

TRANSCRIPT OF PROCEEDINGS

UNITED STATES SENATE

Permanent Subcommittee on Investigations
of the
COMMITTEE ON GOVERNMENTAL AFFAIRS

DRUGS AND MONEY LAUNDERING IN PANAMA

UNREVISED AND UNEDITED
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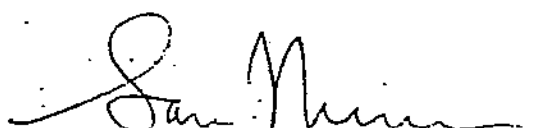
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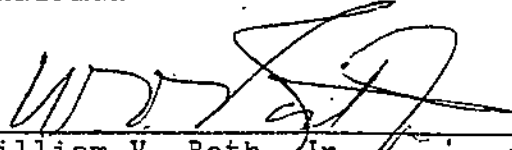
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Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive session hearings without a quorum of two members for the administration of oaths and the taking of testimony in connection with hearings on Drug Trafficking and Money Laundering in Panama, to be held on January 28, 1988.


Sam Nunn
Chairman


William V. Roth, Jr.
Ranking Minority Member

VR

DRUGS AND MONEY LAUNDERING IN PANAMA

- - -

THURSDAY, JANUARY 28, 1988

United States Senate,

Permanent Subcommittee on Investigations of the

Committee on Governmental Affairs,

Washington, D.C.

The Subcommittee met, pursuant to notice, at 9:35 a.m., in Room SD-342, Dirksen Senate Office Building, Hon. Sam Nunn, Chairman of the Subcommittee, presiding.

Present. Senators Nunn, Sasser, Roth, Stevens, and Tribble.

Staff Present: Eleanore Hill, Chief Counsel; Daniel Ringel, Chief Counsel, Minority; Mary D. Robertson, Chief Clerk; David Munson, Investigator; Kathleen Dias, Executive Assistant to Chief Counsel; Alan Edelman, Counsel; Carla Martin, Assistant Chief Clerk, Minority; Sallie Cribbs, Executive Assistant to Minority Chief Counsel; John Sopko, Deputy Chief Counsel; Hal Lippman, Investigator; Mary Vinson, Minority Investigator; Bobbie Kammerman, Deputy Chief Counsel, Minority; Stephen Levin, Minority Counsel; Paul Owens, Staff Assistant, Minority; Evelyn Boyd, Liaison for Senator Sasser; Bob Carolla, Liaison for Senator Mitchell; Marianne McGeltigan, Liaison for Senator Rudman; Steven Ryan, Liaison for Senator Glenn; Donna Omori, Liaison for Senator

1 Levin; Sean McAvoy, Liaison for Senator Cohen; and Gregory
2 DenHerder, Liaison for Senator Stevens.

3 Senator Nunn. The Subcommittee will come to order.

4 With today's hearings on the alleged involvements of
5 Panama officials, specifically General Noriega, in narcotics
6 trafficking and money laundering, our Subcommittee, the
7 Permanent Subcommittee on Investigations, enters a new phase
8 in its long-standing effort to examine key drug issues facing
9 our Nation. At the outset, I want to emphasize that a great
10 deal is at stake in the testimony we will hear this morning.
11 At issue, for one thing, is the credibility and reputation of
12 the leader of a country that has played and continues to play
13 a vitally important strategic role in our Nation's national
14 security and economic well-being.

15 Also in question is our continuing ability to stem the
16 flow of illicit drugs in the United States. I have often
17 said that one of the biggest challenges we face in the war on
18 drugs is obtaining strong, ongoing support from the people
19 and governments of so-called source countries or transshipment
20 countries. Without such support, I fear we will be facing a
21 lonely and extremely difficult, if not impossible, task in
22 halting the flow of drugs across our borders.

23 Today's proceedings cap a Subcommittee investigation of
24 long-standing allegations that link General Noriega and high
25 level subordinates in Panama's Defense Forces with the Latin

1 American drug trade. There have been numerous published
2 reports on this subject, including allegations of connections
3 between General Noriega and drug activities as long ago as
4 the early 1970's when he headed the Panamanian military
5 intelligence service. Such reports have continued to appear
6 periodically right up through the present time.

7 At the very beginning, I want to congratulate Senator
8 Roth for taking the lead in this investigation. He and his
9 staff have been in the lead. They have worked very carefully
10 over a long period of time on this; I believe about 18
11 months. And, of course, we have cooperated to the fullest
12 extent possible. This investigating Subcommittee is exactly
13 that, not a legislative Subcommittee. It does not handle
14 legislation, but it does lay the groundwork for legislative
15 activity. It is enormously important that this Subcommittee,
16 of all Subcommittees in the Senate, be run on a bipartisan
17 basis, fully cooperative between Republicans and Democrats.
18 As chairman, I have tried my best to do that, and I know
19 Senator Roth did when he was chairman. So, Senator Roth, I
20 congratulate you and your staff for putting this investigation
21 together and the hearing together today.

22 Recently, new information has surfaced prompting renewed
23 attempts to scrutinize General Noriega's past record and
24 persistent denials of wrongdoing. In a June 1986 New York
Times article, for example, General Noriega was described,

1 "according to evidence collected by American intelligence
2 agencies," as being "extensively involved in illicit money
3 laundering and drug activities." According to published
4 reports, by the latter part of last year, 2 Federal grand
5 juries had begun separate investigations of these continuing
6 allegations against the General.

7 At the same time, United States support for General
8 Noriega has declined, although the reasons for this include
9 factors in addition to and apart from his alleged involvement
10 in drug activities. For example, the Panamanian military has
11 recently been criticized for its role in Panamanian politics,
12 particularly its harsh response to the civil unrest that
13 broke out last June, among many other allegations.

14 As a result of these concerns, the Administration froze
15 most of Panama's \$26 million in U.S. aid in July of last
16 year. Last month the Senate added a provision to the omnibus
17 spending bill which contains far-reaching sanctions, including
18 a cutoff of virtually all economic and military assistance to
19 Panama, including aid previously approved but still un-
20 delivered; the elimination of Panama's quota for sugar
21 exports to the United States; and mandatory U.S. votes
22 against loans to Panama by international development banks.

23 To date, General Noriega has consistently denied any
24 involvement with or assistance to drug traffickers. Faced by
those denials and in the absence of any clear and convincing

1 proof to the contrary, these allegations and rumors have
2 remained just that: allegations and rumors.

3 It is not the province nor the practice of this Subcom-
4 mittee to act as a forum for empty allegations or unfounded
5 rumors. This is no less the case when we deal with a foreign
6 public official such as General Noriega. As such, I want to
7 stress that we are here today to receive and consider not
8 rumor or innuendo, but rather sworn testimony and documentary
9 evidence as to General Noriega's alleged involvement in the
10 drug trade.

11 Specifically, an individual who states he has personal
12 knowledge of the involvement of Panamanian officials in drug
13 trafficking and money laundering activities will provide
14 testimony this morning that heretofore has not been heard in
15 public. This witness, as a convicted drug smuggler, has been
16 cooperating with Federal authorities for some time in a
17 number of investigations. Given the serious nature of the
18 allegations that will likely be made this morning, I intend
19 to listen to his testimony very carefully, as well as consider
20 very closely the law enforcement information and the documen-
21 tary evidence which bears directly on his credibility as a
22 witness.

23 In closing, I again want to commend Senator Roth and the
24 Minority Staff for taking the lead in this important and
25 timely investigation. This is another example of our

1 Subcommittee's long-standing concern of the critical issue of
2 drug trafficking and the very, very detrimental effect it has
3 on our Nation.

4 Senator Roth.

5 Senator Roth. Thank you, Mr. Chairman. Thank you for
6 your cooperation in this effort.

7 The world's attention has recently, of course, been
8 focused on Panama. The reports from Panama include allega-
9 tions of corruption, bribery, and even murder. As a result,
10 there has been continued unrest in Panama--disgruntled
11 Panamanian citizens took to the streets, the military-
12 dominated government attempted to stifle dissent, and the
13 U.S. Embassy was even attacked.

14 Panama is, of course, vitally important to the United
15 States, in part because of the Panama Canal, in part because
16 of the close ties between the Panamanian people and the
17 people of the United States.

18 But here today we focus on a problem of equal significance
19 to the security interests of the U.S.--the role played by
20 Panamanian officials in facilitating the narcotics pipeline.
21 To put it bluntly, Panamanian officials, including the most
22 powerful one in the country, General Manuel Antonio Noriega,
23 are being charged with making lots of money by helping drug
24 smugglers and money launderers ply their trade. Any such
25 practices must stop.

1 Today we will hear, under oath, from an admitted drug
2 smuggler, Steven Kalish, who lived in Panama under the name
3 "Skip" Brown and will state that he directly paid General
4 Noriega for the privilege of using Panama not only as a safe
5 repository for his money but as a base of operations for his
6 smuggling activities. I must say any such role played by
7 General Noriega or any other Panamanian officials would be
8 nothing short of outrageous.

9 It has been no secret that for some years now Panama has
10 provided a safe and secret haven for the world's wealthiest
11 narcotics traffickers. Easy creation of secret corporations
12 and strict bank secrecy laws guarantee protection and
13 anonymity to money launderers. Panama is close to the United
14 States and uses the American dollar, which avoids the
15 inconvenience of exchanging currency. Frankly, I wish we
16 could convince Japan to do the same.

17 As the staff discovered in the course of an 18-month
18 investigation, which included a staff trip to Panama, we have
19 learned that because of these facts, the Panamanian banking
20 system has been flooded with American dollars. Consider that
21 between 1982 and 1987, Panamanian banks had a surplus of over
22 3.8 billion in American dollars to return to the United
23 States Federal Reserve. Where is the money coming from? As
24 we will hear from a representative of the Customs Service, in
25 a recent U.S. Customs' operation known as Buckstop, over 16

1 million American dollars illegally bound for Panama was
2 seized at 3 locations in only 6 months. If that is what we
3 came up with in random seizures in just 6 months, you can
4 imagine what slipped through. There are, in fact, very few
5 drug money laundering operations that do not involve Panama
6 in some way.

7 I expect that Panamanian officials will dismiss the
8 testimony we will hear today as the fabrications of a
9 narcotics trafficker out to save his own skin. If that is
10 the case, if Mr. Kalish made all this up, then how did he
11 come by several Panamanian passports, one of which bears
12 diplomatic credentials? Why did Mr. Kalish's wife receive a
13 handwritten note from General Noriega welcoming her to
14 Panama? Mr. Kalish is, after all, an admitted drug smuggler.
15 That was his business before he went to Panama and his
16 business while he lived in Panama. How is it that Mr. Kalish
17 received an irrevocable letter of credit from the National
18 Bank of Panama for \$1,995,000 to finance the purchase of a
19 helicopter for the Panama Defense Forces? Clearly, we have
20 evidence of drug-related corruption extending to the highest
21 levels in Panama. We must confront this corruption and take
22 measures to abolish it if we are serious about winning the
23 war against drugs.

24 This Subcommittee, under both my past chairmanship and
now under our distinguished chairman, Senator Nunn, has

1 repeatedly attempted to highlight the indispensable role that
2 money laundering plays in enabling the international drug
3 trade to flourish. Back in 1982, we alerted the Congress to
4 the role played by off-shore banking institutions to hide
5 drug profits.

6 While some progress has been made in the intervening
7 years, it seems perfectly clear that a number of countries
8 have not gotten the message. We are involved in a war on the
9 international drug trade, and in this war there can be no
10 neutral bystanders. Our national security interests are just
11 a directly threatened by the dope dealing and money laundering
12 authorized or tolerated by public officials in Panama as our
13 interests would be threatened by the closing of the Panama
14 Canal. The best hope to eliminate these illegal activities
15 is to ensure that a stable, democratic government exists in
16 Panama, one that observes the law, not that violates it.

17 Congress has authorized the imposition of sanctions on
18 those countries who will not help us, but the Executive
19 Branch has not yet chosen to impose the anti-drug sanctions
20 against any country. Although, as Senator Nunn has properly
21 stated, the Administration froze U.S. aid after the attack on
22 the U.S. Embassy and the Congress imposed additional sanctions
23 in the omnibus spending bill. Moreover, last year, our
24 distinguished chairman and I proposed a bill, which is now
law, to tighten standards for defining "full cooperation" by

1 other countries in the fight against the international drug
2 trade and to add sanctions against those countries which
3 refuse to cooperate. We may need some more backbone in the
4 Executive Branch to see that those sanctions are implemented.

5 I want to strongly commend my good friend and colleague,
6 the chairman, Senator Nunn, for holding these hearings. He
7 has been a leader in Congress in the fight against drug
8 trafficking. As I previously stated, Senator Nunn and I have
9 worked together on legislation to strengthen sanctions
10 against foreign countries facilitating the drug trade. His
11 staff has been most helpful in this investigation. I
12 particularly want to commend Eleanore Hill and her staff for
13 their assistance. As the chairman has properly pointed out
14 in the case of PSI, it has been a real joint effort. I look
15 forward to continuing to work with Senator Nunn on this vital
16 issue.

