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Crimes of Patriots

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Congressional hearings provide us with daily glimpses into a shadowy world of arms dealers, middlemen, retired military officers, and spooks. The details of secret arms shipments to Iran and money transfers to the contras have provoked expressions of shock and outrage about the "privatization" of foreign policy and the president's obsession with covert activity, as if these were inventions of the Reagan administration. They weren't.

The need, cited by the past eight presidents, to pursue a perpetual and largely secret global war against an ever-expanding Soviet empire has justified gross violations of American law for 40 years. What is new in 1987 is that a window suddenly has been opened on this shadow world before the spooks who inhabit it could completely take over.

What we are seeing today is not an aberration; the aberration is only that we are seeing it, and what we are seeing is still not most of it.

To fight their perpetual war, successive administrations have required an army of men who live in a world of spying and secrecy. Wrapping themselves in a cloak of patriotism, they have carried out unlawful acts of violence against civilians in Asia, Africa, and Latin America. Many soldiers in this shadow army also have stretched the cloak of patriotism to cover criminal enterprises that turn a hefty profit. Indeed, "the enterprise" that has been the focus of this summer's hearings, run by Maj. Gen. Richard Secord and his partner, Albert Hakim, is now the subject of a criminal investigation.

The subject of this story is another example of such an enterprise: the Nugan Hand Bank -- a mammoth drug-financing, money laundering, tax-evading, investor-fraud operation based in Sydney, Australia. Its global operations, spanning six continents, involved enough U.S. generals, admirals, CIA directors, and spooks to run a small war. Not surprisingly, their activities brought them into contact with men of similar military and intelligence backgrounds now facing possible indictment for their roles in the Iran-contra affair.

The cold war strayed into Lithgow, Australia, one Sunday morning in a Mercedes Benz. Sgt. Neville Brown of the Lithgow Police recorded the time as 4 A.M., January 27, 1980. "I was patrolling the Great Western Highway south of Bowenfels with Constable First Class Cross," Sergeant Brown said. "We saw a 1977 Mercedes sedan parked on the south side of

the old highway known as '40 Bends.'" It was now three months later, and Sergeant Brown was testifying on the first day of a week-long inquest at the Lithgow courthouse. Lithgow, a settlement about 90 miles inland of Sydney, had been of little previous significance to Western Civilization. Consequently, Sergeant Brown was unused to the reporters in the courtroom and the television cameras outside. But he maintained his official poise under the stern questioning of the big-city lawyers.

The two officers approached the unfamiliar Mercedes stranded on the old two-lane road. "A male person was sitting slumped over toward the center of the vehicle," Brown testified. "A .30-caliber rifle was held by him, the butt resting in the passenger-side floor well. His left hand held the barrel, three or four inches from the muzzle and near the right side of his head. His right rested on the trigger."

Frank Nugan, the autopsy concluded, died of a single gunshot wound. Given the moat of undisturbed gore that surrounded his body, there seemed to be no way that someone else could have gotten into his car, killed him, and left. The facts all pointed to suicide -- a scenario the U.S. Central Intelligence Agency would be able to live with. Other aspects of Sergeant Brown's testimony, however, were much more disturbing to the CIA and others.

For example, a typed list was found in Nugan's briefcase, containing scores of names of prominent Australian political, sports, and business personalities. Next to the names were handwritten dollar amounts, mostly five- and six-figure sums. Were they the names of debtors? Creditors? No one knew yet.

Sergeant Brown also testified that a calling card was in the wallet found in Nugan's right rear pocket. It bore the name of William E.

Colby, a former CIA director and now a private consultant. Written on the back of the card was "what could have been the projected movements of someone or other," Brown testified: "From Jan. 27 to Feb. 8, Hong Kong at the Mandarin Hotel. 29th Feb.-8th March, Singapore." William Colby was in those places at roughly those times.

Probably the most sensational testimony at the inquest came from Michael Hand, Nugan's American partner. Hand identified himself to the court as chair-man, chief executive, and 50 percent shareholder of Nugan Hand Ltd., "the major operating company of a worldwide group of companies with offices throughout the world." Most people still referred to the company by the name of its most prominent subsidiary, the Nugan Hand Bank.

