**The Contra Story**

**Scope of IG Investigation**.

1. In August 1996, the*San Jose Mercury News* published a three-part series of articles entitled "Dark Alliance." The series discussed drug rings in California and their alleged connections to the Central Intelligence Agency (CIA)-backed Nicaraguan Contra resistance in the 1980s. On September 3, 1996, Director of Central Intelligence (DCI) John Deutch asked the CIA Inspector General to investigate these allegations of connections between CIA, the Contras and drug trafficking. A 17-person team was formed to conduct the investigation.
2. The CIA Inspector General (IG) investigation included an examination of all information in CIA's possession concerning the individuals specifically cited in the *San Jose Mercury News* articles, and CIA knowledge of any drug trafficking allegations in regard to persons directly or indirectly involved in Contra activities, CIA assets, other individuals associated with CIA who dealt with the Contras, and companies and individuals involved in supporting Contra activities in Central America in the 1980s on behalf of CIA. The Report of Investigation consists of two volumes.
3. **Volume I**. Volume I, The "California Story," addresses findings regarding whether CIA knew of narcotics trafficking by Ricky Ross, Norwin Meneses and Danilo Blandon in Southern California. It also includes findings related to whether CIA knew of the narcotics trafficking activities of Julio Zavala and Carlos Cabezas in Northern California, their possible ties to the Contras and CIA's contacts with the San Francisco U.S. Attorney's Office in connection with their prosecution. Volume I was issued as a classified report on December 17, 1997. An unclassified version and an unclassified overview were made public on January 29, 1998. [(2)](https://www.cia.gov/cia/reports/cocaine/footnote.html#ft2)
4. Volume I of the Report describes in detail the *San Jose Mercury News* allegations; the Scope of the IG Investigation; the Procedures and Resources used in the investigation; the Origin and Development of the Contra Conflict; CIA's Involvement with the Contras; Cocaine Flows through Central America in the 1980s; and Results of Previous Investigations into Alleged Contra Drug Trafficking.
5. **Volume II**. Volume II, The "Contra Story," addresses CIA's knowledge of any alleged drug trafficking by the Contras and persons or organizations who supported the Contra program in the 1980s. Volume II was issued as a classified report on April 27, 1998. The investigation included a review of any information in CIA's possession relating to:
* CIA's knowledge of drug trafficking allegations regarding Contra-related individuals, organizations, independent contractors, and other individuals supporting the Contra program.
* CIA's handling of, and response to, such drug trafficking allegations; and
* CIA's sharing with other U.S. Government entities, including law enforcement agencies and the Congress, of such allegations.

 The investigation on which Volume II is based was not intended to prove or disprove the allegations or information received by the Agency concerning possible drug trafficking by specific individuals or organizations. Further, the description of such allegations or information in Volume II is not intended as representing the judgment of the Office of Inspector General (OIG) regarding the veracity of the allegations or information. The investigation also was not intended to review or evaluate the effectiveness of any CIA programs in Central America in the 1980s. Finally, factual information in Volume II regarding whether particular allegations or information were or were not shared with other U.S. Government agencies or the Congress does not represent a judgment as to whether or not such information was required to be so shared.

 **Organization of Volume II**. In the course of the investigation, OIG reviewed CIA records regarding hundreds of Contra organizations, Contra leaders, Contra supporters, and individuals and companies that were involved in the Contra program. Based on this review, several dozen Contra-related individuals and one Contra organization were found to have been the subject of allegations or information concerning involvement in drug trafficking. All information that was made available to the OIG from CIA records regarding these Contra-related organizations and individuals was examined.

 Volume II is divided into five separate sections pertaining to Contra-related groups of organizations and individuals that were found to have been the subject of drug trafficking allegations or information.

