

BY GARY WEBB

Mercury News Staff Writer

Central Intelligence Agency Director John Deutch has ordered the spy agency's Inspector General to look into CIA connections to a Bay Area drug ring that helped touch off the "crack" cocaine epidemic of the 1980s.

In a letter to Senator Barbara Boxer, D-California, and Representative Maxine Waters, D-Los Angeles, Deutch said that in response to "extremely serious charges" by the Mercury News, he has asked for "an immediate and thorough internal review of all the allegations concerning the Agency published by the newspaper."

The Mercury News' three-part series, "Dark Alliance," detailed how a Bay Area drug ring sold tons of cocaine to the street gangs of South Central Los Angeles and funneled millions in drug profits to a CIA-run guerrilla army. The series traced the crack cocaine explosion to two Nicaraguan cocaine dealers, Danilo Blandon and Norwin Meneses, who were civilian leaders of the Frente Democratica Nicaraguense (FDN), an anti-communist commando group formed and run by the CIA during the 1980s.

Blandon, who is now an undercover informant for the Drug Enforcement Administration, admitted in federal court recently that his biggest customer was a South Central crack dealer named "Freeway" Rick Ross, who turned Blandon's cocaine into crack and distributed it to the Crips and Bloods street gangs. He told the DEA in 1995 that at the height of his business with Ross, he was selling 100 kilos of cocaine a week to the gangs.

Boxer, in an interview, called the CIA director's announcement "a big step" and expressed confidence that the Inspector General's review would be "thorough and complete."

But Deutch's letter makes it clear that, at the moment, he doesn't believe the CIA had anything to do with the FDN's drug pipeline.

"The review I ordered of Agency files, including a study conducted in 1988 and briefed to both intelligence committees, supports the conclusion that the Agency neither participated in nor condoned drug trafficking by Contra forces," Deutch wrote.

"In particular, the Agency never had any relationship with either Blandon or Meneses."

When the Mercury News filed a Freedom of Information Act request with the CIA last year asking about Blandon and Meneses and their relationship with the CIA, the agency replied that it could not provide anything about either man because of national security concerns.

According to a top DEA official in Washington who has read Meneses' intelligence files, DEA reports say that Meneses "either was or represented himself to be" a CIA agent.

The Mercury News found that Meneses and Blandon met with CIA agents Enrique Bermudez, the military commander of the Contra forces, and Adolfo Calero, the FDN's political leader, both before and during the time Meneses and Blandon were selling cocaine in Los Angeles.

The CIA's past history of investigating itself has been criticized by many researchers and investigators who looked into allegations of a CIA-Contra-cocaine connection during the 1980s.

The 1988 study Deutch cited in his letter to Boxer, for example, "was part of the attempt to crap all over us," said Jack Blum, the former chief counsel to a Senate subcommittee that investigated Contra drug operations that year. Blum said the CIA study, which has never been released publicly, "was a quick whiz-by" to determine if the intelligence agency had ordered or approved of the sale of drugs.

"It was not (a question of) 'Did we protect it?' or 'Did we cover it up?'" Blum said. "With the agency, you have to watch every single word."

Boxer said that it was "understandable that people would be skeptical, given the fact that Deutch says that it's been studied and he doesn't believe it. But on the other hand, these investigations take on a life of their own and the Inspector General has a very clear mandate from the Congress to be independent from the agency. If they're not, they're going to hear from me about it."

CIA spokesman Mark Mansfield said he was uncertain whether the report of the Inspector General's investigation would be made public. Deutch said he would report back to Boxer within 60 days.

Waters said she was "very pleased" Deutch had ordered the investigation, but said, "We cannot dispel suspicions and doubt until and unless we have exhausted every effort to uncover the truth." Waters, who represents South Central, has asked for a Congressional investigation of the matter and has requested an internal investigation at the Department of Justice as well.

She was joined in that request Thursday by Sen. Dianne Feinstein, D-California, who asked Attorney General Janet Reno to look into the Justice Department's handling of Bandon, Meneses and the recent DEA sting against Freeway Rick Ross.

Bandon was the government's star witness against Ross at a trial in San Diego last March, after he lured Ross, a recently paroled crack dealer, into a government sting.

Waters said Reno has not yet responded to her request.

In his letter to Boxer, Deutch denied that the CIA had ever tried to keep information about Bandon and Meneses from defense lawyers in Ross' case, a reference to an unusual motion the Justice Department filed before the San Diego trial to prevent Ross' lawyers from questioning Bandon about his relationship with the CIA.