Hand's exploits had little to do with banking. A highly decorated member of the Green Berets in Vietnam, he went on to become a contract agent for the CIA in Vietnam and Laos, training hill tribesmen for combat and working closely with the CIA's Air America to see that the tribesmen were supplied. Bill Colby had run the program. In 1967 Hand migrated to Australia.

How Michael Hand, just coming off active duty as a U.S. intelligence operative in Southeast Asia, happened to hook up with Frank Nugan -- a local lawyer and playboy heir to a modest food-processing fortune -- is still a mystery. Asked under oath at the inquest, Hand said he couldn't remember.

Although Hand's CIA ties had helped lure the reporters to the courtroom, thousands of people were interested in his testimony for other reasons. They, or their families or their companies, had money invested with Nugan Hand. For weeks now, the bank's officers had stalled off

inquiries from the panicky investors. Finally, from the witness stand, Hand let loose the bad news: the company would not be able to pay its depositors. Even "secured" deposits would not be paid, since the bonds "securing" them were phony. Indeed, Nugan Hand couldn't even pay its rent. "The company is insolvent," said Hand.

Nugan Hand's unpayable claims amounted to some \$50 million. Many more lost deposits never were claimed for one simple reason: the money had been illegal to begin with -- tax cheating or dope payments or the wealth of a few Third World potentates. Not money the losers would want to account for in open court. The grand total easily could have been in the hundreds of millions of dollars.

One might expect that the police, faced with the mysterious death of the head of a large international bank, would take steps to seal off his house and office. In the days after Frank Nugan's death, however, the police stayed conveniently away, while the company's files were packed in cartons, sorted, or fed to a shredder. Present for the ransacking was a team of former U.S. military operatives in Southeast Asia, led by CIA veteran Michael Hand, and including the president of the Nugan Hand Bank, Rear Adm. Earl F. ("Buddy") Yates, and the mysterious puppetmaster of Nugan Hand, Maurice ("Bernie") Houghton.

Prior to becoming president of Nugan Hand Bank in 1977, Admiral Yates, A Legion of Honor winner in Vietnam, commanded the aircraft carrier USS JOHN F. KENNEDY and served as chief of staff for plans and policy of the U.S. Pacific Command. He retired from active service in 1974. Though Nugan Hand's main offices were in Sydney and Hong Kong, and though its official address was the Cayman Islands (because of the weak regulatory laws there), Admiral Yates lived in Virginia Beach, Virginia -- an easy

hop from Washington, D.C., where he helped maintain a Nugan Hand office.

Bernie Houghton, a fleshy, gray-haired Texan, had been a camp follower of America's Asian wars, always as a civilian, after a few years in the Army Air Corps in World War II. He had been to Korea and Vietnam and had made a living buying and selling war surplus and supplying the "recreational" needs of GIs. Houghton arrived in Australia in January 1967, eight months before Michael Hand, where he opened the Bourbon and Beefsteak Restaurant, the Texas Tavern, and Harpoon Harry's. All three establishments, on the seamy side of Sydney, catered to U.S. troops on leave from Vietnam.

Though ostensibly occupied only as a hony-tonk bar impresario, Houghton displayed a smooth working relationship with high-ranking military officers and CIA and U.S. embassy personnel. Houghton's international travels were facilitated whenever he was needed by Australia's secret scrutiny agency, ASIO, which also gave him security clearance in 1969.

Other high-level retired Pentagon and CIA officials associated with Nugan Hand included three-star Gen. LeRoy J. Manor, former chief of staff for the entire U.S. Pacific Command, who headed the bank's Philippine operation; Gen. Edwin Black, former high-ranking intelligence official and assistant Army chief of staff for the Pacific, who headed the bank's Hawaii office; Gen. Erle Cocke, Jr., former national commander of the American Legion, whose consulting office served as Nugan Hand's Washington office; Walter McDonald, former deputy director of the CIA, who devoted most of his consulting business to Nugan Hand; and several top former CIA field men. William Colby, former director of the CIA, was the bank's lawyer on a variety of matters.

