armitage, unlike the others, is not a defendant in the institute's suit, he played a central role in the Secret Team, according to the affidavit.

Armitage has formally denied these charges in a four-page document entitled "Fictionalized Accounts of the Activities of Richard L. Armitage in Southeast Asia and Iran: A Rebuttal." The rebuttal's evasive wording actual denies far less than it appears to, avoiding some of the Christic Institute's charges while denying allegations never made by the affidavit.

See the world: His Secret Team involvement, according to the institute, goes back to the Vietnam War. After a stint in the Navy as what the Pentagon calls a "counter-intelligence/ambush team" (read: assassination squad) adviser, he was stationed in Saigon in 1973, ostensibly as a civilian con-

sultant to the South Vietnamese navy.

What Armitage was actually doing, according to the affidavit, was handling the Secret Team's drug-business funds. These funds allegedly came from Laos, where Secret Team suspect Shackley was running a covert war for the CIA (see *In These Times*, April 15). The Hmong tribesmen Shackley was using as a proxy army grew opium as their major crop, and former CIA officers have charged that Shackley was amassing large profits from opium traffic. Armitage, according to the Christic Institute, channeled these funds from Laos into Secret Team assassination programs in South Vietnam that were not authorized by the U.S. government.

Armitage says he was assigned in late 1974 to work for the Pentagon comptroller, who was Erich von Marbod. According to *Manhunt*, Peter Maas' biography of "CIA agent turned terrorist" Wilson, von Marbod was Shackley's closest associate in Vietnam. Maas also says von Marbod was the "mastermind" of illegal arms deals involving Wilson, Shackley, Secord and Clines. The affidavit names von Marbod as the "liaison officer" between the Secret Team and the White House.

After the U.S. withdrew from Vietnam in 1975, Armitage worked in Iran, where he says he was a "consultant to the defense representative"—who happens to have been von Marbod. Also serving as a consultant to the Shah of Iran at this time was Secord, who during the Vietnam War had run Air America, the CIA airline that reportedly carried opium out of Laos. The Christic Institute charges that Armitage was in Iran to "set up a secret 'financial conduit' inside Iran" to transmit drug profits to a private assassination campaign aimed at the shah's opponents.

From Iran Armitage went to Bangkok, Thailand, in 1976, ostensibly as a private citizen, according to the Pentagon. The institute alleges that Armitage founded a dummy corporation in Bangkok to launder drug profits still controlled by Shackley. This money, according to the affidavit, was destined for the Nugan Hand Bank, an Australia-based multinational that collapsed in 1980 amid charges of connections to drug dealers and the CIA.

Name games: Armitage's company, according to the institute, was called "Far East Trading Co.," a name Armitage in his rebuttal denies ever hearing. But he does say he helped establish a business with Gen. Harry Aderholt in Bangkok, which developed into a company that exported rattan furniture. Aderholt told *In These Times* that the rattan business was called Far East Imports.

Aderholt was Secord's commanding officer for covert actions in Vietnam and now heads the Air Commando Association, which distributes private aid in Central America.

The Christic Institute also links Armitage to "Jerry O. Daniels," a U.S. official who worked with the Laotian tribesmen that were Shackley's alleged source of opium. Daniels died mysteriously in Bangkok in 1982. Armitage's rebuttal twice insists that he "does not know 'Jerry O. Daniels.'" But the institute wrongly identified Daniels' middle name—it's really Barker. Armitage's lawyer, Lewis Libby, denied that his client knew any Jerry Daniels.

In 1978 Armitage became administrative assistant to Sen. Robert Dole (R-KS). After working as a foreign policy adviser to Reagan's 1980 presidential campaign, he joined the Defense Department, attaining his current post in 1983.

"A lot of pressure": One of the few mentions of the Christic Institute's allegations against Armitage came in a May 4 *Time* article that defended him, citing an endorsement by NSC adviser Frank Carlucci, and called the Christic Institute affidavit "inaccurate and full of false assumptions."

Even researchers sympathetic to the Christic Institute admit the affidavit includes inaccuracies. But a dispute arose at *Time* over how strong Armitage's rebuttal was. While one *Time* employee described it as "compelling," another said that "a lot of pressure was put on the magazine" to come down on Armitage's side, adding, "*Time* is impressed by people with big titles."