17 Senator Nunn. Mr. Kalish, do you want to introduce your
18 lawyer?

19 Mr. Kalish. Yes, Senator Nunn. This is my attorney,
20 Samuel Buffone.

21 Senator Nunn. Senator Tribble, would you like to make an
22 opening statement?

23 Senator Tribble. Mr. Chairman, I have no opening
24 statement. I look forward to hearing from the witnesses.

25 Thank you.

1 Senator Nunn. Mr. Kalish, we swear all the witnesses in
2 before this Subcommittee, without exception. So if you will,
3 stand and hold up your right hand and take the oath.

4 Do you swear that the testimony you give before this
5 Subcommittee will be the truth, the whole truth, and nothing
6 but the truth, so help you God?

7 Mr. Kalish. I do.

8 Senator Nunn. Thank you.

9 Let me get the name of the counsel again, please.

10 Mr. Buffone. Yes, Senator. My name is Samuel Buffone.

11 Senator Nunn. How do you spell your last name?

12 Mr. Buffone. B-u-f-f-o-n-e.

13 Senator Nunn. Buffone. Could you give us your address?

14 Mr. Buffone. 1607 New Hampshire Avenue, N.W. The firm
15 is Asbill, Junkin, Myers and Buffone. That is in Washington,
16 D.C., Senator.

17 Senator Nunn. Mr. Buffone, you are not going to be
18 testifying; you will be advising your client. Is that
19 correct?

20 Mr. Buffone. That is correct.

21 Senator Nunn. Mr. Buffone, you will have the right, if
22 we pose any questions that you would like to discuss with
23 your client, to converse with him prior to his answer.

24 Mr. Buffone. Yes, Senator.

Senator Nunn. Do you have any questions procedurally?

1 Mr. Buffone. No, I do not, Senator Nunn.

2 Senator Nunn. Thank you.

3 I will ask Senator Roth to take the lead here. Senator
4 Roth, you will be officially presiding here. I will be here
5 most of the time, but I will be working with you.

6 Senator Roth. Thank you, Mr. Chairman.

7 Mr. Kalish, before you start your testimony, you are
8 under oath and you understand the penalties for not speaking
9 the truth before this Subcommittee. Is that correct?

10 Mr. Kalish. Yes, sir, I do.

11 Senator Roth. Mr. Kalish, would you please proceed,
12 then, with your statement?

1 TESTIMONY OF STEVEN MICHAEL KALISH, CONVICTED
2 NARCOTICS SMUGGLER

3 Mr. Kalish. Thank you, Senator.

4 My name is Steven Michael Kalish. I am a convicted
5 marijuana smuggler and have been incarcerated for the past 43
6 months. While I have been involved in marijuana smuggling
7 for most of my adult life, the level of my illegal conduct
8 significantly increase in the summer of 1983. At that time,
9 I was instrumental in the importation of 250,000 pounds of
10 marijuana.

11 In the past, the problems of buying the marijuana,
12 arranging transport, off-loading and final distribution were
13 successfully dealt with by my organization. However, the
14 sheer volume of cash generated in 1983 soon overwhelmed our
15 organization. As the marijuana payments came in from our
16 distributors, we stored the cash in Tampa, Florida. The
17 currency filled entire rooms. Although we were sending out
18 millions of dollars to our Colombian suppliers, at one point
19 we had in excess of \$35,000,000 in Tampa. We used money
20 counting machines but had to stop any counting because we
21 could not keep up with the volume.

22 This experience made me realize that dealing with the
23 cash from larger importations was a serious problem. I began
24 to devote my attention to establishing secure methods of
25 removing this cash from the United States and banking it

1 abroad. In addition to the proceeds of our recent importa-
2 tion, I was far along in the planning of larger operations.
3 I planned a 1,000,000-pound importation and had already
4 purchased the marijuana in Colombia. This load was to be
5 carried by ocean-going tug and barge up the Mississippi
6 River. A second 400,000-pound importation was planned using
7 a containerized cargo vessel we had purchased.

8 I anticipated that these operations would produce \$300
9 million. Accordingly, I began to seek out banking havens in
10 earnest. We had worked in the Cayman Islands in the past but
11 found it unacceptable for sums of this magnitude. I was
12 aware of changing relations between the United States and the
13 Cayman Islands and feared a loss of bank secrecy. The Cayman
14 banks were simply not capable of dealing with this volume of
15 money. After looking into European and Caribbean havens, my
16 attention was drawn to Panama. Its reputation as a large
17 scale banking center was well known.

18 I arranged through 2 intermediaries to visit the country
19 for a trial run. I was told to bring at least \$2 million as
20 a show of my seriousness. I placed \$2.3 to \$2.5 million in a
21 suitcase and traveled to Panama on a private jet.

22 On September 22, 1983, my chartered Lear jet was met by
23 a limousine at the Omar Torrijos Airport in Panama City. My
24 luggage was not searched at Customs. I was driven to the
25 offices of Cesar Rodriguez. He had impressive offices on 2

1 floors in the Bank of Boston building in downtown Panama.
2 Rodriguez had surprising resources. I met with lawyers,
3 bankers and government officials on my first visit to Cesar's
4 office. I purchased shell corporations from him and im-
5 mediately set up accounts and deposited most of the money I
6 had brought with me. When I explained that I had millions of
7 dollars to bank and invest in Panama, he offered me an entire
8 package of corporate, banking and investment services and
9 even armored car delivery of my moneys from Omar Torrijos
10 Airport.

11 Rodriguez took me to dinner with his partner, Enrique
12 Pretel, who was also described as having close ties to the
13 Panamanian government. Over dinner, I expressed interest in
14 bringing into Panama \$100 million. I did not want to
15 disclose at this point my plan to bring in 3 times that
16 amount. I also mentioned my concerns over safety and
17 security. During my initial meetings at Rodriguez's office,
18 a Panamanian official was present. He informed Rodriguez
19 that the Drug Enforcement Administration had notified G-2,
20 the intelligence arm of the Panamanian military, that my
21 plane was under surveillance upon departure from the United
22 States.

23 I was advised to send the plane back to the U.S., which
24 I did. Rodriguez and Pretel were extremely interested in
doing business. To impress upon me the level of their

1 influence in Panama, they informed me that General Noriega,
2 Panama's military ruler, was their partner. They quickly
3 proved that this was not idle talk.

4 The next day, I was taken to General Noriega's private
5 home. I had been instructed to bring a gift for the General-
6 -large enough to show how serious I was about doing business
7 in Panama. I placed \$300,000 cash in my briefcase. During a
8 casual discussion with the General that last approximately 30
9 minutes, I discussed my desire to live in Panama and to
10 invest my moneys in Panama. I made it clear at that time
11 that it was my intention to bring extremely large sums of
12 cash to Panama. As the meeting broke up, I left the briefcase
13 in his office and began to exit the room. General Noriega
14 called me back and told me that I had left my briefcase. I
15 told him that it was for him, and he smiled.

16 That night, I was invited to a party with the General at
17 the Panama Canal offices. He was extremely friendly, and he
18 told me to continue to deal with Rodriguez and Pretel and
19 that he would do whatever he could to assist me. He also
20 thanked me for the briefcase.

21 Throughout the next 10 months, I used Panama as the base
22 of my operations, first leasing a condominium and then buying
23 a home in the San Francisco area of Panama City, in close
24 proximity to General Noriega's home. My relationship with
25 General Noriega became closer until he became a full-scale

1 co-conspirator in my drug operations.

2 I transported nearly all of my money to Panama. My jet
3 was given special treatment at Omar Torrijos Airport on all
4 of my trips to Panama. I taxied to the Air Force base at a
5 corner of the airport so that my arrivals and departures
6 would not be observed. I became a full partner in Rodriguez,
7 Pretel and Noriega's business, Servicios Touristicos. Two
8 hundred thousand dollars of my \$400,000 payment for 25
9 percent of the business was for Noriega, who was indeed our
10 partner in all of our deals. My partners had several
11 lucrative contracts with the government of Panama and the
12 Forces of Defense. Pretel and Rodriguez owned aircraft which
13 flew military personnel in Panama. As a favor to the
14 General, I financed and arranged the purchase of an executive
15 helicopter and a 727/100 jet aircraft.

16 In late 1983, Noriega discussed with me his desire to
17 purchase a Boeing 727 jet aircraft. I negotiated the price
18 for \$2.2 million. I made the initial deposit of \$500,000 and
19 assisted in financing the balance. Noriega later agreed to
20 use the plane for our money laundering operations. We
21 planned to fly planeloads of money out of Washington, D.C.
22 under diplomatic cover. I also purchased an executive
23 helicopter for Noriega. I provided long-term financing
24 secured by a government guarantee.

My partner in the U.S. and I had purchased a Lear jet 35

1 which I made available to Noriega. In fact, he told me he
2 borrowed the jet to fly to Washington to meet with President
3 Reagan in November of 1983. Our relationship was not one-
4 sided. Noriega provided me with military protection and
5 favorable treatment while I was living in Panama. I was
6 issued 3 Panamanian passports, one being a Panamanian
7 diplomatic passport.

8 During my time in Panama, I was brought ever more into
9 Noriega's confidence. He discussed with me his concerns over
10 the upcoming elections of Nicholas Barletta, who was running
11 for President. It was his plan to use his share of our money
12 laundering and drug smuggling proceeds to assist in the
13 financing of this election.

14 In the spring of 1984, events brought me closer to
15 General Noriega. Prior to that time, I decided to attempt an
16 importation into a United States commercial port. Since any
17 direct shipment of marijuana from Colombia would be scru-
18 tinized, I arranged the transshipment through Panama and
19 obtained customs seals by large payoffs to Panamanian
20 officials. For a fixed fee, Noriega personally approved of
21 this operation.

22 A series of events led General Noriega to ask me to
23 postpone this operation. A large amount of ether, a necessary
24 commodity in the production of cocaine, was seized in Colon,
Panama. An operating cocaine lab was discovered in the

1 remote Panamanian jungle. One thousand kilograms of cocaine
2 was seized in Miami from a Panamanian cargo plane. General
3 Noriega asked me to contact my sources in Colombia and find
4 out what was going on. I learned from my sources in the
5 Medellin Cartel that a \$5 million bribe had been paid to
6 Panamanian officials to protect their operations in Panama.
7 A high-ranking Panamanian official, Colonel Melo, had been
8 bribed. Melo was behind the cocaine lab and ether shipments;
9 he was intending to assassinate Noriega while he was in
10 Europe and seize control of Panama. I passed word of this to
11 Noriega, and Melo, his associates, and the Colombians were
12 arrested immediately. These arrests angered the Colombians,
13 and I was caught in the middle.

14 I arranged for the release of these Colombians and
15 established my ability to facilitate their business in
16 Panama. The Cartel was looking for a way to continue to
17 launder \$50 to \$100 million a month produced from its west
18 coast U.S. cocaine operations. My links to Panama made
19 laundering of this volume of money possible. The General
20 embraced the scheme for his percentage, and I began to
21 negotiate with the Medellin Cartel to ship and launder vast
22 amounts of cocaine profits. After these events, Noriega
23 dealt directly with me and asked that I cut out Pretel and
24 Rodriguez.

Noriega was always extremely concerned about the

1 discovery of Panamanian involvement in drug trafficking. On
2 February 16, 1984, my future wife and myself visited Noriega
3 at his ranch in the interior of Panama. He ordered flowers
4 for my wife and left her a note that I believe you have seen.
5 His real purpose for inviting me was not social. He had
6 previously agreed to a \$4 million fee, \$1 million up front
7 for facilitating and the assistance in the transshipment of
8 marijuana through Panama that I had planned. He, however,
9 wanted additional assurances that the U.S. end was covered
10 and that Panama's role was insulated. I also guaranteed that
11 all of the proceeds would come back to Panama.

12 My involvement in Panama ended abruptly with my arrest
13 in Tampa on July 26, 1984. I have been incarcerated ever
14 since.

15 Senators, if you have any questions, I would be happy to
16 answer them.

17 Senator Roth. First, Mr. Chairman, I do submit for the
18 record the Minority Staff Statement summarizing our investiga-
19 tion and a number of documents for the record, some of which
20 are under seal.

21 Senator Nunn. Without objection, they will be admitted
22 to the record.

1 23 [The Minority Staff Statement of Senator Roth follows:]

1 Senator Roth. Mr. Kalish, let me ask you the most
2 obvious question first. What direct payments did you make to
3 General Noriega for the smuggling of drugs or the laundering
4 of drug money?

5 Mr. Kalish. Senator Roth, there were several occasions
6 where I paid Noriega money. For drug shipments, I personally
7 paid General Noriega \$250,000 as partial payment on the \$1
8 million fee for the transshipment of the containers through
9 Panama.