Perhaps Nugan Hand Bank's most brazen fraud was the theft of at least \$5 million, maybe more than \$10 million, from American civilian and military personnel in Saudi Arabia. The man in charge of Nugan Hand's Saudi operations was Bernie Houghton, the barkeep with high-level ties to U.S. and Australian intelligence.

It was 1979, the year of OPEC's highest oil prices ever, and Saudi Arabia was awash with money. Whole new cities were planned, and thousands of American professionals and managers were arriving to supervise the hundreds of thousands of newly arriving Asian laborers.

To get their services, Saudi Arabia had to offer much higher salaries than either the Americans or the Asians could earn back home. Most of the Americans were going over for a couple of years, braced to suffer the isolated, liquorless, sexless Muslim austerity in exchange for the big nest eggs they would have when they returned home.

When they got to Saudi Arabia they faced a problem, however. Every week or two they got paid in cash, American or Saudi. And because Muslim law forbids the paying or collecting of interest, there were no banks in the Western sense of the word. So what to do with all that money?

A claim letter from Tom Rahill, an American working Dhahran, Saudi Arabia, described how the operation worked: "Mr. Houghton's representatives would visit Aramco (Arabian American Oil Company) construction camps in Saudi Arabia shortly after each payday. We 'investors' would turn over Saudi riyals to be converted at the prevailing dollar exchange rate, and receive a Nugan Hand dollar certificate...The moneys, we were told, were to be deposited in the Nugan Hand Hong Kong branch for investments in various 'secured' government bonds." Another claim letter, from a group of 70 American

workers in Saudi Arabia (who among them lost \$1.5 million), says that was their understanding as well.

According to investors, Aramco, Bechtel, and other large U.S. concerns boosted the Nugan Hand connection by letting salesmen hold meetings on company property and use company bulletin boards. Bernie Houghton "only worked in cash," says Linda Geyer, who, along with her husband, a plumber on a large construction project, invested and lost \$41,481 with Nugan Hand. "One time he had to have two briefcases." Others remember Houghton actually toting away the loot in big plastic bags, slung over his shoulder like some reverse Santa Claus.

By his own admission, Houghton hauled off the intended savings not only of private-contract American employees, but also of U.S. Air Force personnel stationed in Saudi Arabia. In fact, the record shows that Houghton quickly made contact with two colonels he'd known from Vietnam War days. One of them, R. Marshall Inglebeck, "showed Mr. Houghton around, introduced him, and explained that Mr. Houghton was a banker looking for business for Nugan Hand Bank," according to Australian investigators. The other was Col. Billy Prim, who served on Admiral Yate's staff at the Pacific Command in Vietnam days and introduced Houghton to Yates back then. It was at Colonel Prim's house in Hawaii that Bernie Houghton would meet Maj. Gen. Richard Secord.

After word of Nugan Hand's collapse reached the Saudi press in 1980, Houghton and some of his banking staff fled the country, several aboard the last plane out before the Saudi police came searching for them. Depositors say that when they went to the old Nugan Hand office after that, they found it occupied and guarded by U.S. Air Force personnel, who assured them that everything would be straightened out.

The claim letter from the 70 investors who lost \$1.5 million says, "We were greatly influenced by the number of retired admirals, generals, and colonels working for Nugan Hand."

One of the bigger mysteries surrounding Nugan Hand, the answer to which may be almost self-evident, concerns its branch in Chiang Mai, Thailand.

(Indeed, Australian investigators reported that the idea for a Chiang Mai branch was suggested to Michael Hand by Murray Stewart Riley, a major Australian-U.S. drug trafficker now in prison in Australia.)

Chiang Mai is the colorful market center for the hill people of northwest Thailand. Like few other cities on earth, it is known for one thing. More than Detroit is known for cars, or Newcastle for coal, or Cognac for brandy, Chiang Mai is known for dope. It is the last outpost of civilization before one enters the law-unto-itself opium-growing world of the Golden Triangle.

If it seems strange for a legitimate merchant bank to open an office in Chiang Mai, consider this: the Chiang Mai Nugan Hand office was lodged on the same floor, in what appears to be the same office suite, as the United States Drug Enforcement Agency office. The offices shared a common entrance and an internal connecting door between work areas. The DEA receptionist answered Nugan Hand's phone and took messages when the bank's representatives were out.