Both Armitage and Secord worked for Carlucci when he was deputy secretary of defense in 1981 and 1982, and Carlucci let Secord avoid taking a polygraph in 1982 about his association with Wilson, according to Maas' *Manhunt*. When Carlucci moved to the private sector, he hired von Marbod to work for him at Sears World Trade, the arms trading company he headed.

Carlucci's ties to Secret Team suspects make him a dubious character witness to clear Armitage's name. But Carlucci's intervention seems to have dampened any serious inquiry into Armitage's past, leaving him in charge of the Pentagon's covert actions, arms sales and relations with Third World militaries. No one in the Secret Team could hope for a better job. □

A questionable source

Support for the Christic Institute's charges that Assistant Secretary of Defense Richard Armitage was involved in drug trafficking comes from an unlikely source: a Burmese warlord, by way of a former Green Beret officer.

Khun Sa, a warlord who admits to controlling much of the opium traffic in Burma, gave a videotaped interview in May to Ret. Col. James "Bo" Gritz in which Khun Sa and his aides said they had worked with U.S. government officials, including Armitage, to export heroin from Southeast Asia.

Gritz, who has searched extensively in Southeast Asia for U.S. MIAs, told *In These Times* he was disgusted by the lack of official response to Khun Sa's charges. "The CIA says, 'We just don't trust Khun Sa,' but Khun Sa says that the CIA is one of his biggest buyers," Gritz said.

But Christic Institute researchers expressed skepticism over the tapes. All of the government officials named in the interview are also named in the Christic Institute affidavit. More troubling, the Khun Sa tape repeats an error that the institute made in its affidavit, calling an Armitage business "Far East Trading Co." instead of "Far East Imports."

In one scene in the video, Gritz is holding what at first appears to be a White House document, but upon closer examination looks more like a copy of the Christic Institute affidavit—the likely source for Khun Sa's accusations.

—Jim Naureckas & Richard Ryan

By David Moberg

ALAN GREENSPAN, A BUSINESS CONSULTANT and former chief economic adviser to Gerald Ford, will soon replace Paul Volcker as chairman of the Federal Reserve Board. Often called the second most powerful position in the government after the presidency, the Fed chairmanship will bring a legacy of Reaganite control over the economy into the next administration.

But then, Volcker, whose tight-money policies helped to precipitate the worst economic slump since the Great Depression and to devastate U.S. manufacturing, was a Jimmy Carter appointee. He was renominated by Reagan, even though the Fed's monetary rigor clashed with Reagan's initial supply-side incentives.

What the Federal Reserve does certainly can have enormous consequences. But the chairman's power is only an expression of the dominance of the international financial system that actually severely limits his options. Indeed, Greenspan—a one-time Ayn Rand enthusiast turned mainstream conservative—is expected to pursue a course much like Volcker's, except that the new chairman is said to favor more deregulation of the banking system.

But what if a left-leaning Democrat were elected president? Could that president's choice to lead the Fed make a difference? *In These Times* asked several economists on the left what they would do if they, rather than Greenspan, had been appointed chairman of the Federal Reserve.

Lester Thurow: dean of the Sloan School of Management, MIT, author of *The Zero-Sum Solution*.

"The Federal Reserve Board is imprisoned, caught by the international debt situation. If you ask what degrees of freedom the chairman has, the truthful answer is 'zero.' What Greenspan or I would find is that there's really little you can do. The American money supply has disappeared. It's an international money supply. The Japanese decision on whether to buy or not to buy U.S. bonds is more important than anything the Federal Reserve does. The real person in charge of interest rates is not the Federal Reserve chairman; it's the Japanese bond buyer.

"Greenspan is not going to fight inflation. Normally to fight inflation the Fed would raise interest rates, but that would hurt Latin debtors and U.S. farmers. Also, we need inflation so imports don't go up. The only way to reduce imports is to make them so expensive Americans can't buy them.