10 I also paid General Noriega \$300,000 upon my first
11 meeting with him in his home in Panama City.

12 There were several occasions when General Noriega
13 received kickbacks from different transactions that I was
14 involved in with the government. One in particular was the
15 purchase of the executive helicopter I bought for General
16 Noriega. The helicopter was valued at \$1.6 million.
17 However, I was issued a letter of credit for \$1,950,000.
18 There was \$350,000 that was paid in kickbacks. Noriega
19 received 1/3 of that.

20 There were several other payments to General Noriega
21 involving loans that I made to the government, involving
22 other contracts that I had with the government. That was a
23 \$500,000 payment that I made at the request of General
24 Noriega for the purchase of the 727/100 aircraft.

There was also \$200,000 cash that he received upon the

1 purchase of 25 percent of the company Servicios Touristicos.

2 Senator Roth. So these are a series of payments that
3 you personally know went to Noriega?

4 Mr. Kalish. Yes, sir. These are payments that I was
5 personally present at while they were paid.

6 Senator, I spent millions of dollars in Panama trying to
7 bring myself closer to General Noriega. Some were direct
8 payments from my drug shipments, but others were to better my
9 relations with the man: in the purchase of the executive
10 helicopter; in the purchase of the 727/100 aircraft.

11 I made available to General Noriega--and in terms of
12 dollars it could be considered several hundred thousand
13 dollars--the use of my Lear jet which he used quite extensive-
14 ly on flights to Washington, D.C., to New York City, to Las
15 Vegas, several flights. I also made several flights at his
16 request for several other officials that traveled to and from
17 Panama.

18 I also presented Noriega with several gifts. During
19 Christmas I provided himself and his wife jewelry valued at
20 \$25,000 to \$30,000. At Noriega's birthday party, I provided
21 him with collector items, a rifle and 2 pistols which were
22 valued at \$20,000, \$25,000.

23 Senator Roth. Now, let me go back to these direct
24 payments. Did you keep a record of those payments?

25 Mr. Kalish. Yes, sir, I did.

1 Senator Roth. Is this a record, your record of these
2 payments, or a photostat of those records?

3 Mr. Kalish. Yes, sir. What I would like to explain is:
4 I was in the business of not creating a paper trail.
5 However, these documents were found in my property just
6 recently.

7 Those indicate payments to General Noriega. There's a
8 \$300,000 notation which is the gift that I gave to Tony, gave
9 to General Noriega at his home.

10 Senator Roth. What does the word "Tony" mean?

11 Mr. Kalish. The General's name is General Manuel
12 Antonio Noriega. His close friends refer to him as "Tony,"
13 and I also referred to him as Tony.

14 Senator Roth. So wherever "Tony" appears here, that
15 indicates your accounting records show that you made a
16 payment to him?

17 Mr. Kalish. Yes, sir, it does.

18 Senator Roth. Now, let me ask you: How do we know you
19 did not make this record up after you were seized?

20 Mr. Kalish. Senator, I was arrested in July of 1984. I
21 have been incarcerated ever since. Pursuant to a plea
22 bargain agreement with the United States Government, I
23 forfeited several pieces of my property. I owned a home in
24 Panama City and shipped to United States Customs in the
United States all of my property out of my Panamanian home.

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1 These documents were discovered in a file cabinet. I have
2 not had access to these documents since my arrest.

3 Senator Roth. Let us again look over at this document.
4 As I understand it, that \$1,995,000 was a loan to purchase
5 the helicopter; is that correct?

6 Mr. Kalish. Yes, sir. An executive jet helicopter.

7 Senator Roth. Now, would you explain how that trans-
8 action worked?

9 Mr. Kalish. Sir, I was asked by General Noriega to
10 assist in the purchase of a helicopter. The Forces of
11 Defense related to me that their budget would not allow for
12 the purchase of a helicopter, especially for \$2 million. I
13 agreed to do so. I paid \$1,995,000 in Noriega's behalf to
14 Enrique Pretel, Cesar Rodriguez, and the helicopter company
15 in Dallas, Texas.

16 I was promised to be repaid these moneys, and to
17 guarantee that promise, Noriega instructed the National Bank
18 of Panama to issue an irrevocable letter of credit to my
19 company--my company being Servicios Exclusivos de Panama.

20 Senator Roth. Now, can you see this blown-up document
21 here?

22 Mr. Kalish. Yes, sir.

23 Senator Roth. What does that represent?

24 Mr. Kalish. That is a copy of the irrevocable letter of
credit from the National Bank of Panama.

1 Senator Roth. The National Bank of Panama being exactly
2 what? What is its responsibility in Panamanian affairs?

3 Mr. Kalish. It is the central bank in the country of
4 Panama.

5 Senator Roth. For the government?

6 Mr. Kalish. Yes, sir, for the government.

7 Senator Roth. And this is an irrevocable letter of
8 credit doing what?

9 Mr. Kalish. This guarantees that if the Forces of
10 Defense ever default in their monthly payments to me, I can
11 present this letter of credit to the National Bank of Panama,
12 and it will be paid in full for \$1,995,000.

13 Senator Roth. In other words, as illustrated over here,
14 you made \$1,995,000 available for a helicopter that I think
15 you said cost \$1,695,000.

16 Mr. Kalish. Yes, sir. That is correct.

17 Senator Roth. In return, as a guarantee, the Defense
18 Forces, through the bank, issued this letter of credit which
19 guaranteed you payment; is that correct?

20 Mr. Kalish. Yes, sir, that is.

21 Senator Roth. Are they still paying you for this
22 helicopter?

23 Mr. Kalish. Yes, sir, they are.

24 Senator Roth. When was the last payment received?

Mr. Kalish. The Forces of Defense have continued to pay

1 me for the past 4 years on this contract that I have with
2 them for the helicopter. I received a check from the Forces
3 of Defense just recently, several days ago.

4 Senator Roth. The last payment was made several days
5 ago. So the indebtedness is continuing to be acknowledged?

6 Mr. Kalish. Yes, sir. And these payments, I might add,
7 are transferred to the U.S. Customs Service and have been.
8 It is part of my plea bargain agreement with the United
9 States Government that I forfeit these checks.

10 Senator Roth. Now, these payments being made by the
11 defense establishment include the total amount, will pay the
12 full \$1.9 million; is that correct?

13 Mr. Kalish. Yes, sir, that is correct.

14 Senator Roth. And that includes \$300,000 kickback of
15 which you received \$100,000 and General Noriega received
16 \$100,000; is that correct?

17 Mr. Kalish. Yes, sir, that is correct.

18 Senator Roth. So, in effect, the Defense Department was
19 making a kickback, according to your testimony, to Noriega.

20 Mr. Kalish. Yes, sir, that is correct. And in every
21 business agreement I had with General Noriega in Panama, this
22 was the standard operating procedure.

23 Senator Roth. In other words, you are saying that no
24 transaction, no landing, no activity involving your drug
activities in Panama could be conducted without making some

1 kind of a payment to the General?

2 Mr. Kalish. Yes, sir. That is essentially correct.

3 Not all moneys were paid to the General. I paid moneys to
4 several other officials in the Panamanian Defense Forces. I
5 paid money to several different majors that were in the
6 Defense Forces.

7 However, General Noriega was certainly aware of these
8 payments. For example, my landing in Omar Torrijos Airport,
9 there was always money exchanged with one of the military
10 officials at the airport just as consideration on my part.
11 Certainly not expected and certainly not necessary.

12 Senator Roth. How much were these payments?

13 Mr. Kalish. Several hundred dollars upon each landing.

14 Senator Roth. Now, let us discuss that a moment.

15 In other words, in your laundering money to Panama, or
16 for whatever reasons, when you landed at the airport, you
17 were able to avoid Customs by going to the--why don't you
18 explain that operation?

19 Mr. Kalish. Yes, sir. At Omar Torrijos Airport, the
20 Panamanian Air Force has a base of operations at the far
21 corner of it. To avoid being observed by whatever U.S.
22 officials were in Panama at the time, we would taxi directly
23 to the Air Force base, which would allow us to disembark from
24 the aircraft without being observed by anyone. We could take
25 whatever luggage and whatever equipment we were bringing to

1 Panama, and place it directly into our vehicles, and exit
2 from the military side of the airport.

3 Senator Roth. So this activity covering your actions
4 involved, as you have already indicated, not only the
5 General, but you mentioned a number of majors. Can you go
6 into a little detail how widespread this activity was in the
7 military and other officials of the Panamanian government, to
8 your personal knowledge?

9 Mr. Kalish. Yes, sir. I had met several high-ranking
10 military officials. I knew Colonel Pursel, who was head of
11 the Air Force in Panama. I had met Colonel Justinez, who is
12 in charge of G-4, the accounting department in the military.
13 I was associated with a Major Perez, who was stationed in
14 Panama City. I was associated with a Major Fundora, who was
15 also stationed in Panama City.

16 There are several others that I cannot recall at the
17 moment. I always felt that it was in my best interest to
18 become friends with as many of these officials as I could.
19 Cesar Rodriguez was very close to all of these individuals,
20 and most of these military personnel I met in the presence of
21 Cesar Rodriguez. I just felt it was prudent for me to
22 maintain good relations with these people.

23 Senator Roth. Now, let me make sure I understand what
24 you are saying. I ask you to be very careful.

You mentioned a number of individual names, at least 2

1 colonels and a major. Are you saying from your personal
2 knowledge that you know that they had knowledge or were
3 involved in the drug activities?

4 Mr. Kalish. I did not have personal communications with
5 Colonel Pursel or Colonel Justinez in regards to my drug
6 activities in Panama.

7 Senator Roth. Did they have knowledge, say, of General
8 Noriega's activities?

9 Mr. Kalish. It would be impossible for them not to have
10 knowledge of my activities. They observed my comings and
11 goings between the country of Colombia and Panama. They
12 observed me carrying heavy suitcases from my aircraft on
13 several occasions.

14 Senator Roth. Let me go back to the note you referred
15 to in your testimony. Who is Denis, and what was the
16 occasion for her receiving the note that you mentioned in
17 your testimony? Here is the note here.

18 Mr. Kalish. Yes, sir. Denis is my wife. She was my
19 girl friend at the time. I had been invited to the interior
20 of Panama to General Noriega's ranch. I flew my wife in from
21 Los Angeles, California, and she came to the ranch.

22 Unbeknownst to me, General Noriega had prepared a
23 bouquet of flowers and written this note for my wife.

24 Senator Roth. Now, how do we know that this note was
25 not written by somebody else?

1 Mr. Kalish. Well, at the time, there were 4 people at
2 the ranch: myself, my future wife, General Noriega, and his
3 girl friend.

4 Senator Roth. The question I am asking is: How do we
5 know that you did not make up the note, write the note
6 yourself?

7 Mr. Kalish. The note was discovered in a search of a
8 vehicle in Tampa, Florida. After my arrest in July of 1984,
9 the FBI searched my belongings and discovered this note in
10 one of my wallets.

11 Senator Roth. Would you read into the record what the
12 note says?

13 Mr. Kalish. Yes, sir.

14 "Miss Denis, welcome to Panama. Your friend, General
15 Noriega, 18 February 1984, Panama."

16 Mr. Buffone. Senator Roth, I think Mr. Kalish has
17 something to add to that last response.

18 Mr. Kalish. Yes. There were 5 individuals at the ranch
19 that I referred to earlier.

20 Senator Roth. Instead of the 4.

21 Mr. Kalish. The fifth individual was a sergeant who did
22 the cooking while we were there.

23 Senator Roth. At this time, I would like to yield to
24 the distinguished chairman, Senator Nunn.

Senator Nunn. Thank you very much, Senator Roth.

1 Recapping your testimony for a moment, Mr. Kalish, is it
2 your testimony you personally told General Noriega that you
3 were engaged in drug trafficking?

4 Mr. Kalish. Yes, sir, it is.

5 Senator Nunn. Is it your testimony that you told him
6 you were engaged in illegal drug trafficking?

7 Mr. Kalish. Yes, sir, it is.

8 Senator Nunn. No doubt that he knew that.

9 Mr. Kalish. No question in my mind.

10 Senator Nunn. Did you tell General Noriega that the
11 moneys you planned to invest in Panama were the profits of
12 your illegal drug activities?

13 Mr. Kalish. Yes, sir. Specifically, I told him they
14 were profits from my marijuana smuggling activities.

15 Senator Nunn. Was anyone else present when you had
16 these conversations besides you and General Noriega?

17 Mr. Kalish. Yes, Senator. Enrique Pretel was present
18 on a number of occasions, as well as Cesar Rodriguez.

19 Senator Nunn. Now, what has happened to those 2
20 individuals?

21 Mr. Kalish. Cesar Rodriguez was murdered in Medellin,
22 Colombia. Enrique Pretel is currently living in Panama City.

23 Senator Nunn. So one of those people is still alive and
24 in Panama City.

25 Mr. Kalish. Yes, sir, that is correct.

1 Senator Nunn. Is it your testimony you personally
2 delivered payments of money to General Noriega in exchange
3 for his assistance with your illegal drug activities in
4 Panama?