The DEA has provided no explanation for how this came about. Its spokespeople in Washington have professed ignorance of the situation, and DEA agents in the field have been prevented by the superiors from discussing it with reporters.

The Drug Enforcement Agency has a history of working with the CIA at home and abroad; with drug money corrupting the politics of

many countries, the two agencies' affairs are often intertwined. Was that the case with the Nugan Hand office in Chiang Mai?

It was, according to Neil Evans, an Australian whom Michael Hand chose as the bank's chief representative in town. In recent years Evans has made daring statements to Australian investigators and television, and to the CBS EVENING NEWS in the United States. Among other things, he has said that Nugan Hand was an intermediary between the CIA and various drug rings.

Much that Evans says appears kooky. He claims to have attended important intelligence meetings in Hong Kong and Australia that he probably didn't attend, though the meetings may have occurred. But much else that he has said has proven to be true.

In Chiang Mai he was surrounded by people with long backgrounds in U.S. intelligence who were working for Nugan Hand. They included Thais who until recently had been working in professional or executive jobs at U.S. bases or with a CIA airline, and Billy and Gordon Young, sons of missionaries, who worked for the CIA during the Vietnam War and who now have ties to a SOLDIER OF FORTUNE magazine project. And some very wealthy people whom Evans claims to have taken deposits from agree they talked often to him and were urged to make deposits.

There is little doubt that many millions of dollars in deposits from numerous Thai citizens were taken out of Thailand; Nugan Hand's surviving records establish that. The only question is: Who were the depositors?

When this reporter went to Chiang Mai with a list of local citizens whom Evans said he had taken drug money from, the DEA agents on the scene at first were eager to make a deal: the list, in exchange for

whatever
nonconfidential information the agents could share about the
people on
it. The agents, all new since Nugan Hand days, went on about
how
curious they had been since they'd arrived in town and heard
stories
about the bank that used to operate across the reception room;
they
wanted to hear more.

Suddenly a phone call came from an embassy official in Bangkok
who
earlier had impeded my progress in every way possible (such as
by
postponing issuance of standard credentials). The official
ordered the
DEA agents not to talk to me. And that was that.

The U.S. government stonewalling on the Nugan Hand issue
continued all
the way to Washington. At the Hong Kong office of U.S.
Customs, the one
federal agency that acknowledges it looked even briefly into
Nugan Hand,
senior investigator James Wilkie agreed to an interview. I
was waved in
to find Wilkie seated behind a desk next to a shredding
machine and a
large carton of papers bearing a red horizontal strip,
outlining the
white letters C-L-A-S-S-I-F-I-E-D.

Wilkie was calmly feeding the documents into the shredder as
he spoke,
taking each batch of shreds out and putting them through a
second
time.

"We can't comment on anything that's under investigation or
might be
under investigation," he said.

Was Nugan Hand under investigation?

"There wasn't an investigation. We did make some inquiries.
We can't
comment."

I asked what was being shredded.

"It's none of your business what's being shredded," Wilkie
replied.

And that, as far as the American voter and taxpayer is concerned, may be the whole problem.

From the time of Frank Nugan's death in 1980, through four wide-sweeping investigations commissioned by the Australian government, the Nugan Hand Bank scandal has rocked Australian politics and dominated its press. To date, the investigations have revealed widespread dealings by Nugan Hand with international heroin syndicates and evidence of mammoth fraud against U.S. and foreign citizens. But many questions about the bank's operations remain unanswered.

The law in Australia, and in most other countries where Nugan Hand dealt, restricts the export of money. Michael Hand himself boasted that Nugan Hand moved \$1 billion a year through its seemingly magical windows. How could the Australian security agencies have let an operation of that size break the exchange laws with impunity for so many years -- unless, of course, the Australian agencies were cooperating with the bank, or had been told that Nugan Hand had a powerful government sanction from abroad?