The motion, filed by Asst. U.S. Attorney L.J. O'Neale, said that the government believed "at least one defendant will attempt to assert to the effect that (Bandon) sold cocaine to raise money for the Nicaraguan contras and that he did so in conjunction with, or for, the Central Intelligence Agency. This matter, if true, would be classified; if false should not be allowed."

O'Neale's motion was granted by U.S. District Judge Marilyn Huff, who decided that whatever Bandon's involvement was with the CIA, it was irrelevant to the Ross case.

Ross is scheduled to be sentenced Sept. 13 in San Diego. He faces a possible sentence of life without the possibility of parole.

1 September 1996 The Honorable Barbara Boxer United States Senate Washington, D.C. 20510 Dear Senator Boxer:

I write in response to your letter of August 28, 1996, concerning the allegations made by the San Jose Mercury News that the Central Intelligence Agency engaged in drug trafficking to support the Contras in their effort to overthrow the Sandinista government in Nicaragua. Specifically, the Mercury News alleges or infers a relationship between the Agency and drug smuggling activities in which two Nicaraguan Nationals, Oscar Danilo Bandon Reyes and Juan Norwin Meneses Cantarero, were engaged.

I consider there to be extremely serious charges. The review I ordered of Agency files, including a study conducted in 1988 and briefed to both intelligence committees, supports the conclusion that the Agency neither participated in nor condoned drug trafficking by Contra forces. In particular, the Agency never had any relationship with either Bandon or Meneses, nor did it ever have information concerning either of them withheld in the trial of Rick Ross.

Although I believe there is no substance to the allegations in the Mercury News, I do wish to dispel any lingering public doubt on the subject. Accordingly, I have asked the Agency's Inspector General to conduct an immediate and thorough internal review of all the allegations concerning the Agency published by the newspaper.

I will write again to report to you when the Inspector General's review is completed. I have asked that the

review be finished within 60 days.

Sincerely,

John Deutch

Director of Central Intelligence Agency

The Honorable Janet Reno
Attorney General
U.S. Department of Justice
10th and Constitution Avenue, N.W.
Washington, D.C. 20530

Dear Madam Attorney General:

I am writing to request an Inspector General investigation into an alarming situation recently reported by a major California newspaper. It involves the Central Intelligence Agency's alleged Connection to a major drug trafficking operation that may very well have initiated the monstrous crack problem plaguing America's inner cities today. Residents in my state of California are outraged that the federal government possibly played such a role in the explosion of a drug that took countless lives.

The San Jose Mercury News reported after a year-long investigation that a drug pipeline between Colombia and the Bay Area functioned for almost a decade, funneling profits to finance the CIA-backed Contras in Nicaragua and leaving a legacy of drugs and destruction in the poorest areas of Los Angeles.

The report asserts that a former Contra leader, Oscar Danilo Blandon Reyes, exiled to the United States worked with the CIA to rebuild Somoza's defeated army. To raise funds, a drug operation was started that may have been the initial link between Colombian cocaine cartels and the black ghettos of South-Central Los Angeles. At the same time, it was discovered that cocaine could be transformed to a rock form and the deadly crack cocaine was born.

Drug-dealer Blandon was the distributor for thousands of kilos of cocaine and has been called one of Nicaragua's largest cocaine dealers. Today, Blandon is a well-paid informant for the Drug Enforcement Agency who has avoided recourse for his actions.

The news article reports that Blandon has been paid \$166,000 in taxpayer funds as a DEA informant.

Other alarming statements in the report include that:

- * Blandon told the DEA last year he was selling up to 100 kilos of cocaine a week. The profit was going towards the Contra revolution.

- * Blandon testified that the drug ring sold almost a ton of cocaine in the United States in the first year -- \$54 million worth at prevailing wholesale prices.

- * Blandon implied that the cocaine sales were, for a time, CIA-approved.

- * Though Blandon admitted to crimes that have sent others away for life, the Justice Department turned him loose on unsupervised probation after 28 months of jail time.

- * The CIA is believed to have compromised prior investigations into Blandon's dealings which were wholly unsuccessful.

- * Norwin Meneses, Blandon's supplier as of 1983 and 1984, routinely flew quantities of 200 to 400 kilograms from Miami to the West Coast.

- * Meneses was implicated in 45 separate federal investigations since 1974, yet was finally arrested in 1992

by Nicaraguan authorities in connection with a staggering 750-kilo shipment of cocaine.