5 Mr. Kalish. Yes, sir, that is correct.

6 Senator Nunn. And you did that on more than one
7 occasion. In fact, it was several occasions.

8 Mr. Kalish. Yes, sir. Several.

9 Senator Nunn. And your testimony, according to that
10 chart, is that it was over \$4 million in either money or in
11 gifts in kind that you delivered to General Noriega?

12 Mr. Kalish. Mr. Senator, I am not sure what the exact
13 total is. But, yes, it was millions of dollars.

14 Senator Nunn. It was millions of dollars.

15 Now, when you went to Panama the first time, you had
16 contact with Mr. Rodriguez; is that correct?

17 Mr. Kalish. That is correct.

18 Senator Nunn. And shortly thereafter you had contact
19 with General Noriega?

20 Mr. Kalish. Yes, sir. The very next day.

21 Senator Nunn. The very next day.

22 Is it unusual in your form of business, the drug
23 business, to go to a country and go right up the ladder and
24 meet with the top individual in the country?

Mr. Kalish. Yes, sir. I was quite surprised at this.

1 When I was told that I would be meeting General Noriega,
2 I had no idea who General Noriega was. It has to be explained
3 to me that he was actually the military ruler of Panama.

4 Senator Nunn. And was he also the President of Panama
5 at that time?

6 Mr. Kalish. I am not certain. I do not believe so.

7 Senator Nunn. During the course of your activities,
8 your drug activities, did you pay off individuals in the
9 United States?

10 Mr. Kalish. No, sir, I did not. I was associated with
11 a Teamster official in Detroit, Michigan, who was to pay a
12 U.S. Customs official in New York City.

13 Senator Nunn. Can you tell us about that? Who was that
14 and what was the amount and so forth?

15 Mr. Buffone. Senator Nunn, Mr. Kalish is involved in
16 several ongoing grand jury investigations that may well lead
17 to indictments. I have advised Mr. Kalish that, unless you
18 instruct him to the contrary, it would be well to not name
19 certain names of individuals that we know are under investiga-
20 tion, but to identify them generically for you.

21 Senator Nunn. All right. Could you give us the generic
22 information, then, on that?

23 Mr. Kalish. Yes, sir. There was an individual in the
24 Detroit, Michigan, area associated with the Teamsters' Union
that provided us with the vehicles we used in the transporting

1 of our marijuana. We had decided to attempt an importation
2 into the United States into a U.S. commercial port using
3 containers on a cargo ship.

4 The individual in Detroit, Michigan, reported to me that
5 he had a source in the U.S. Customs Service that would permit
6 the entering of these containers into the United States. I
7 paid this gentleman in Detroit approximately \$825,000 for
8 payments to his Customs source, as well as payments for the
9 vehicles I was going to need for this operation.

10 Senator Nunn. Did you ever have personal contact with
11 the Customs source?

12 Mr. Kalish. No, sir, I did not.

13 Senator Nunn. Was the name of the Customs source ever
14 revealed to you?

15 Mr. Kalish. It was not.

16 Senator Nunn. You do not know the name?

17 Mr. Kalish. No, sir, I do not.

18 Senator Nunn. Do you know whether that money, in fact,
19 was delivered to a Customs agent?

20 Mr. Kalish. No, sir, I do not.

21 Senator Nunn. So all you know at this stage is that you
22 delivered the money to an individual in Detroit, and that
23 individual said that in turn he was going to turn it over to
24 another individual--one individual in the Customs Service, is
25 that right?

1 Mr. Kalish. Yes, sir.

2 Senator Nunn. Or more?

3 Mr. Kalish. One individual in the Customs Service who
4 would be on duty at the time the containers arrived into the
5 port of New York.

6 Senator Nunn. But you do not personally know whether
7 that ever occurred?

8 Mr. Kalish. No, sir, I do not.

9 Senator Nunn. And that individual could have been
10 keeping the money and just telling you a lie, as far as you
11 know?

12 Mr. Kalish. Yes, sir. That is possible.

13 Mr. Buffone. Senator Nunn, with your indulgence.

14 [Pause.]

15 Mr. Buffone. Thank you, Senator.

16 Senator Nunn. How about other individuals in the U.S.
17 Government or any other state and local Government? Have you
18 had any occasion to be involved in payoffs?

19 Mr. Kalish. No, sir, not in the United States.

20 Senator Nunn. You mentioned in your testimony that you
21 were planning a large shipment up the Mississippi River on a
22 barge. Is that right?

23 Mr. Kalish. That is correct, Senator.

24 Senator Nunn. Did you, in fact, carry that out?

Mr. Kalish. No, sir. I was arrested prior to the

1 actual importation.

2 Senator Nunn. And you were involved in marijuana
3 exclusively; is that correct? Or did you have other drugs?

4 Mr. Kalish. No, sir. I was associated with 2--1
5 shipment of cocaine from Colombia into the United States.
6 That was a 1,000-kilogram importation into the State of
7 Louisiana. The shipment was with some individuals in
8 Medellin, Colombia. I had a peripheral role in the affair,
9 although I was instrumental in making the introductions.

10 Senator Nunn. That was only on 2 occasions or 1
11 occasion?

12 Mr. Kalish. One actual importation, Senator.

13 Senator Nunn. Would you give us an estimate of how many
14 shipments of marijuana you brought into the United States,
15 just an estimate?

16 Mr. Kalish. Fifteen, 20 large shipments of marijuana.

17 Senator Nunn. Would you give us an estimate of ap-
18 proximately the amount of money you derived from that illegal
19 narcotic activity over your illegal activity career?

20 Mr. Kalish. Approximately 20, 25 million dollars.

21 Senator Nunn. Were you the top man in your organization,
22 or was somebody above you?

23 Mr. Kalish. Upon my arrest in 1984, I was the top man
24 in my organization. Prior to that, there were other in-
25 dividuals who had seniority in the organization, who cer-

1 tainly had more money than I had, and had certainly been more
2 successful in the business than I was.

3 Senator Nunn. But you had taken over? Had they retired
4 and you had taken over? What was the situation?

5 Mr. Kalish. There were disagreements, as there usually
6 are in these type of organizations. There were arguments
7 over the profits that were realized from different importa-
8 tions.

9 Our particular organization consisted of 3 separate
10 groups which came together in late 1981. There was a group
11 of individuals from the Detroit, Michigan, area who were
12 responsible for the distribution of the marijuana. There was
13 a group of individuals from Texas who I was associated with,
14 who specialized primarily in the off-loading and the logistics
15 of the actual importation. Then there was the Lee Rich group
16 from the Tampa, Florida, area who maintained the contacts
17 with the Cayman Islands, the Colombians, and also assisted in
18 the distribution of the marijuana.

19 Senator Nunn. And, in effect, by the time you were
20 arrested, you were in charge of all 3 groups?

21 Mr. Kalish. Yes, sir, that is correct.

22 Senator Nunn. How many people were involved in each
23 group?

24 Mr. Kalish. Approximately 50 to 60 people in each
25 group. At the time of my arrest, there were approximately

1 180 people working for the organization.

2 Senator Nunn. All right. Backing up, before you were
3 the head man, how many people were above you in the organiza-
4 tion?

5 Mr. Kalish. Two.

6 Senator Nunn. Have you named those to the Federal
7 officials?

8 Mr. Kalish. Yes, sir, I have.

9 Senator Nunn. You cooperated fully on that?

10 Mr. Kalish. Yes, sir, I have.

11 Senator Nunn. I will refrain from getting into that
12 since I understand there are pending investigations going on,
13 perhaps, on that subject.

14 You have had a lot of experience in narcotics traffic.

15 Were you a user?

16 Mr. Kalish. Yes, sir. I used marijuana daily for many
17 years.

18 Senator Nunn. Do you consider your use of marijuana to
19 have been addictive or simply a habit?

20 Mr. Kalish. It was simply a habit, Senator.

21 Senator Nunn. Do you consider marijuana addictive?

22 Mr. Kalish. No, sir, I do not.

23 Senator Nunn. Do you consider it harmful?

24 Mr. Kalish. Yes, sir, I do.

Senator Nunn. In what way?

1 Mr. Kalish. Senator, I believe that any drug can be
2 harmful; in particular, marijuana causes the individual to
3 lack the drive he needs to accomplish his goals in life.

4 I think the biggest harm that comes from the use of
5 marijuana is the use of the drug by younger children in our
6 country today.

7 I have been incarcerated for 43 months now, and for the
8 last 19 months I have served this time in the county jails
9 across the United States. In these county jails, I see
10 people that come directly from the street that have destroyed
11 their lives from the use of drugs. Although it may not be
12 specifically marijuana, marijuana has certainly led to their
13 downfall.

14 I feel a great deal of remorse and responsibility for my
15 crimes. I have done my best, and this is one step, in
16 repaying my debt to society. I think that the drug problem
17 is a serious problem in this country, and I have many
18 thoughts on how to deal with it.

19 Senator Nunn. Well, that is the next question. You
20 have observed from the other side of the fence the law
21 enforcement efforts. What do you think of U.S. law enforce-
22 ment efforts now?

23 Mr. Kalish. Well, I think that you have made great
24 steps in the right direction over the past couple of years
25 with the legislation that has been passed.

1 Senator Nunn. Which legislation in particular?

2 Mr. Kalish. I think that the Anti-Crime Drug Bill of
3 1987 will begin to show significant results in the very near
4 future.

5 Senator Nunn. Because of what features? Penalties or
6 other features?

7 Mr. Kalish. Because of the increased moneys allocated
8 to the U.S. Customs Service, to the Drug Enforcement Ad-
9 ministration, to the increased penalties.

10 I believe that you must trace the money, Senator. The
11 money is the reason that we all become involved in this
12 business. I believe that if you could eliminate Panama as a
13 secure banking haven for people involved in the drug business,
14 I think that you would take away one of their major tools
15 that assist them in their importations of drugs into the
16 United States.

17 I believe the problem of drugs in this country, Senator,
18 is a result of the demand for these drugs in the United
19 States. I believe that as long as there is a demand in this
20 country for marijuana, for cocaine, and for other drugs,
21 there will always be these Colombians and these Americans
22 that are willing to supply those drugs.

23 The monies are just too great.

24 Senator Nunn. Are you saying the demand should be one
of the primary focuses of governmental efforts in combatting

1 drugs, trying to get the demand down and educate the American
2 people?

3 Mr. Kalish. Absolutely, Senator. I believe that sound
4 drug awareness programs are the key to stopping the drug
5 problem in this country.

6 It's very important that the children of this country
7 realize the dangers that they're facing, and realize that
8 drugs will eventually destroy their lives.

9 Senator Nunn. Did you realize that while you were
10 selling drugs?

11 Mr. Kalish. No, sir, I didn't. As I said, I was
12 involved in drug trafficking at a very high level. I was
13 insulated from the events surrounding me. I did not see what
14 was happening to people in this country.

15 When I was arrested in 1984, the problems weren't nearly
16 as severe as they are today.

17 Senator Nunn. You think the problems have gotten worse?

18 Mr. Kalish. Yes, sir, much worse.

19 Senator Nunn. In marijuana or cocaine or heroin, or all
20 three? Or what drugs have we seen an increase?

21 Mr. Kalish. Specifically cocaine, Senator. Specifically
22 crack cocaine.

23 Senator Nunn. What do you consider to be the most
24 dangerous drugs now being used in terms of large use?

25 Mr. Kalish. Cocaine.

1 Senator Nunn. Why?

2 Mr. Kalish. Because it is destroying an entire genera-
3 tion of youth in this country.

4 Senator Nunn. Thank you, Senator Roth.

5 Senator Roth. Could I just ask one quick question based
6 on what Senator Nunn has just elicited from you? Is it true
7 that if you could stop money laundering, that that would be a
8 major blow in the drug trafficking?

9 Mr. Kalish. Absolutely, Senator. Without the acces-
10 sibility of the banks, and the ability for us to use these
11 banks to launder these monies back for the purchase of our
12 equipment in our operations, back for the purchase of our
13 homes and our jets, it would cripple of terrible.

14 Senator Nunn. Senator Roth, maybe we better take a
15 brief recess now. We've got a vote on, and we'll be back.

16 So we'll take about a 10-minute recess.

17 [Recess.]

18 Senator Nunn. We will come to order.

19 Senator Roth?

20 Senator Roth. Thank you, Mr. Chairman.

21 Mr. Kalish, now you have testified that during your
22 first meeting with Noriega, you made it very clear that you
23 had lots of money. Did you say how much?