The U.S. military officers who worked for Nugan Hand told Australian investigators they were unaware of the bank's illicit activities. They said they had been duped just like the depositors. [Ack! -jpg] But could that level of stupidity be ascribed to high officials who only recently were responsible for supervising BILLIONS of dollars in U.S. taxpayer funds -- hundreds of thousands of troops and whole fleets of aircraft and aircraft carriers -- who specialized in, of all things, intelligence?

Or was it more likely that these men, at least most of them, weren't thieves, and that there was some political motive behind their work?

The presence of former U.S. military and intelligence officers in Nugan Hand's executive ranks raises obvious questions about the role of the U.S. government. But the CIA, the FBI, and the U.S. Customs Service, all of whom have information on Nugan Hand, have refused to release what they know to Australian investigators. When an Australian newspaper, the NATIONAL TIMES, petitioned the FBI for information on Nugan Hand under the Freedom of Information Act, the newspaper was told that it could only see 71 of some 151 pages of material in FBI files. When these papers arrived they resembled a collection of Rorschach tests, with page after page blacked out in heavy ink and bearing the notation "B-1," indicating that disclosure would endanger U.S. "national defense or foreign policy."

The fragmentary records left by Nugan Hand and the testimony of some peripheral characters in this case suggest there was a political side to much of the bank's business -- from negotiations with the Sultan of Brunei about ways to protect the sultan's wealth in case of political upheaval, to lengthy reports from Nugan Hand's Thai representative describing Vietnamese troop movements and battle tactics in Cambodia.

Australia's Joint Task Force on Drug Trafficking released a four-volume report on Nugan Hand to Parliament in 1983, which determined that Nugan Hand had participated in two U.S. government covert operations; the sale of an electronic spy ship to Iran and weapons shipments to southern Africa, probably to U.S.-backed forces in Angola.

Both the Iranian and African operations involved Edwin Wilson, a career CIA officer, purportedly retired, who was then working as a civilian on the staff of a supersecret Navy intelligence operation called Task Force 157. In 1983, Wilson began serving a 52-year sentence in

federal prison
for supplying tons of plastic explosives, assassination gear,
high-tech
weapons, and trained personnel to Libya. He is also the main
link
between Nugan Hand and key figures in the Iran-contra affair.

The crowd around Edwin Wilson at the time of Frank Nugan's
death in 1980
included Maj. Gen. Richard Secord, then involved in U.S.
military sales
for the Pentagon worldwide; Thomas Clines, a high-ranking CIA
official
who went on to run a business founded with Wilson money; Ted
Shackley,
deputy chief of the CIA's clandestine services division until
his ties
to Edwin Wilson led to his resignation; and Rafael ("Chi Chi")
Quintero,
a Bay of Pigs veteran who was hired by Wilson in 1976 for an
aborted
plot to assassinate a political opponent of Col. Muammar
Qaddafi.
(Quintero says he backed out when he found out the
assassinations were
not authorized by the CIA.)

All of these men would later resurface as players in the
Iran-contra
mission: Richard Secord as the man who ran the operation for
the White
House; Thomas Clines as Secord's chief aide; Ted Shackley as a
consultant to a company that subsequently was used to fund the
contras;
and Chi Chi Quintero as one of the men who supervised the
distribution
of arms shipments to the contras in Central America.

The 1983 Australian Joint Task Force report listed them all as
people
whose "background is relevant to a proper understanding of the
activities of the Nugan Hand group and people associated with
that
group." The ties between Wilson and his associates, on the
one hand,
Nugan Hand, on the other, were many:

* Shortly after Ted Shackley retired from the CIA and went on
to a
career in private business, he began meeting with Michael
Hand, the
former Green Beret and CIA contract agent turned banker.
Surviving
correspondence between the two men indicates that their

relationship
was well established and friendly.

* Richard Secord told Australian investigators that he had met Bernie Houghton in 1972 at the home of Colonel Prim. The task force reported that they saw each other occasionally and socially in Washington, D.C., Saudi Arabia, and the Netherlands throughout the middle and late 1970s.

* In 1979 Secord introduced Houghton to Thomas Clines. The two men then met repeatedly with Ted Shackley in Washington, which eventually led to a deal to sell Philippine jeeps to Egypt. (About a year later, in June, 1980, when criminal investigations into Nugan Hand were getting under way in Australia, Thomas Clines traveled all the way to Sydney to accompany Bernie Houghton on his hasty flight out of Australia.)