* **Contra Organizations**--Any Contra group that was known to CIA to have had an organizational policy of trafficking in drugs to raise money for the organization. The OIG investigation found information about only one such group.
* **Southern Front Contras**--Contra leaders, members and supporters--including those associated with the FRS, BOS, UNO/South, and ARDE--who were based primarily in Costa Rica.
* **Northern Front Contras**--Contra leaders, members and supporters--including those associated with the FDN, UNO, 15th of September Legion, ERN, MISURA, MISURASATA, and YATAMA--who were based primarily in Honduras.
* **Other Individuals Involved in the Contra Program**--Individuals operating on behalf of CIA in support of the Contras, including foreign nationals used by CIA as intermediaries with various Contra organizations.
* **Pilots and Companies**--Pilots and companies assisting in the Contra supply effort.

 Within each of these five categories, Volume II examines the organization or individual's background; the Agency's knowledge of drug trafficking allegations regarding the organization or individual; CIA's response to the allegations; and CIA's sharing of such allegations with other U.S. Government entities, including law enforcement agencies and Congress.

 Volume II also discusses the guidance that was available by statute, regulation, or CIA policy for dealing with known or suspected drug traffickers and how CIA personnel understood this guidance. The extent to which CIA disseminated intelligence relating to drug trafficking on the part of organizations and individuals associated with the Contras is also explained.

 This Volume also includes three exhibits and five appendices. The appendices discuss information and issues related to Contra-drug trafficking allegations and other matters that were deemed to be relevant to this investigation.

**EXECUTIVE SUMMARY AND CONCLUSIONS**

**KEY FINDINGS**

***Did CIA conspire with or assist Contra organizations or Contra-related individuals in narcotics trafficking to raise funds for the Contras or for any other purpose?***

1. **CIA and CIA Employees.** No information has been found to indicate that CIA as an organization or its employees conspired with, or assisted, Contra-related organizations or individuals in drug trafficking to raise funds for the Contras or for any other purpose.

***To what extent was CIA aware of allegations or information indicating involvement by Contra organizations or Contra-related individuals in drug trafficking? What did CIA do after becoming aware of such allegations or information?***

1. **Contra-Related Organizations.**CIA received information that one Contra-related organization--the ADREN "15th of September" group--engaged in drug trafficking for fund raising purposes. This anti-Sandinista group formed in 1980 and disbanded in January 1982. No information has been found to indicate that other Contra organizations engaged in drug trafficking for fundraising or any other purpose, although individual members were alleged from time to time to be involved in drug trafficking.
2. **Contra-Related Individuals--Southern Front.**CIA received allegations or information regarding drug trafficking by Contra-related individuals in the Southern Front that operated from Costa Rica. In 1984, CIA received allegations that five individuals associated with the Democratic Revolutionary Alliance (ARDE)/Sandino Revolutionary Front (FRS) were engaged in a drug trafficking conspiracy with a known narcotics trafficker, Jorge Morales. CIA broke off contact with ARDE in October 1984, but continued to have contact through 1986-87 with four of the individuals involved with Morales.
3. *The Morales Connection.*In December 1988, the Senate Subcommittee on Terrorism, Narcotics and International Operations published a report entitled "Drugs, Law Enforcement and Foreign Policy." One section of that report summarized the involvement of ARDE/FRS members with drug trafficker Jorge Morales based upon Department of State information:

Information developed by the intelligence community indicates that a senior member of Eden Pastora's Sandino Revolutionary Front (FRS) agreed in late 1984 with (Morales) that FRS pilots would aid in transporting narcotics in exchange for financial assistance . . . the FRS officials agreed to use FRS operational facilities in Costa Rica and Nicaragua to facilitate transportation of narcotics. (Morales) agreed to provide financial support to the FRS, in addition to aircraft and training for FRS pilots. After undergoing flight training, the FRS pilots were to continue to work for the FRS, but would also fly narcotics shipments from South America to sites in Costa Rica and Nicaragua for later transport to the United States. Shortly thereafter (Morales) reportedly provided the FRS one C-47 aircraft and two crated helicopters. He is reported to have paid the sum of $100,000 to the FRS, but there was no information available on who actually received the money.

(Ellipses and parentheses are as they appear in the Subcommittee report.)