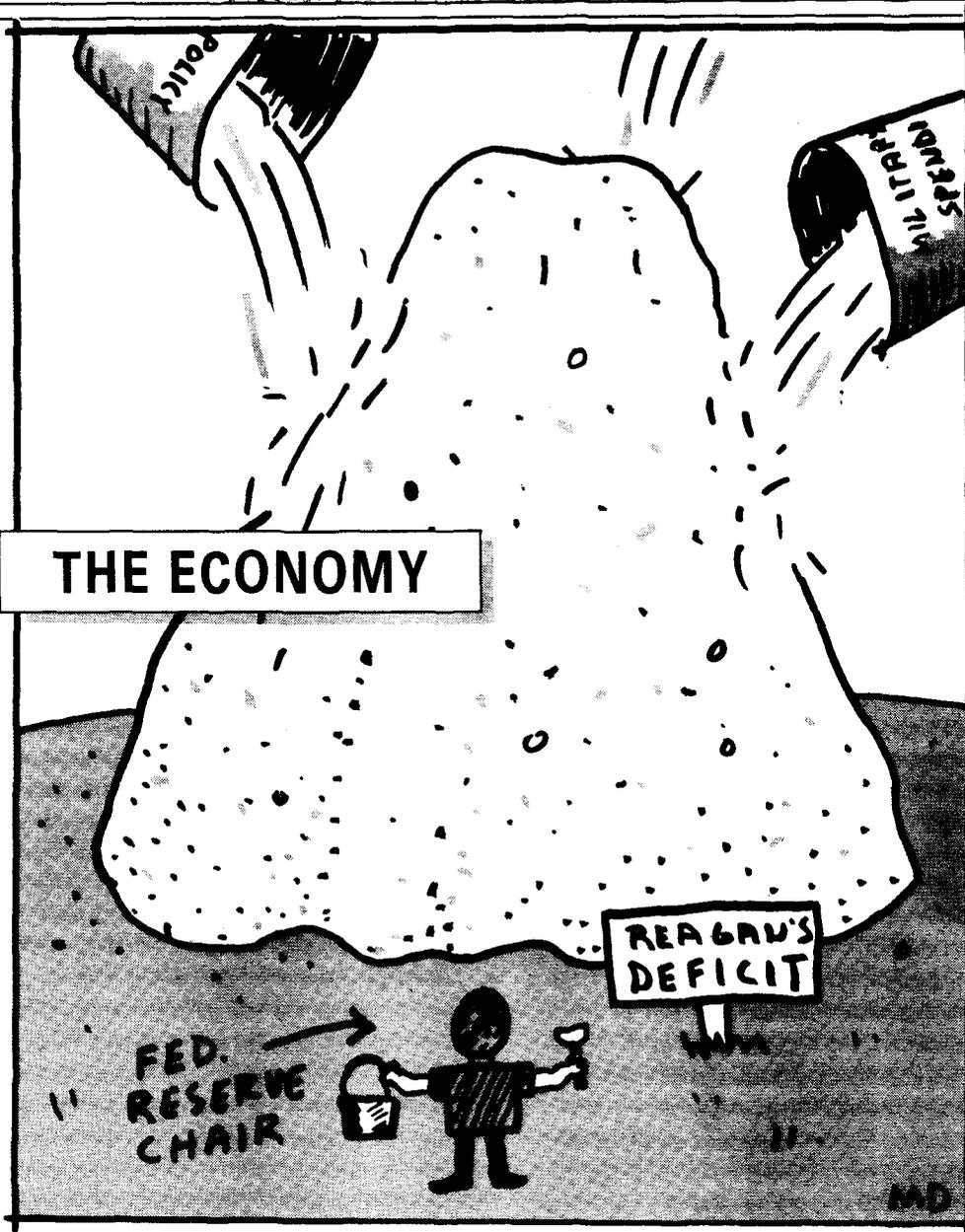
"In terms of doing anything positive, I'd rather not have the job."

David Gordon: professor of economics, New School for Social Research, co-author of *Beyond the Wasteland*:

"I would propose an immediate end to the independence of the Federal Reserve and integration of the Fed with the executive branch. Between World War II and 1951 the Fed was under control of the Treasury Department, and overall agreed with federal economic policy. Both the need for integrated economic policy and the unacceptability of the unaccountability of the Fed itself mean simply returning to that policy wouldn't be bad, for starters."

Robert Heilbroner: Norman Thomas professor of economics, New School for Social Research, author of *Marxism: For and Against*:

"I'd take aspirin. You're not offered unless you are willing to play by the rules of the game. Right now the primary rule is: don't



What if a left economist was in control of the Fed?

upset the markets by doing something that raises inflationary fears. There's a big footnote there that is important and little mentioned: the ability of the Fed or the chairman to control the money supply is much, much less for Mr. Greenspan than even Mr. Volcker because of international flows of money.