24 Mr. Buffone. Mr. Roth, with your indulgence, Mr. Kalish
would like to amplify one of his answers that he gave as you

1 were leaving for the vote, if we could come back to that
2 question?

3 Senator Roth. Yes, that would be fine.

4 Mr. Kalish. I would like to address the issue briefly
5 on your question of how to help interdict the drugs flowing
6 into the United States.

7 I failed to mention that we as drug smugglers always
8 knew that we outnumbered the U.S. authorities. I believe
9 that the U.S. Customs Service and the Drug Enforcement
10 Administration can never, at their level of agents in the
11 field today, stop us from our drug trafficking.

12 I always wanted to clarify the issue of my organization.
13 The organization I was associated with was directed by three
14 individuals. Certainly, Michael Vogel and Lee Rich, who were
15 my partners in the organization, exerted at least as much
16 authority over our operations as I did.

17 Senator Roth. Let me go to your first comment, because
18 it's a matter that concerns me, that is, how do we get enough
19 agents and other personnel to effectively attack the drug
20 problem.

21 Now, you've talked in your own specific case of huge
22 amounts of money. But that's merely a small pebble, isn't
23 it, of the total amount available to those involved in drug
24 smuggling?

Is there any way that government, even if it spent.

1 billions, would begin to meet the kind of resources available
2 to the drug smuggling people?

3 Mr. Kalish. Senator, I believe that if they directed
4 their efforts in different areas, for instance, in the
5 tracing of wire transfers into the United States. I know
6 that there are hundreds of thousands of wire transfers. But
7 there aren't hundreds of thousands of wire transfers from the
8 country of Panama.

9 I believe that if there were more agents in the field to
10 investigate the cases that are before them, they would be
11 able to successfully prosecute more cases.

12 It is just impossible--and I have realized this since I
13 have begun to cooperate with the authorities--that there just
14 are not enough agents to investigate all the leads, even the
15 leads that I have given the authorities.

16 Senator Roth. I would like to go back to a question
17 that I raised at the very end of the proceedings before the
18 10-minute break, and that is, money laundering.

19 Do I understand you, would you say that the money
20 laundering operations is an area that would be good to
21 concentrate on in order to effectively cripple drug smuggling?

22 Mr. Kalish. Yes, sir, absolutely. If you take the
23 profit out of the drug trade, there won't be those to follow
24 in my footsteps.

25 Senator Roth. Let me go back to my earlier question of

1 your first meeting with Noriega. Did you have a--we'll skip
2 that for a moment, because I think those questions were asked
3 by the Chairman--did you have a fixed arrangement as far as
4 money is concerned with Noriega? If so, what was it?

5 Mr. Kalish. Yes, sir, in regards to the transshipment
6 of the containers of marijuana through Panama, the agreement
7 was, \$4 million, to be paid for the transshipment; \$1 million
8 in advance, \$3 million upon the completion of the operation.

9 In addition, all the proceeds from this operation would
10 be returned to Panama, and these proceeds would be laundered
11 through the Panamanian banks.

12 Senator Roth. Now, you were told to bring at least \$2
13 million for your first meeting in Panama. Who so instructed
14 you?

15 Mr. Kalish. I was instructed by an individual in the
16 South Florida area who is currently assisting this investiga-
17 tion. Senator, I don't know if I should mention this
18 individual's name at this time.

19 Senator Roth. Well, we won't insist on that.

20 But let me go back to this. How much did you actually
21 pay Noriega where you had agreed to pay him \$4 million, or
22 where he asked \$4 million?

23 Mr. Kalish. Yes, sir. I paid General Noriega \$250,000
24 as the first payment of the \$1 million payment that I had
25 agreed to pay General Noriega, Cesar Rodriguez, and Enrique

1 Pretel, for their assistance in Panama.

2 Senator Roth. Now, I understand you deposited \$2
3 million of that money in a bank in Panama. The clerk will
4 show you a deposit slip dated September 23rd.

5 Is that where you put the money?

6 Mr. Kalish. Yes, sir, that's correct.

7 Senator Roth. Now, you mentioned during your time in
8 Panama, you acquired three passports. How difficult were
9 three passports to come by, particularly the diplomatic one?

10 Mr. Kalish. They were no trouble at all, Senator. I
11 acquired each of the passports at different times.

12 Senator Roth. Why was it no trouble at all? Isn't it
13 normally pretty difficult to get several passports?

14 Mr. Kalish. Yes, sir, it is, but not when the military
15 ruler of the country is authorizing you to receive these
16 passports.

17 Senator Roth. So you're saying that Noriega played a
18 role? What was his role in this?

19 Mr. Kalish. He approved of the passports. I specifical-
20 ly spoke to General Noriega in regards to the diplomatic
21 passport. I told him that I was concerned that I wanted to
22 be an accredited diplomat at some point while I was living in
23 Panama.

24 And prior to the purchase of this passport, I wanted to
know that it would be authentic.

1 Senator Roth. How much did you pay for the passports?

2 Mr. Kalish. Excuse me, Senator?

3 Senator Roth. Did you pay anything for the passports?

4 Mr. Kalish. Yes, sir, I did. For the first passport I
5 obtained, I paid \$25,000. For the diplomatic passport that I
6 obtained, I paid \$60,000.

7 Senator Roth. Who did you pay the sums to?

8 Mr. Kalish. To Cesar Rodriguez.

9 Senator Roth. Now, we have a document here of your
10 accounting sheets, which show a \$60,000 payment, listed as
11 passport. The clerk, I think, has given you a copy.

12 Does that reflect your payment for the diplomatic
13 passport?

14 Mr. Kalish. Yes, sir, that reflects the payment I made
15 to Cesar Rodriguez for the diplomatic passport.

16 Senator Roth. When were these sheets made and how were
17 they obtained by the U.S. authorities?

18 Mr. Kalish. As I testified to earlier, Senator, these
19 sheets were found in the shipment that was made to United
20 States Customs pursuant to my plea bargain agreement.

21 I had an entire container of furniture and office
22 equipment, filing cabinets, and so forth, delivered to the
23 United States. U.S. Customs received this container, and
24 found these documents.

Senator Roth. What was the need for the passports?

1 Mr. Kalish. Senator, I was always looking for new forms
2 of identification. I had initially approached Cesar Rodriguez
3 in an effort to obtain a passport in the assumed name of
4 Frank William Brown.

5 I was travelling extensively in Columbia and several
6 other countries that required a passport for travel. I did
7 not wish to travel under my own name. I did not have a
8 passport in my own name.

9 Therefore, I acquired the Panamanian passport.

10 Senator Roth. Now, I'd like to turn for a moment to the
11 Lear jet that you and your partner purchased in the United
12 States. Was this Lear jet registered as N39292?

13 Mr. Kalish. Yes, sir, that's correct.

14 Senator Roth. Now, we have a Department of Transporta-
15 tion document which shows Lear jet N39292 as being owned by
16 Personal Jet Management Leasing, Inc.

17 Is that one of your companies?

18 Mr. Kalish. No, sir, the company belongs to an in-
19 dividual in Ft. Lauderdale. The company was created upon my
20 direction for the purchase of this aircraft.

21 Senator Roth. Why did you have it set up by this
22 individual? What was the purpose of that?

23 Mr. Kalish. The purpose of it was to hide the money
24 that actually purchased the aircraft. We wanted to insulate
ourselves from any possible forfeiture to the United States

1 Government of this aircraft if in fact they ever realized
2 that it was owned by drug smugglers.

3 There were attorneys hired in the Cayman Islands that
4 negotiated with attorneys in the Florida area. They incor-
5 porated an additional company in the Cayman Islands named Jet
6 Finance.

7 Jet Finance became the lien holder of this aircraft,
8 although it was owned and operated by Personal Jet Management
9 & Leasing; the actual lien holder was Jet Finance of the
10 Cayman Islands.

11 Later on, I incorporated an additional company in Panama
12 called Jet Finance of Panama, and had the lien transferred to
13 the Panamanian corporation. c)

14 Senator Roth. So all three of these corporations were
15 actually involved? I think we have documents referring to
16 them, but they were all involved in your operation?

17 Mr. Kalish. Yes, sir, they are. I used all these
18 corporations in an effort to conceal the true ownership of
19 the aircraft.

20 Senator Roth. Was there any other reason for setting
21 them up in this way?

22 Mr. Kalish. To prevent the U.S. authorities from
23 seizing the jet at any time. c)

24 Mr. Kalish. Now, you also said you bought airplanes for
25 Noriega. Why would he need you to buy airplanes for him?

1 Why didn't he just buy them himself with government funds?

2 Mr. Kalish. Senator, Panama is a very small country,
3 and the forces for defense have a very limited budget.
4 Noriega knew that I had millions of dollars in Panama that I
5 was willing to invest, and he knew that I would be favorable
6 toward investing these monies at a high rate of return.

7 He approached me in regards to the 727-100 jet aircraft.
8 He approached me and asked if I would negotiate with a
9 company in Panama City, which I did.

10 Senator Roth. Now, what planes did you actually buy or
11 help finance for him?

12 Mr. Kalish. As I just stated, the 727-100 aircraft. I
13 made a \$500,000 down payment on this aircraft. I believe
14 there's a check reflecting that payment.

15 I also assisted in obtaining the financing for this
16 aircraft from the company in Panama City.

17 I also purchased an executive helicopter for General
18 Noriega with my own funds, as the letter of credit reflects.
19 My cash outlay was \$1,995,000, although I immediately
20 recovered \$100,000.

21 I also gave to the General after my arrest a helicopter
22 that had been seized at the cocaine lab in the Panamanian
23 jungle. Due to my assistance in that particular affair, the
24 Medellin Cartel had given to me an Aero Commander 1000,
valued at \$1 million. They also gave me the helicopter that

1 the Panamanian Government had seized. And they also gave me
2 a substantial amount of cash.

3 The cash came from the monies that I recovered from the
4 bribes to Colonel Melo and other businessmen in Panama City.

5 Senator Roth. Were any kickbacks involved in these
6 transactions?

7 Mr. Kalish. Yes, sir, in all of the transactions, as
8 I've said. In particular, on the 727-100 aircraft, after I
9 made the \$500,000 downpayment, I was given the bill of sale
10 and title to a Panamanian turboprop aircraft, a Lockheed
11 Electra.

12 I was given this aircraft. I was told to sell the
13 aircraft in Ft. Lauderdale, and take the proceeds of this
14 aircraft and repay my \$500,000 deposit, and divide the rest
15 of the monies with General Noriega and myself.

16 Senator Roth. Now, we have a document here showing
17 payment from your account to Aeronautics and Astronautics for
18 \$500,000. Is this related to the purchase of the first 727?

19 Mr. Kalish. Yes, sir, that's a check I wrote on my
20 personal account.

21 Senator Roth. Was there a kickback involved in that,
22 and from whom?

23 Mr. Kalish. Actually, the kickback was, I was given
24 title to a Lockheed Electra aircraft valued at \$1 million.

Senator Roth. We have a document here showing a sale of

1 a Lockheed Electra by the Panama Defense Forces to a Personal
2 Jet Management Leasing, Inc. Is this the same Lockheed
3 Electra you were given in return for purchasing a plane for
4 Noriega?

5 Mr. Kalish. Yes, sir, it is.

6 Senator Roth. Now, let me, because I want to make
7 certain the record is clear on this, the chart shows a copy
8 of the irrevocable letter of credit dated December 21st,
9 1983, from the National Bank of Panama, made out to Exclusive
10 Service of Panama, to Anglicize it.

11 What is your relationship to this company?

12 Mr. Kalish. Senator, I incorporated Servicios Exclusivos
13 de Panama myself in Panama. I am sole owner of that corpora-
14 tion, and I hold all shares in that corporation.

15 I believe the shares are presently in the custody of the
16 United States Government.

17 Senator Roth. All right, let me again ask you, how did
18 you come by this letter of credit? Would you explain that
19 carefully?

20 Mr. Kalish. I asked for some type of guarantee.

21 Senator Roth. You asked who?

22 Mr. Kalish. I discussed with General Noriega and
23 Enrique Pretel that, the fact that I would like some sort of
24 guarantee that the forces of defense would continue to make
these payments, regardless of whether I was in Panama or not.

1 I discussed it with my banker. My banker instructed me
2 to request an irrevocable letter of credit. Noriega agreed
3 to the terms and instructed the chairman of the National Bank
4 of Panama to issue me an irrevocable letter of credit for
5 that amount.

6 Senator Roth. Now am I correct in my understanding that
7 the payments have continued to be made to you, but not
8 through the letter of credit; you haven't had to draw on
9 that?

10 Mr. Kalish. No, sir, I haven't had to draw on the
11 letter of credit. The forces of defense have continued to
12 make these payments.