1. In addition to the five individuals associated with ARDE, CIA received drug trafficking allegations or information concerning 16 other individuals who supported Southern Front Contra operations based in Costa Rica.
2. **Contra-Related Individuals--Northern Front.** CIA also received allegations or information concerning drug trafficking by nine Contra-related individuals in the Northern Front, based in Honduras.
3. **Other Individuals Involved in the Contra Program.** CIA received drug trafficking allegations or information concerning five individuals who were used to support the Contra program.
4. **Companies, Pilots and Other Individuals Working for Companies Used in Support of the Contra Program.** CIA received drug trafficking allegations or information concerning 14 pilots and two other individuals who were associated with companies that provided support for the Contra program. CIA also learned of drug trafficking allegations or information concerning three companies that were used to support Contra activities from 1984 until at least 1988.
5. CIA received drug trafficking allegations or information concerning an individual who flew Contra support missions from Ilopango Air Base in El Salvador in 1985 and 1986.
6. CIA also received other information in 1986 to 1989 regarding additional suspicious activities, individuals and aircraft at Ilopango Air Base. However, no information has been found to indicate that CIA was aware that this information indicated that Contra-related organizations or individuals used Ilopango Air Base for drug trafficking.

***What was the nature and extent of any statutory, regulatory, or policy guidance concerning CIA's handling of information about Contra-related organizations or individuals that were subject to allegations or information indicating they were involved in drug trafficking?***