* Bernie Houghton met repeatedly with Edwin Wilson during this period. About the time of Frank Nugan's death, in January 1980, Thomas Clines and Chi Chi Quintero dropped by Wilson's Geneva office. There they found a travel bag full of documents left by Bernie Houghton. According to task force witnesses, Richard Secord's name was mentioned as they searched the bag and removed one document. "We've got to keep Dick's name out of this," said Clines.

Several of the men associated with Edwin Wilson came close to federal indictment in 1982 in a deal that brought in \$71 million in Defense Department fees for delivering military equipment to Egypt. The shipments were made by Clines's company and were overseen by Secord at the Pentagon. According to Wilson, his bookkeeper-girlfriend, and a female companion of Clines, profits were to be shared by Secord, Clines, Shackley, Wilson, and another Pentagon official, Erich von

Marbod. And memos from Wilson's lawyer at the time -- first unearthed by Peter Maas for his book MANHUNT -- say the profits were to be shared among a corporation, apparently controlled by Wilson, and four U.S. citizens.

But federal prosecutors decided the word of these witnesses might fail against the denials of senior Pentagon officials. Besides, the careers of Secord and von Marbod seemed -- at least until the Iran-contra affair -- to have been effectively derailed. Both had resigned from their posts. So instead of indicting the individuals, the prosecutors indicted only Clines's company, without saying who, besides Clines and an Egyptian partner, were thought to be the other investors. (Secord, Shackley, and von Marbod denied involvement in the company.)

Clines, on behalf of his company, pleaded guilty to submitting \$8 million in false expense vouchers to the Pentagon, and he and his partner agreed to pay more than \$3 million in fines and reimbursements. That, however, did not dissuade Richard Secord from hiring Clines as his deputy in the Iran-contra operation.

Edwin Wilson, the man who unites all these figures, is the only one who went to jail, along with a former assistant, Douglas Schlachter. Schlachter agreed to testify about Wilson's dealings, served a brief prison term, and then went into the federal witness protection program. He also led the Australian Joint Task Force to information about Nugan Hand's involvement in the two covert deals in Iran and Southern Africa.

Schlachter remembered meeting Secord's friend Bernie Houghton in Wilson's Washington office with two career CIA officers around the time of the spy ship sale. Immigration records show that Houghton then traveled to Iran, in March 1975, apparently for the only time

in his life. And, according to the task force report, he was accompanied by "a senior serving member of the U.S. Armed Forces." Immigration records also show that Wilson traveled to Iran twice in subsequent months, once stopping over first in Sydney. At the time of the spy ship sale, in 1975, the U.S. military program in Iran was being run by General Secord.

The Pentagon's reply to all this is simple and straightforward: "Any sort of a sale of that sort would have been under the auspices of Naval Intelligence Command, and, of course, their activities are classified," a spokesman says. And he won't comment further.

By 1975, Michael Hand was bored with banking. He told friends he wanted to leave his desk and neckties behind for new challenges. He talked of places where combat, which he dearly loved to reminisce about, was still going on. He left Australia to go fight "communism" in Africa.

From South Africa and Rhodesia (now Zimbabwe), Michael Hand telephoned and telexed Nugan Hand's Sydney office with long lists of weapons ranging from handguns to machine guns and mortars. A Nugan Hand staffer was dispatched from Sydney to discuss these needs directly with Hand. The timing of these activities coincides exactly with the CIA's raising of arms and men on the black market for covert intervention in Angola's civil war.

Meanwhile, Bernie Houghton held a series of meetings with Edwin Wilson at Wilson's Washington office. Wilson then placed Nugan Hand's order for 10 million of rounds of ammunition and 3,000 weapons. The weapons were believed to have been shipped from Boston to a phony destination in Portugal. (False documentation filed in Portugal was also used in the Iran-contra arms shipments.) Ultimately, according to the task force

report, the shipment was probably received by Michael Hand in southern Africa and then shipped to CIA- supported fighters in Angola.