13 Senator Roth. As you said, they have recently made a
14 payment, which of course was seized by the U.S. Customs.

15 Mr. Kalish. Senator, these funds are not actually
16 seized. The way this works, the forces of defense deliver to
17 my bank in Panama a check each month. The value's determined
18 through a various number of ways. I in turn take this check
19 and wire it to a U.S. Customs account in the United States.

20 Senator Roth. What is the sum of these checks?

21 Mr. Kalish. At the present they're approximately
22 \$36,000 a month.

23 Senator Roth. And as I asked you earlier, the payback
24 includes the \$300,000 that was the sum of the kickback?

Mr. Kalish. Yes, sir, that's correct.

1 Senator Roth. You also mentioned that Noriega used your
2 Lear jet on occasion. Why did he want to use your Lear jet
3 rather than his own in flying to Washington?

4 Mr. Kalish. Senator, the Lear that I owned and operated
5 was a late model Lear jet. We had spent in excess of
6 \$150,000 just in redoing the interior of the aircraft. It
7 was, quite frankly, a very beautiful aircraft.

8 Noriega had nothing like this at his disposal. And I
9 felt it would be prudent to offer this jet to Noriega for his
10 use.

11 He also knew that we kept excellent maintenance records
12 on this aircraft, and he could feel safe flying in it.

13 Senator Roth. Now, we have as Exhibit 9 a flight log--
14 and Mr. Chairman, I would ask that all these Exhibits 1
15 through 9 be included as part of the record.

16 Senator Nunn. Without objection, they will be so
17 included.

18 [The exhibits of Senator Roth follow:]

19 / SUBCOMMITTEE INSERT

1 Senator Roth. Mr. Kalish, these flight logs show a
2 flight of N39292 from Panama to several destinations,
3 including Washington, D.C. Is that the flight you referred
4 to in your testimony?

5 Mr. Kalish. Yes, sir, it is.

6 Senator Roth. What did Noriega tell you about his
7 alleged meeting with President Reagan?

8 Mr. Kalish. Upon General Noriega's return to Omar
9 Torrijos Airport, I was invited to wait for Noriega in the
10 receiving line upon his return.

11 He stopped at the receiving line and informed me that he
12 had discussed with President Reagan two issues. One was the
13 fact that the United States wanted Panama to open up its bank
14 for U.S. scrutiny.

15 The second issue was, the President wanted Noriega to
16 assist in fighting the communists in Nicaragua. Noriega
17 assured me that he would never open up the banks in Panama.

18 Senator Roth. Now, you have no personal knowledge;
19 you're merely repeating what you were told, is that correct?

20 Mr. Kalish. Yes, sir, I'm merely repeating what General
21 Noriega told me in Panama.

22 Senator Roth. Now, you say you paid off Panamanian
23 officials in order to obtain custom seals. Whom did you
24 actually pay?

Mr. Kalish. I paid the head of Aduana, which is Customs

1 in Panama, \$180,000 for customs seals for the containers.

2 Senator Roth. I'm going to ask one more question, then
3 I think maybe Senator Sasser has some questions he'd like to
4 ask.

5 Did you file customs currency reporting forms before you
6 made that first trip?

7 Mr. Kalish. No, sir, I never filed customs currency
8 forms.

9 Senator Roth. Why not?

10 Mr. Kalish. Because I was transporting illegal funds,
11 and they would be seized.

12 Senator Nunn. Senator Sasser?

13 Senator Sasser. Thank you, Senator Roth. Thank you,
14 Mr. Chairman.

15 Mr. Chairman, I have a statement which I would like to
16 have inserted in the record at this point.

17 Senator Nunn. Without objection.

18 [The statement of Senator Sasser follows:]

19 / SUBCOMMITTEE INSERT

1 Senator Sasser. Mr. Kalish, the airplane that General
2 Noriega flew to Washington, the Lear--I think you charac-
3 terized it as a Lear 35, is that correct?

4 Mr. Kalish. Yes, sir.

5 Senator Sasser. That you had spent so much money
6 refurbishing the interior on, was this the same Lear that you
7 originally went to Panama in, and the DEA reported to
8 Panamanian G2 or intelligence that you had landed?

9 Mr. Kalish. No, sir, it was not.

10 Senator Sasser. So it was a different aircraft?

11 Mr. Kalish. Yes, sir, it was.

12 Senator Sasser. To your knowledge, had the Drug
13 Enforcement Agency fingered this Lear 35, so to speak,
14 identified it with you?

15 Mr. Kalish. No, sir, they did not.

16 Senator Sasser. Now, let me just ask you a few questions
17 about money in the operation. You indicated earlier that I
18 assume that you did this for the money; is that correct?

19 Mr. Kalish. Yes, sir, that's correct.

20 Senator Sasser. And you were amassing so much currency
21 that according to your statement it was filling rooms in
22 Tampa?

23 Mr. Kalish. Yes, sir, that's correct.

24 Senator Sasser. And so that was the medium of exchange,
25 then, it was currency of course, and it was counted in Tampa.

1 Whey did you transport the currency to Tampa?

2 Mr. Kalish. Tampa was a staging area for the transship-
3 ment of the monies to the banking havens that we were using.

4 At that time, we were using the Cayman Islands. We
5 encountered several problems over the shipments of such large
6 amounts of money.

7 We, at one particular bank, we delivered \$12 million in
8 \$20 bills, and the head offices in Nassau refused to accept
9 any more small bills from us.

10 In addition, the Colombians had their own resources for
11 shipping their monies abroad. I was instructed to pay them
12 approximately \$25 million in Miami. And therefore, Tampa was
13 a staging area for the shipments of these monies to Miami.

14 Senator Sasser. Now, what banking connections--did you
15 bank any of this money in the United States?

16 Mr. Kalish. No, sir, we did not.

17 Senator Sasser. In other words, you had no contact, or
18 no intercourse, with banking facilities here in the United
19 States of America with regard to the cash that you derived
20 from the sale of drugs?

21 Mr. Kalish. Senator, it was our decision not to
22 associate with any banks in the United States. The reason
23 being, the monies were too available for forfeiture and
24 seizure by the United States Government.

We preferred to ship our monies overseas to where the

1 United States authorities would not have access to it.

2 Senator Sasser. And so you would transport this money
3 in cash?

4 Mr. Kalish. Yes, sir, we would, in suitcases, in
5 cartons; different ways.

6 Senator Sasser. Just as a matter of curiosity, you said
7 that in Tampa rooms were filling up with currency and you
8 were counting the money with money-counting machines but
9 still you couldn't keep track of it.

10 Who counted the money? Employees?

11 Mr. Kalish. Yes, sir, people that worked for me. It
12 was a very difficult job. It required the wearing of
13 surgical mask and gloves because of the lead content in the
14 monies.

15 It was such a difficult job that we could not count all
16 the money. And we finally stopped counting the money and let
17 the banks count the money upon delivery in the countries that
18 we were laundering our money through.

19 Senator Sasser. Well, how did you control theft on the
20 part of the money counters, just as a matter of curiosity?

21 Mr. Kalish. How did I control the what, Senator?

22 Senator Sasser. In other words, the money counters, did
23 they take a slice out of the money themselves?

24 Mr. Kalish. Yes, sir, you're absolutely correct.

There's not a great many people that I would place with \$35

1 million and feel comfortable. However--

2 Senator Sasser. In cash.

3 Mr. Kalish. In fact. However, the individuals that
4 were responsible for counting this money were well connected
5 with the organization. They had been friends of mine since
6 high school. And I trusted them implicitly.

7 Senator Sasser. But even if these friends leaked off
8 \$50- or \$100,000, you'd hardly have missed it with the
9 currency that was coming through there, would you?

10 Mr. Kalish. I wouldn't have missed it.

11 Senator Sasser. Let me, also as a matter of interest,
12 Mr. Kalish, how did you get into this business of selling
13 marijuana?

14 Mr. Kalish. Senator, that might take hours for me to
15 explain. It began at a very early age.

16 Senator Sasser. In high school?

17 Mr. Kalish. Yes, sir, early high school.

18 Senator Sasser. Were you a user of marijuana in high
19 school?

20 Mr. Kalish. Yes, sir, I was.

21 Senator Sasser. And then did you procure marijuana to
22 sell to your fellow students in high school?

23 Mr. Kalish. Yes, sir, I did.

24 Senator Sasser. Was that the beginning of your trading
and trafficking in drugs, selling marijuana to fellow

1 students?

2 Mr. Kalish. Yes, sir, that's correct.

3 Senator Sasser. Did you set up a ring in high school,
4 then, for procuring and selling marijuana?

5 Mr. Kalish. No, sir, I did not. It was not nearly that
6 expensive. At the time I was in high school, I was living on
7 my own and supporting myself. And there was not a ring as
8 such; it was simply selling small amounts of marijuana to
9 feed myself and support myself while I went through school.

10 Senator Sasser. But apparently when you branched out
11 and got into it in a big way, you took some of your high
12 school associates with you?

13 Mr. Kalish. Yes, sir, many of them.

14 Senator Sasser. How did you entice them to do the
15 business? Did it take much enticement?

16 Mr. Kalish. No, sir, it did not. They all felt the way
17 I did. All of our friends used marijuana. We had never seen
18 any adverse effects from using that marijuana.

19 They were just as interested in earning the large
20 amounts of money from trafficking in the drug as I was.

21 Senator Sasser. Did you see anything wrong at that time
22 in trading and trafficking in marijuana?

23 Mr. Kalish. No, sir, not at that time. But there was a
24 point in my life when I realized.

Senator Sasser. And what brought that to your realiza-

1 tion? After you'd been arrested and incarcerated?

2 Mr. Kalish. No, sir, it was when I began dealing with a
3 group of smugglers from the Miami area. They were extremely
4 violent people. They were motivated strictly by greed. That
5 had a very low value for human life.

6 And I realized that whatever social redeeming value I
7 thought my business was at the time, it was just a fantasy of
8 my own, and I was incorrect in assuming such things.

9 But I was so involved and so committed at that point, I
10 was never able to extract myself from the business.

11 Shortly thereafter, I was arrested for a very large
12 amount of marijuana. I played a very insignificant role in
13 the organization at this time. I was simply an off-loader.
14 I assisted in the unloading of the marijuana.

15 However, I was portrayed as somebody much more sig-
16 nificant. I depended on this organization to provide me with
17 my attorneys' fees, to pretty much care for me. And there-
18 fore, I was obligated to continue to work for this organiza-
19 tion.

20 Senator Nunn. Senator Sasser, would you yield for just
21 a moment?

22 Senator Sasser. Yes, I'd be glad to.

23 Senator Nunn. I thought a few minutes ago, Mr. Kalish,
24 you said that when you were arrested you were the top man in
the whole organization and you had 180 people working for you.

1 Mr. Kalish. Senator, this is an arrest in 1978--1979,
2 excuse me, in December. My arrest in Tampa was in July of
3 1984.

4 Senator Nunn. Oh, so at that time you were the head man?
5 Mr. Kalish. Yes, sir.

6 Senator Nunn. But you were referring with Senator
7 Sasser about a 1978 arrest?

8 Mr. Kalish. Yes, sir, this is an earlier time in my
9 life. I was arrested several times for drug importations.

10 Senator Nunn. Thank you.

11 Senator Sasser. Mr. Kalish, after you were arrested for
12 the first or second time, did it occur to you that you ought
13 to get out of this business?

14 Mr. Kalish. Yes, sir, I considered it. However, I
15 never had the courage or the resolve to do so.

16 Senator Sasser. When you say you never had the courage,
17 were you afraid to get out of the business?

18 Mr. Kalish. Not necessarily afraid. I wasn't in fear
19 for my life at that point. I just did not know what I would
20 do. I expected a lengthy incarceration if I didn't have the
21 best attorneys that money could provide. And I just didn't
22 get out of the business.

23 Senator Sasser. All right. Well, now, what do you
24 think is going to happen to you now, Mr. Kalish, when and if
you ever get out of the penitentiary? Is the life expectancy

1 pretty short for those who talk about what goes on in the
2 drug trafficking organization?

3 Mr. Kalish. Yes, sir, by my testifying here today, I
4 place my wife and my family and myself in great jeopardy.
5 I'm fully aware of that.

6 But I have to start making my amends to society for the
7 crimes I've committed. I expect to spend a great deal of
8 time in prison, Senator. I have many more years to spend in
9 prison.

10 And believe me, spending time in prison as a cooperating
11 witness is certainly the hardest time you can spend in
12 prison.

13 But I have plans for my future. I have a wonderful wife
14 and a very nice family. And I expect to live a long life.

15 Senator Sasser. Now, let me take you back if I may to
16 the occasion when you chartered a tow boat, a barge, to
17 bring--to move a massive quantity of marijuana up the
18 Mississippi.

19 How far did you get with that scheme?

20 Mr. Kalish. First of all, Senator, I did not charter
21 it. I actually purchased a barge in Louisiana, a fuel barge,
22 an ocean-going fuel barge. I purchased an ocean-going tug,
23 also.