1. ***Statutory Guidance.***The Department of Defense and Military Construction Appropriations Act for Fiscal Year 1987[(3)](https://www.cia.gov/cia/reports/cocaine/footnote.html#ft3), which authorized $100 million for Agency support to the Contras, included a prohibition on the provision of any assistance to any group that, among other things, retained in its ranks any individual "who has been found to engage in . . . drug smuggling . . . ."
2. ***Executive Branch Guidance:******Reporting Potential Crimes to Department of Justice.*** From August 15, 1979 to March 2, 1982, Attorney General Guidelines issued under Executive Order 12036 required CIA to report to DOJ possible violations of "any" federal laws--thereby including narcotics laws--by persons who were employed by, assigned to, or acting for CIA. The definition of "employee" in the Guidelines included assets, agents and independent contractors. Reporting of possible violations of federal law by non-employees was limited to a specific list of types of offenses that did not include narcotics violations.[(4)](https://www.cia.gov/cia/reports/cocaine/footnote.html#ft4)
3. From March 2, 1982 to August 3, 1995, a Memorandum of Understanding (MOU) between the Attorney General and the DCI under Executive Order 12333 governed reporting of potential crimes. That MOU continued to require CIA to report to DOJ possible violations of "any" federal laws--again thereby including narcotics laws--by CIA employees. However, because of a change in the definition of "employee," agents, assets and independent contractors were moved to the non-employee category and thereby subject to the list of reportable offenses that did not include narcotics violations. The MOU provided that CIA would continue to have the discretion to report any offense by a non-employee to DOJ in addition to the potential crimes that were specified in the MOU.[(5)](https://www.cia.gov/cia/reports/cocaine/footnote.html#ft5)
4. A February 11, 1982 letter from Attorney General William French Smith to DCI William Casey that accompanied the MOU noted that the 1982 MOU contained no formal requirement regarding the reporting of narcotics violations by non-employees and urged CIA's continuing cooperation with DOJ and the Drug Enforcement Administration. This letter did not, however, establish a legal requirement that CIA report potential narcotics violations by non-employees because no such requirement was included in the MOU. A February 8, 1985 internal DOJ memorandum stated explicitly that there was no requirement for CIA to report non-employee narcotics violations and suggested that the MOU would have to be renegotiated in order to include narcotics violations by non-employees as reportable crimes.
5. In August 1995, the 1982 DOJ-CIA Crimes Reporting MOU was revised. Under that revised MOU, assets and independent contractors are again considered "employees" for crimes reporting purposes. Further, narcotics violations are included among the list of "non-employee" crimes that must be reported to DOJ.
6. ***CIA Guidance.*** There was no Agency-wide regulation explaining the crime reporting responsibilities of CIA employees under E.O. 12333 and the DOJ-CIA MOU until December 23, 1987.
7. CIA's Directorate of Operations (DO) developed a draft DO Handbook in December 1980 that included a section that focused on restrictions and prohibitions regarding the use of narcotics intelligence collection agents who might be involved in narcotics trafficking. The instructions were not applicable to the Contra-related individuals or contractors discussed in Volume II, however, since none of those individuals or contractors were involved in the collection of narcotics intelligence. A summary of the 86-page draft DO Handbook was sent to all DO field stations in July 1982 and stated that the draft had been approved by the DCI and represented Agency policy. The DO Handbook was not formally issued until January 1996, however, more than 15 years later.
8. On March 6, 1987, Headquarters sent a cable to CIA personnel in Central America that, among other things, included a statement of the prohibition in the FY 1987 Department of Defense and Military Construction Appropriations Act on providing assistance to any group that retained in its ranks any individual who has been found to engage in drug smuggling. A January 21, 1988 Headquarters cable to CIA personnel in Central America that were directly involved in supporting the Contra program also summarized that statutory restriction.
9. On April 9, 1987, Acting DCI Robert Gates sent a memorandum to the Deputy Director for Operations (DDO) Clair George stating that it was imperative that CIA avoid involvement with individuals tied to the Contra program who were "even suspected of involvement in narcotics trafficking." The Gates memorandum instructed the DDO to vet contract air crews, air services companies and subcontractors with the Drug Enforcement Agency (DEA), U.S. Customs and the Federal Bureau of Investigation (FBI) to ensure that the Agency would not be involved in any way with individuals suspected of being involved in drug trafficking.
10. ***Were relevant CIA regulations and policies timely and adequate?*** Then-current CIA regulations and policies did not address a number of drug trafficking issues that were repeatedly encountered by Agency managers and personnel during the Contra program:
	* CIA had no published regulations or policies that addressed CIA employees' contacts with individuals or companies that were known or suspected to have been involved in drug trafficking, unless they were part of a counternarcotic operation or program. The Contra program was not such an operation or program.
	* CIA had no regulations or policies regarding CIA's responsibilities to identify and pursue allegations or information indicating that organizations or individuals were involved in drug trafficking.
	* CIA had no regulations or policies that required that information be requested from DEA, the Customs Service, or U.S. Government entities, other than the FBI, regarding individuals or entities of whom CIA had knowledge of drug allegations or information.
	* ADCI Gates' April 1987 memorandum stating that it was imperative that CIA avoid involvement with individuals in Central America who were even suspected of narcotics trafficking was not issued in any form that would advise Agency employees generally of this policy.
	* Agency personnel involved in the Contra program were not generally notified until January 1988 of the prohibition in the Department of Defense and Military Construction Appropriations Act for FY 1987, which went into effect in October 1986, on assistance to any group that retained in its ranks any individual who was found to engage in drug smuggling. A number of CIA personnel who were involved in the Contra program say they were aware of the statutory proscription prior to 1988, but no written guidance was provided to Agency personnel for determining that an individual had been "found to engage in drug smuggling" under the FY 1987 provision.
11. ***Recollections of CIA Personnel Regarding Alleged Drug Trafficking by the Contras***. Notwithstanding the shortcomings in applicable regulations and policy, many employees and former employees say today that they understood the potential seriousness of information that linked participants in the Contra program to drug trafficking. Indeed, many say they believed that the Agency's policy was not to have relationships with such persons.