The final judgment rendered by the task force shows some naivete about how the CIA has actually conducted covert operations over the years. "All things taken into account," the task force report states, "the operation is considered likely to have been carried out as a result of private entrepreneurial activity as opposed to one officially sanctioned and executed by U.S. intelligence authorities."

For those who haven't paid much attention to CIA style over the years, perhaps the main problem in understanding Nugan Hand has been this seemingly analytical choice between "private entrepreneurial activity" on the one hand and "officially sanctioned" activity on the other. In fact, as the Iran-Contra operation clearly shows, the two have never been clearly distinguished. In phrasing the choice, one may inadvertently rule out what is really the most likely explanation.

It is possible, in fact customary, for a CIA-related business to be both private and for-profit, and yet also have a close, mutually beneficial relationship with the agency. The men running such a business are employed exactly as if it were a private concern -- which it is. But they may have been steered to their jobs by the CIA, and they never forget the need to exchange favors.

According to Victor Marchetti, a former CIA officer who coauthored a best-selling book on the agency whose accuracy has never been questioned, Nugan Hand seems to fall in the category of an independent organization, closely allied with the CIA. "It doesn't seem to be a proprietary in the full sense of the word, that is, owned and controlled by the agency, nor does it seem to be a simple front organization. It seems to be more of an independent organization with former

CIA people connected with it, and they're in business to make money, but because of their close personal relationship with the agency, they will do favors for the agency." These favors might include laundering money and providing cover for agents, or for any highly secret activity the agency is involved in but doesn't want to be connected to. The agency, in turn, might use its influence to throw business the company's way, or to offer the company protection from criminal investigation.

CIA men on covert missions do not identify themselves as such. But those exposed to the culture of spying learn how to interpret the word of members of the spying community, whether active or retired. They know, as any Mafia member does, that the business of the organization cannot always be identified by an official seal. But it can be recognized nonetheless.

It is in this sense that one must judge what Nugan Hand was, and what moral responsibility the United States government has for what Nugan Hand did.

No one has been convicted of a crime for the Nugan Hand Bank's activities. Frank Nugan died in his Mercedes -- although gossipy newspapers, consumed by the scandal, would occasionally report that he'd been spotted in far-flung places. Suspicion grew so wild that in February 1981 Australian officials ordered Nugan's body exhumed, just to put everyone's mind at ease. Michael Hand fled Australia in June 1980, with a false passport and a fake beard, accompanied by another former U.S. intelligence operative. His whereabouts are still unknown. Bernie Houghton disappeared at roughly the same time (accompanied by Thomas Clines). But unlike Hand, Houghton had done most of his stealing outside Australia. Once it was clear that the investigations were

rather toothless, he returned there in October 1981, again as a barkeep, with a few years of part-time banking in his past. Admiral Yates, General Manor, and the other retired military officers stayed beyond the reach of Australian authorities and have never testified under oath.

The legitimate security interests of the United States certainly require a large and efficient intelligence operation. [snort -jpg] But the people and organizations that make up what is called the intelligence community in the U.S. government have gone far beyond the gathering of intelligence. In many cases, the word *intelligence* has been used as a cover for covert and unconstitutional acts of war and civil crime.

The public, here and abroad, knows it, and respect for law itself is dissipated. Dope peddlers and weapons smugglers almost universally claim to be working for the CIA, and many can prove they really are. The connections have prevented prosecution even in cases where the crimes themselves were never authorized, and law enforcement is confused and corrupted.

When agents of the United States steal, when they get involved in drug deals, how far should the patriotic cloak be granted by national policy stretch to cover them? Does it cover an agent who lines his pockets in side deals while working in the name of national security? What acts lie beyond a presidential directive to do "whatever is necessary"? When has license been granted, and when has it simply been taken?

What the Nugan Hand affair should have established, and what the Contra-gate scandal makes even clearer, is that the license to commit crimes in the name of national security has been granted too often and too lightly. Without a recognition of this central fact, scandal will follow

scandal. The nation's moral capital will continue to be squandered. And the country's real, legitimate security interests will be seriously and repeatedly damaged by the twisted values of self-appointed "patriots."

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