24 I purchased one million pounds of marijuana in Baranquia,
Colombia. The marijuana was actually delivered to Baranquia.

1 Senator Sasser. Did you have any problem purchasing
2 that marijuana?

3 Mr. Kalish. Yes, sir.

4 Senator Sasser. Because of the quantity?

5 Mr. Kalish. Because of the size of the operation in
6 Baranquia there. That's quite a large amount of marijuana,
7 although the Colombian that I was associated with there in
8 Baranquia was well known for being able to deliver such large
9 shipments.

10 This operation, in fact part of the marijuana was indeed
11 loaded on this barge. The off-load sites, the site that we
12 were actually going to unload the marijuana, had already been
13 arranged. The operation was literally hours away from
14 beginning at the time of my arrest in Tampa in July of '84.

15 Mr. Buffone. Senator, I might add that much of that is
16 the subject of ongoing grand jury investigation.

17 Senator Sasser. Well, counsellor, let me proceed as far
18 as I can. And if I start treading on thin ice here, you'll
19 admonish us and we'll draw back.

20 Mr. Kalish, what was the destination of this marijuana
21 you were moving up the Mississippi or intended to move?

22 Mr. Kalish. The State of Missouri, Senator, not far
23 from the St. Louis area.

24 Senator Sasser. And was that to be a distribution point
25 for other areas in the country?

1 Mr. Kalish. Yes.

2 Senator Sasser. That's simply the point of unloading?

3 Mr. Kalish. Yes, sir. Primarily the northeast United

4 States, the major cities, New York, Chicago, Detroit.

5 Although there was a large part of it going to the West Coast.

6 Senator Sasser. How far did you get with this scheme?

7 Mr. Kalish. As I said a moment ago, the marijuana was

8 being loaded on to the barge at the time of my arrest.

9 Senator Sasser. In Colombia.

10 Mr. Kalish. In Colombia. After my arrest, I instructed-

11 -I actually requested that my partners not continue in the

12 operation, because I realized that we had been under continual

13 surveillance by the FBI and Drug Enforcement Administration;

14 and I thought they would be taking a great risk if they

15 pursued this operation.

16 Senator Sasser. Now, in the latter stages of your

17 career, you also got involved in the cocaine business; is

18 that correct?

19 Mr. Kalish. Yes, sir.

20 Senator Sasser. And the principal source of supply for

21 the cocaine was also Colombia?

22 Mr. Kalish. Yes, sir. The marijuana came from Baran-

23 quia, Colombia. The Medellin Cartel, which is a city in

24 Medellin, Colombia, were the people primarily responsible for

25 the cocaine that I was associated with.

1 Senator Sasser. Were there any two countries involved
2 in the trading and trafficking and drugs that you're aware of
3 other than Colombia and Panama?

4 Mr. Kalish. Senator, there's officials in many, many
5 countries involved in the trafficking of drugs; or I should
6 say, the facilitating of the trafficking of drugs.

7 Senator, at one time, and I can name several countries,
8 Jamaica, the Bahamas, Mexico, Honduras, Belize, Panama,
9 Colombia; all those countries were--had officials that we
10 were connected to at one time or another, accepting our
11 monies for the landing of aircraft, safe harbors of ships,
12 transshipment of monies.

13 Senator Sasser. There have been some allegations that
14 Nicaraguans--Nicaraguan Sandanistas are involved in dealing
15 in drugs. Do you have any personal knowledge as to whether
16 or not that's true?

17 Mr. Kalish. Yes, sir, I was told by an individual
18 associated with the Medellin Cartel that they had set up the
19 largest cocaine manufacturing lab in the world in Nicaragua.

20 Senator Sasser. And where was that cocaine manufacturing
21 plant in Nicaragua, do you know?

22 Mr. Kalish. No, sir, I don't. I don't have firsthand
23 knowledge of it.

24 Senator Sasser. Did you hear any accusations of contra
forces being involved, the so-called contra forces being

1 involved in the distribution or manufacture of drugs at all?

2 Mr. Kalish. No, sir, I did not.

3 Senator Sasser. And when did you hear these allegations
4 about Nicaraguans?

5 Mr. Kalish. I heard them as a result of the assistance
6 I provided the Colombians in recovering the bribes that they
7 had paid for the safety and protection in operating their
8 cocaine lab in Panama.

9 I secured the release of some of their equipment; the
10 release of several Colombians in custody; and developed a
11 close association with these people.

12 And after a brief period of time they informed me it was
13 their feeling that setting up the cocaine lab in Nicaragua
14 was a terrible idea; and that was how I came to hear that
15 information.

16 Senator Sasser. They said setting up a cocaine lab in
17 Nicaragua was a terrible idea?

18 Mr. Kalish. Yes, sir. They felt that Nicaragua was
19 under intense scrutiny by the United States, and they felt
20 that it was not a good idea to manufacture cocaine in a
21 country that's in such turmoil.

22 Senator Sasser. Did the Colombians feel that they could
23 do business with the present government of Nicaragua?

24 Mr. Kalish. Senator, all I can say is, I was not told--

Senator Sasser. To your knowledge, just what you know

1 of your own knowledge.

2 Mr. Kalish. Yes, sir, certain officials in that
3 government.

4 Senator Sasser. Did they name any of those officials?

5 Mr. Kalish. No, sir, not of my own personal knowledge,
6 I cannot.

7 Senator Sasser. I have no further questions.

8 Senator Roth. Okay, thank you, Senator Sasser. I have
9 just a very few additional questions.

10 In answer to the Chairman, you said you headed your
11 organization, the three groups, when you were arrested the
12 final time.

13 What was your relationship with the Colombia groups that
14 supply the marijuana? You were part of a family in any way,
15 were you?

16 Mr. Kalish. No, sir, I was not. Initially my partner,
17 Lee Rich, was connected to a particular individual in
18 Colombia. This gentleman headed up his organization.

19 I was introduced to the Colombian through my partner,
20 Lee Rich. The Panamanian aspect of our organization was my
21 primary concern, and I had most of my dealings with the
22 Panamanians.

23 However, in the United States my partner in Detroit
24 headed up the U.S. end of the operation.

Senator Roth. Let me ask you this question. Back when

1 you first went down to Panama, you had a bundle of money, I
2 think you said, I'm not sure, \$100 million or something. Why
3 somewhere along the line didn't you just decide to keep that
4 cash you had on hand and quit the whole thing rather than go-
5 -I believe you also testified one of the most difficult parts
6 of drug smuggling was getting the money out.

7 Why didn't you take all this cash, wherever you had it
8 here, which amounted to huge amounts, and retire?

9 Mr. Kalish. Senator, I was a fugitive from the United
10 States at the time. At that time I did not expect to live a
11 very long life, and there was literally nothing that I could
12 involve myself in aside from marijuana trafficking that would
13 provide me with the safety and security that I needed.

14 Senator Roth. Was one of the reasons that Panama was
15 key because of their bank secrecy laws? Was that a critical
16 factor in making that a haven?

17 Mr. Kalish. Yes, sir, it was. In addition to the fact
18 that the military government of Panama would assist us in our
19 operations, and have been assisting people like me for years.

20 In my dealings with the individual in Baranquia,
21 Colombia, he had informed me that he himself had paid monies
22 to General Noriega in the early 1980s for his assistance.

23 Senator Roth. Let me ask you the question another way.
24 If Panama did away with its secrecy in banking laws that
enabled dummy corporations to be created quickly as well as

1 maintained the secrecy of deposit, would that be a major blow
2 to the laundering of money in Panama?

3 Mr. Kalish. There's no question about it, Senator.

4 Senator Roth. That's all the questions I have, Mr.
5 Chairman.

6 Senator Nunn. I just have a couple more. Mr. Kalish,
7 what about the method by which you brought marijuana into
8 this country? What was the usual method? Was it by boat,
9 plane? How was it brought here?

10 Mr. Kalish. Senator, I've imported marijuana through
11 the use of airplanes, trucks, by boat. The larger importa-
12 tions were accomplished by the use of different seagoing
13 vessels.

14 In one particular important in Louisiana, we used an
15 ocean-going tug and barge.

16 On numerous occasions we used fishing vessels, whether
17 they be shrimp vessels or some other sort of vessel.

18 Sometimes we used offshore supply vessels that are used
19 to service the drilling rigs off the coast of the United
20 States. Probably several other kinds also.

21 Senator Nunn. Were you operating when we had the large,
22 Federal, intensive effort around the Miami-South Florida area?

23 Mr. Kalish. Yes, sir, we were. One time I was actually
24 at the airport when I believe our Vice President had flown
25 into Miami.

1 Senator Nunn. And what was happening? Were you
2 involved in narcotics at that time?

3 Mr. Kalish. Yes, sir, I was, quite extensively.

4 Senator Nunn. How about that trip? Were you involved
5 at the airport in smuggling yourself at that point?

6 Mr. Kalish. I didn't have drugs on me at that particular
7 time, although I was certainly actively engaged in importa-
8 tion.

9 Senator Nunn. What effect did the Federal crackdown
10 have in the South Florida area have on your operation?

11 Mr. Kalish. Well, I was arrested in July of '84.

12 Senator Nunn. So you were part of the people caught in
13 that operation?

14 Mr. Kalish. Yes, sir, I would think so.

15 Senator Nunn. Did you shift any of your operation
16 elsewhere during that, or did you continue to come into South
17 Florida?

18 Mr. Kalish. We never actually imported drugs into South
19 Florida. We were aware of the major concentration of agents
20 and effort in South Florida. Therefore, we certainly never
21 considered actually importing drugs into South Florida.

22 We always used remote rural areas, Louisiana, Mississip-
23 pi, North Carolina, South Carolina.

24 Senator Nunn. That implies air flight, right?

Mr. Kalish. Airplanes and seagoing vessels. They all

1 have coastlines, extensive coastlines.

2 Senator Nunn. Was that the pattern when there was this
3 intensive Federal operation in South Florida? Did most of
4 the drug smugglers shift elsewhere?

5 Mr. Kalish. Absolutely. Whenever there was a concentr-
6 ation of personnel in an area there was a shift.

7 Senator Nunn. Your equipment you used, did you have
8 radios, sophisticated technology, computers, fast planes,
9 that kind of thing?

10 Mr. Kalish. Yes, sir, we had the best that money could
11 buy, the best electronics, the best detection equipment.

12 Senator Nunn. Tell us a little bit about that.

13 Mr. Kalish. Well, all our vessels were equipped with
14 satellite navigation. We had the finest radio equipment we
15 could buy. We had the best scanners we could buy. We
16 monitored all the police frequencies quite extensively.

17 I believe the FBI just began to scramble their calls
18 just recently. Prior to that they didn't have the money, I
19 believe, to scramble their radio traffic.

20 Senator Nunn. So you were intercepting FBI and other
21 law enforcement traffic?

22 Mr. Kalish. Yes, sir. We spent months setting up our
23 security nets in an area that we were attempting an importa-
24 tion in. We literally knew all movements.

Senator Nunn. All movements by law enforcement?

1 Mr. Kalish. Yes, sir.

2 Senator Nunn. How about Coast Guard?

3 Mr. Kalish. We were not primarily concerned with Coast
4 Guard, although we watched their stations. We were not
5 concerned with Coast Guard interdicting our vessels.

6 Senator Nunn. Why?

7 Mr. Kalish. Because we had taken steps to screen
8 ourselves from Coast Guard, whether it be refrigeration
9 equipment installed on our fishing vessels to prevent the
10 infrared photographic detection from their overflights.

11 We were always fit into a profile that they would not--
12 what would not raise any eyebrows.

13 Senator Nunn. Did you study the Federal law enforcement
14 profile?

15 Mr. Kalish. Oh, I didn't study it. But I had been
16 informed of it.

17 Senator Nunn. In terms of both Federal and State
18 interdiction of drugs, you're basically saying that your
19 equipment and so forth was more sophisticated than the
20 people, the law enforcement people that were trying to
21 apprehend you; is that right?

22 Mr. Kalish. I don't know that it's more sophisticated.
23 It's just that there were so many more of us, and so few of
24 them. It was just impossible, given the manpower and the
resources that they had available at that time, for them to

1 stop us.

2 Senator Nunn. Do you believe, looking towards Federal
3 law enforcement, that additional resources are essential?

4 Mr. Kalish. Yes, sir, I do.

5 Senator Nunn. Are we going to get a real payoff on
6 those additional resources, or is it just a never-ending
7 spiral? Can we really succeed in stopping drugs by interdic-
8 tion? Or greatly reducing the flow of drug traffic by
9 interdiction?

10 Mr. Kalish. I think you have already begun to greatly
11 reduce the introduction of marijuana into this country. I
12 can't say that in regards to the cocaine coming into this
13 country today.