**CONCLUSIONS**

***Were CIA actions in dealing with Contra-related organizations or individuals that were subject to allegations or information indicating they were involved in drug trafficking consistent with relevant statutes, regulations and policies?***

1. ***Statutory Requirements.***The provision in the FY 1987 Department of Defense and Military Construction Appropriations Act called for a cutoff of funding to any Contra group that retained a member who "has been found" to engage in drug smuggling. During the period from October 1986 until December 1987 in which this prohibition was in effect, CIA was aware of allegations or information of varying credibility suggesting that ten Contras may have been involved in drug trafficking. Additional actions could have been taken by CIA in each of these cases to determine the credibility of the allegations and information in order to comply with the intent and spirit of the legislation.
2. ***Executive Branch Requirements.***CIA crimes referrals practices pertaining to potential federal narcotics violations were consistent with the applicable provisions of Executive Orders 12036 and 12333, the Attorney General Guidelines under E.O. 12036 and the 1982 MOU between the Department of Justice and CIA under E.O. 12333. No information has been found to indicate that the non-inclusion of narcotics violations by assets in the crimes reporting requirements of the 1982 DOJ-CIA MOU was intended to protect Contra activities.
3. ***CIA Policies and Practices.***CIA acted inconsistently in handling allegations or information indicating that Contra-related organizations and individuals were involved in drug trafficking. In some cases, CIA pursued confirmation of allegations or information of drug allegations. In other cases, CIA knowledge of allegations or information indicating that organizations or individuals had been involved in drug trafficking did not deter their use by CIA. In other cases, CIA did not act to verify drug trafficking allegations or information even when it had the opportunity to do so. In still other cases, CIA deemed the allegation or information to be unsubstantiated or not credible.
4. With respect to air services companies, contract air crew members and other companies that were used to support the Contra program, CIA took prompt action in responding to ADCI Gates' April 9, 1987 instructions by requesting relevant information from U.S. law enforcement agencies in addition to the FBI. However, CIA's actions in response to information received from law enforcement agencies that indicated a possible drug trafficking connection by air services companies and individual crew members were inconsistent. Despite such information, several pilots and one mechanic continued to be associated with their companies in support of the Contra program.

***To what extent did CIA share allegations and information indicating that Contra-related organizations or individuals were involved in drug trafficking with other U.S. Government entities***?

1. ***Congres*s*.***Although records of congressional briefings in this regard were incomplete and often lacked specific detail, CIA briefings of the congressional intelligence oversight committees on Contra-related matters occasionally included allegations or information indicating involvement by Contra-related organizations or individuals in drug trafficking. CIA determined what was responsive to the requirement of keeping the congressional intelligence oversight committees "fully and currently" informed about Contra-related drug allegations.
2. CIA did inform the intelligence oversight committees in a timely manner of the 1984 allegations of association by ARDE members with drug trafficker Jorge Morales and their agreement for Morales to provide aircraft in exchange for facilitation of drug transport. However, CIA did not inform Congress of all allegations or information it received indicating that Contra-related organizations or individuals were involved in drug trafficking. During the period in which the FY 1987 statutory prohibition was in effect, for example, no information has been found to indicate that CIA informed Congress of eight of the ten Contra-related individuals concerning whom CIA had received drug trafficking allegations or information.
3. ***Law Enforcement and Other Agencies.***The March 1982 DOJ-CIA Crimes Reporting MOU did not require that CIA report to DOJ narcotics trafficking violations by assets, or independent contractors associated with the Contras because assets and independent contractors were not defined as "employees" for crimes reporting purposes. However, the 1982 MOU gave CIA discretion to report offenses not included in the MOU. This discretion was exercised in 1984 when information pertaining to association by Southern Front Contra members with drug trafficker Jorge Morales was reported to DOJ. It also was exercised in a 1988 referral to DOJ of allegations of drug trafficking concerning another Contra official.
4. Allegations and information indicating drug trafficking by 25 Contra-related individuals was shared in a variety of ways with other Executive branch agencies, including law enforcement agencies as formal intelligence reports, cables and briefings in Washington, D.C., and the field. However, no information has been found to indicate that any U.S. law enforcement entity or Executive branch agency was informed by CIA of drug trafficking allegations or information concerning 11 Contra-related individuals and assets. Beginning in January 1988, CIA began providing a U.S. law enforcement agency's regional office in Central America with information received by CIA regarding possible drug-related or other suspicious activities at Ilopango Air Base.

Posted: Apr 26, 2007 10:35 AM

Last Updated: Apr 26, 2007 10:35 AM