* None of the government agencies known to have been involved with Meneses and Blandon over the years would provide any information about them.

While I am fully aware that these events occurred during the Reagan and Bush Administrations, it is unconscionable to let the implication stand that the United States helped introduce the crack cocaine epidemic to the streets of our cities. The implications are far too deep and the connections far too strong. For this reason, I believe an Inspector General investigation is in order to fully evaluate these allegations. As you well know, the United States and particularly my State of California are already fully immersed in the fight against drugs. Crack cocaine has been an unwelcome contributor to this problem that has escalated to proportions beyond the resources law enforcement and health care can manage.

While we attempt to control our borders and decrease the flow of drugs entering the United States, it is imperative that we have an accurate understanding of the roots of the problem. It is completely unacceptable for the United States to have been involved in any way with the trafficking of drugs over our borders. I urge you to dispel these notions by getting to the bottom of these allegations. We must be honest about our past to ensure that our work to stop the flow of drugs in the future may continue without the tarnish of corruption these charges have brought. The integrity of our justice system is at stake.

With this in mind, I hope that you will take a serious look at the charges that have been raised. I look forward to the findings an investigation will provide. Thank you for your assistance in this matter.

I have attached a complete set of the news articles for your reference.

Sincerely,

Dianne Feinstein

United States Senator

The Honorable Henry J. Hyde

Chairman
Committee on the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, D.C. 20515

Re: Request for Hearings

Dear Chairman Hyde:

I am writing to request immediate hearings by the Committee on the Judiciary into recent allegations regarding the government's role in financing and trafficking crack cocaine into my district in South Central Los Angeles and other inner city neighborhoods across this country.

The allegations about the government's alleged role have been detailed in an ongoing series of articles in the San Jose Mercury News. As indicated in one of the articles, dated August 18, 1996, which I have attached, at least two men -- Norwin Meneses, a Nicaraguan drug trafficker, and Danilo Blandon, a Nicaraguan business person connected to the Contra rebels -- allegedly funneled "cut-rate cocaine" to South Central Los Angeles gangs through a young man named Ricky Ross, who lives in my district and who I have met previously. The Central Intelligence Agency then apparently used the proceeds from the drug sales to Mr. Ross and other gang members to help finance the purchase of weapons and equipment for the Contras to overthrow the Sandinista government in Nicaragua.

In addition, Mr. Blandon apparently still is a paid informant for the Drug Enforcement Agency. He

recently testified against Mr. Ross in exchange for his ability to walk the streets a free man despite years of systematically, and apparently without remorse, pumping the most deadly and destructive drugs into inner city neighborhoods and providing the "seed" money to buy automatic weapons, which have spawned massive inner-city blood shed and death.

As you know, in the late 1980s, Congress held extensive hearings on the connection between foreign policy, narcotics, and law enforcement. Those hearings produced damning evidence of wrongdoing. However, due to continual obstruction, from many different sources -- including federal law enforcement agencies -- those hearings were not able to establish as precise a trail of as the recent San Jose Mercury News article has, at least as it pertains to the origin of the crack cocaine trade in the U.S.

Crack cocaine has ravaged my community as well as other communities in this country. You know that I am deeply concerned about this problem. In addition to the human devastation caused by crack cocaine use, I am also dismayed by the heavy-handed, arbitrary and discriminatory mandatory minimum sentences which politicians have attached to crack cocaine use and possession. These sentences have the effect of severely punishing small-time users, and are prosecuted in a discriminatory way which disproportionately impacts African-American and Latino males. However, as indicated in the article, major drug traffickers like Mr. Meneses and Mr. Blandon receive virtually no punishment or jail time.

Again, the notion that a U.S.-government agency knew about the drug-tainted resources that were funding a war in Nicaragua, and the idea that those involved allowed a major infusion of cocaine onto the streets of America because of its blind devotion to win a war -- a war which was at the time being conducted secretly -- is among the more devastating assertions one could make about this government.

As someone who has seen how the crack cocaine trade has devastated the South-Central Los Angeles community, and as a public official, I cannot exaggerate my feelings of dismay that my own government may have played a part in the origins and history of this problem. If the allegations raised in the San Jose Mercury News are true then those actions are tantamount to "treason."

The Judiciary Committee has jurisdiction to investigate the allegations, including allegations of criminal wrongdoing and domestic drug trafficking by a law enforcement agency, raised by the San Jose Mercury News. As chairman of the Judiciary Committee, I call on you to hold hearings to help the American citizens get needed answers to these disturbing allegations.