"The second question is: is it imaginable that there could be other rules of the game with a liberal Democratic president? Then my priority would be a strong program for economic growth, redistribution and repair. That would cheer up my political constituents and worry the market considerably. [Could a Fed chairman do that even with a liberal Democratic president?] That's the question of politics versus business. How far can liberal Democrats go [with investors] without giving rise to capital flight or a capital strike? The answer is: we don't know. And it is a great wild card."

Howard Wachtel: professor of economics, American University, author of *The Money Mandarins*:

"First I would get a handle on international financial issues, which make running a central bank nearly impossible. You have to get the international economy under control before you can talk about reducing domestic interest rates, because otherwise you can't make it stick. I'd also move on the international debt to develop a routine for resolving that issue. I'd support the La Falce bill to set up a debt-rescheduling authority and put pressure on debtor countries to control capital flight. And I'd work with debtor countries to swap, reschedule or sell some of their debt to the new authorities and to convert

some of the publicly held debt into local currency that would be put into local economic development trust funds.

"Second, I'd regulate Eurodollars (dollars held in foreign accounts). I'd develop a consensus with Congress and with other banks to set reserve requirements [for Eurodollars]. Third, I'd push the U.S. government to

***In These Times* asks several economists on the left what they would do if they, rather than Alan Greenspan, had been appointed to be the new chairman of the Federal Reserve Board.**

develop target zone exchange rates [rates would be allowed to fluctuate only within a defined range instead of current free fluctuation].

"Volcker did—and I expect Greenspan will do—a good job managing the domestic financial system rooted in the '50s, but that's archaic in the '80s when you have massive deregulation and this global monetary system."

Gerry Epstein: assistant professor of economics, University of Massachusetts, Amherst, author of articles on the Federal Reserve and monetary policy.

"I would make the fight against unemploy-

ment my main objective rather than the fight against inflation. I would try to expand credit and lower interest rates to bring down unemployment. I would fight for capital controls so that destabilizing effects on exchange rates wouldn't occur or detrimentally affect the economy. The way to do that would be to control all transactions for speculative or purely financial purposes by putting a large tax on them while allowing exchange rate transactions for goods and services. Capital controls cannot make an unfeasible policy feasible, but they can cut down on speculative undercutting of a feasible policy. The U.S. has unused [production] capacity and could expand, but it's held hostage to international capital, because the dollar is used so much in international transactions.

"There would be financial panic in the short run. But the U.S. would be expanding, and other economies could export to the U.S. In real terms their economies would be better off. I would go to other central banks and say, 'Cool it for a while. This will freeze your financial assets, but your economies will expand.' I'd lower the discount rate, increase the money supply. There's so much excess capacity, and commodity prices are so stable that there's not that much to worry about short- to medium-run inflation."

James Galbraith: an economist at the L.B.J. School of Public Affairs at the University of Texas, and former staff director Joint Economic Committee of Congress:

"The environment that created Volcker's reputation—a high dollar kept down inflation and budget deficits kept up growth—couldn't keep going forever. The budget deficit can't keep up growth as it declines as a share of the gross national product and is increasingly ineffective to keep up growth because of the trade deficit. When you add in inflation with the fall of the dollar creating an external inflationary shock, you've got a great reduction in the power of fiscal policy to sustain spending. Between these two forces you've got stagnation and inflation looming ahead.

"I'd take the inflation as quickly as possible and devalue the dollar very sharply now rather than allow it to slide bit by bit. You get the import price shock through the system quickly, then close up the deficit with a tax increase, raising the upper-income marginal tax rates. It's unavoidable [that the average wage-earner will lose, but he] will be a lot better off if we stop losing our competitive industries. Cutting military spending has its uses: advanced military projects absorb exactly the same engineering and scientific talent that we were using to support our exports."

Paul Sweezy: editor *Monthly Review*, co-author, *Monopoly Capital*:

"I'd resign. It's their problem. We shouldn't figure out ways to save their necks. The job of the Federal Reserve chairman is to keep the economy on an even keel. But it's the nature of the system to get out of whack. What we need to do is redistribute income, put taxes on the wealthy, guarantee jobs to people who need them. But the Fed can't do anything like that.

"On minor secondary issues, I tend to be against opening up the whole financial system for banks or corporations to go into any area. These are practices that had to do with the excesses of the '20s. One of the New Deal's important reforms—pro-capitalist, basically—was to put on some regulations that keep the system from going into one of these heated-up explosions." □

IN THESE TIMES JULY 8-21, 1987 7