14 Senator Nunn. Is that because marijuana is such large
15 bulk shipments and so forth?

16 Mr. Kalish. Yes, sir, it's much more difficult to
17 transport and much easier to detect. As far as the never-
18 ending funding for law enforcement, I believe that if the
19 monies are directed in the proper ways, I think that you will
20 have a great deal of success.

21 However, as I stated earlier, I am a firm believer that
22 the education programs and the rehabilitation centers are the
23 most important tool in deterring drug use in this country.

24 Senator Nunn. What's your age?

Mr. Kalish. 35 years old.

1 Senator Nunn. Do you have children?

2 Mr. Kalish. No, sir, I do not.

3 Senator Nunn. 35? What age were you when you started
4 using marijuana?

5 Mr. Kalish. 15 years old.

6 Senator Nunn. Did you ever use cocaine?

7 Mr. Kalish. Yes, sir, I did.

8 Senator Nunn. What age were you then?

9 Mr. Kalish. 19, 20 years old.

10 Senator Nunn. Do you have any message you'd like to
11 give to the young people of America?

12 Mr. Kalish Yes, sir, I do. I think they need to think
13 before they use these drugs. I think they need to realize--
14 at least try to understand how damaging these drugs can be,
15 and what can happen to them if they use these drugs.

16 The trouble is, Senator, children don't realize what
17 they're doing when they use these drugs. And after they've
18 become enmeshed in the entire drug scene, they're so deep
19 that they can't extract themselves from it.

20 Senator Nunn. Is that basically the pattern of your
21 life?

22 Mr. Kalish. Yes, sir, it is. Thank you, Senator Roth.

23 Senator Roth. Thank you, Mr. Chairman. I believe
24 that's all the questions we have at this time. Thank you,
25 Mr. Kalish.

1 At this time I would like to call forward William
2 Rosenblatt, the Assistant Commissioner of Customs for
3 Enforcement.

4 Senator Nunn. Mr. Rosenblatt, do you have anyone else
5 that's going to testify?

6 Mr. Rosenblatt. Janet Gunther, chief of the Financial
7 Investigations Branch. And Steve Basha, counsel for enforce-
8 ment.

9 Senator Nunn. If you could have all the potential
10 witnesses come up, we swear all the witnesses before our
11 subcommittee.

12 Will each of you hold up your right hand? Do you swear
13 that the testimony you give before this Subcommittee will be
14 the truth, the whole truth, nothing but the truth, so help
15 you God?

16 Mr. Rosenblatt. I do.

17 Mr. Basha. I do.

18 Ms. Gunther. I do.

19 Senator Roth. Mr. Rosenblatt, would you proceed with
20 your prepared statement?

1 TESTIMONY OF HON. WILLIAM P. ROSENBLATT, ASSISTANT
2 COMMISSIONER, OFFICE OF ENFORCEMENT, U.S. CUSTOMS
3 SERVICE, ACCOMPANIED BY JANET M. GUNTHER, CHIEF,
4 FINANCIAL INVESTIGATIONS DIVISION, AND STEVE BASHA,
5 COUNSEL

6 Mr. Rosenblatt. Thank you, Senator.

7 Senator Roth. The two that were introduced and sworn,
8 if they want they can sit at the table.

9 Mr. Rosenblatt. Okay, thank you.

10 Mr. Chairman and Senator Roth, it is a pleasure for me
11 to appear before you today to discuss the law enforcement
12 activities of the Customs Service as they relate to your
13 inquiry concerning Panama.

14 I'm aware of the significant military and diplomatic
15 issues involving Panama, which have been the subject of
16 considerable media attention recently.

17 As a law enforcement officer, I will direct my remarks
18 today strictly to the law enforcement relationship with
19 Panama, and leave the diplomatic and military issues for
20 others to address.

21 As you are aware Customs special agents investigate and
22 bring to prosecution cases in a variety of fields. Though
23 the most prominent of these are narcotics smuggling, bank
24 secrecy act and money laundering violations, commercial
fraud, child pornography importations, the illegal importation

1 of arms and critical technology.

2 Because of our special status as border law enforcement
3 agency, we find that investigations within the United States
4 frequently require information obtainable only in foreign
5 countries. As a consequence, we have 18 foreign offices to
6 support these investigative efforts.

7 Our investigative attack on narcotics smuggling organi-
8 zations, using provisions of the Bank Secrecy Act, has paid
9 excellent dividends when measured by its impact on the
10 largest smuggling groups operating in this country.

11 Multi-agency investigative and prosecutorial teams,
12 operating under the leadership of local U.S. attorneys, are
13 currently active in those cities with a history of large
14 scale currency movements, and those cities most active in
15 drug trafficking.

16 In 1986 Customs national outbound currency interdiction
17 program, known as Operation Buckstop, resulted in 162
18 currency seizures totalling more than \$42 million.

19 As the lead Federal agency for drug interdiction, we
20 work closely with the Coast Guard and the military to prevent
21 drugs from reaching our shores. In the investigative area,
22 we work closely with the Drug Enforcement Administration and
23 the FBI.

24 I believe the level of inter-agency cooperation is
25 better today than at any other time.

1 Our motivation as Federal law enforcement officials is
2 to prevent illegal narcotics from reaching the United States;
3 to disrupt narcotics smuggling organizations; and hopefully,
4 to put as many organizations out of business as possible.

5 We are stopping record quantities of drugs at our border
6 each year. And together with other agencies, more and more
7 significant arrests continue to be made.

8 Unfortunately, the smugglers are growing and producing
9 drugs in even greater amounts than ever before. They're not
10 doing this philosophically, or for ideological reasons. They
11 are doing it for money.

12 The amount of money generated by drug trade staggers the
13 imagination. Just to give you an idea of the magnitude of
14 the dollars involved, consider the following.

15 Colombian drug smugglers openly offered to pay off
16 Colombia's entire national debt in return for amnesty from
17 prosecution and extradition.

18 With such huge amounts of money being generated by these
19 illegal enterprises, one of the major vulnerabilities of the
20 criminal organization is the movement and the handling of the
21 narco-dollars.

22 Federal law requires the reporting of currency and
23 bearer instruments over \$10,000 transported into or out of
24 the United States. Smugglers seek to evade the currency
reporting requirements because of the paper trail it leaves

1 behind.

2 They have a constant requirement to launder their money
3 so it will not leave a trail.

4 Our investigations have disclosed that Panama is one of
5 the countries in which drug smugglers currently launder
6 money. Your inquiry into the role of Panama regarding drugs
7 and money laundering is both timely and appropriate.

8 I welcome the opportunity to answer any questions you
9 may have in regard to Customs' role in stopping the flow of
10 drugs into this country, and our efforts to confiscate the
11 illegal profits generated by these ventures.

12 Senator Nunn. Thank you, Mr. Rosenblatt.

13 Senator Roth.

14 Senator Roth. You mentioned that one of the Colombian
15 rings offered to pay off the Colombia debt. What was the
16 size of the debt?

17 Mr. Rosenblatt. Senator, I'm not exactly certain of the
18 size of the debt. My source was the open sources; it was the
19 media. It was contained in a number of publications, this
20 particular offer.

21 Senator Roth. Do we have any estimates of the kind of
22 money that is laundered per year from this country?

23 Mr. Rosenblatt. No. What we do have is based on forms
24 that are filed for transportation of currency in and out of
the country, as well as currency transactions reports that

1 are filed by financial institutions. We have an idea, but
2 only an idea. I believe, quite frankly, it is only a
3 fraction of the enormous amount that goes in and out of the
4 country that is related to drug trafficking.

5 Senator Roth. What is the estimate of that, even though
6 low?

7 Mr. Rosenblatt. Over the course of the last six years
8 relative to our currency reporting forms for transportation,
9 over \$46 billion is reflected for reports filed.

10 Senator Roth. That is the official document, is it not?

11 Mr. Rosenblatt. That is what is reported to us, Senator.

12 Senator Roth. So that really gives no indication of
13 what is unofficially flowing. Let us go to the immediate
14 question of Panama. What are the current figures on excess
15 dollars being repatriated from Panama?

16 Mr. Rosenblatt. The Customs Service data base on
17 reports of international transportation of currency or
18 monetary instruments, which we refer to as CMIRs, shows that
19 from January through October of 1987, approximately \$390
20 million in currency and negotiable instruments has repatriated
21 from Panama.

22 I would like to expand on that answer, if I may,
23 Senator. Those are this year's figures. Back in 1981, the
24 figures were approximately the same. Now, that is inbound,
25 390 for 1987. In 1981, it was 395.

1 The high point of reporting inbound monetary--.

2 Senator Roth. I am going to ask that this chart be put
3 up so that everybody can see it. Why don't you explain what
4 this chart means?

5 Mr. Rosenblatt. Well, in--I want to make sure that this
6 is the same chart I have in front of me. It reflects the
7 amount of money by year to Panama from the United States and
8 from Panama to the United States.

9 As I was about to indicate, if you look at the years of
10 1984 and 1985, from Panama is \$1,092,000,000, and then
11 \$1,079,000,000. And then there is a decrease and the figures
12 to--.

13 Senator Roth. Before we get to the decrease, let us
14 make sure that I understand what you are talking about. Now,
15 in 1984, you had officially \$86 million, or there are records
16 of \$86 million flowing to Panama, is that correct? Is that
17 what that figure means?

18 Mr. Rosenblatt. That is correct.

19 Senator Roth. And under our law, you are required to--
20 anything in excess of \$10,000 must be recorded, is that
21 correct?

22 Mr. Rosenblatt. That is correct.

23 Senator Roth. On the other hand, that year, 1984, in
24 contrast to the 86 million, you have over \$1 billion flowing
25 back?

1 Mr. Rosenblatt. That is correct.

2 Senator Roth. Flowing from Panama to the United States?

3 Mr. Rosenblatt. Yes, Senator.

4 Senator Roth. When we say from Panama, that goes where,
5 to the Federal Reserve?

6 Mr. Rosenblatt. Yes.

7 Senator Roth. So you have a surplus of \$1,005,000,000?

8 Mr. Rosenblatt. That is correct.

9 Senator Roth. Now, what is that surplus? What exactly
10 is that surplus?

11 Mr. Rosenblatt. That is the amount of cash that the
12 financial institutions in Panama want to return to the United
13 States for appropriate credit. They cannot use that kind of
14 cash in Panama. It is what it says, surplus.

15 Senator Roth. But what is the significance of that
16 amount?

17 Mr. Rosenblatt. To my way of thinking, it means that
18 they have got more money being generated in Panama into the
19 banks of Panama than we show going from the United States to
20 Panama.

21 Senator Roth. So isn't that an indication of how much
22 money is illegally flowing to Panama?

23 Mr. Rosenblatt. I would say that I would be willing to
24 say that a significant portion of that may be illegally
obtained. There might be included in that what I term as

1 flight capital.

2 Senator Roth. There may be other reasons behind drug
3 smuggling.

4 Mr. Rosenblatt. Yes, sir.

5 Senator Roth. But it is probably a pretty strong
6 indication of the amount of total capital flight?

7 Mr. Rosenblatt. At least with respect to Panama, yes.

8 Senator Roth. With respect to Panama. Now, again, you
9 have somewhat similar figures in 1985, \$76 million flowing to
10 Panama according to our records, but again over \$1 billion
11 coming back, so that you have, again, a surplus of \$1 billion.

12 Mr. Rosenblatt. Yes, sir.

13 Senator Roth. In '86-'87, you had a significant change.
14 Why don't you comment on the '86-'87 figures?

15 Mr. Rosenblatt. Well, I believe the reduction in the
16 amount is based on the pressure that has been put on Panama
17 and their financial institutions and the government. It is
18 based on successful money-laundering investigations and
19 undercover operations that may have deterred the Colombian
20 narcotics traffickers from laundering their profits through
21 Panama.

22 There might be another reason, but it would be conjecture
23 on my part, Senator, that there may be an attempt by Panaman-
24 ian banking interests to disarm world public opinion of
Panama as a money-laundering center by moving currency back

1 through the United States through third countries.

2 Senator Roth. Through what?

3 Mr. Rosenblatt. Through other countries, third coun-
4 tries.

5 Senator Roth. Divert it?

6 Mr. Rosenblatt. Divert it.

7 Senator Roth. So that one can only generalize. Let us
8 assume, at best, that it does show success in lowering the
9 use of Panama as a money-laundering haven. It is like the
10 glass half full. The figures have dropped from a billion to
11 roughly a half billion, then to 344, but even that is a very,
12 very significant amount, isn't that correct?

13 Mr. Rosenblatt. I think one could conclude from those
14 figures, even though they have decreased--at least I do as a
15 professional law enforcement manager--that Panama remains one
16 of the preeminent countries for laundering of illegal profits.

17 I might mention, also, although Panama has gone down in
18 the amounts of money, there is a corresponding increase in
19 the amount of money we see in Colombia. Put the two together,
20 whether it is for 1984 or currently, and you have a very
21 similar universe of money.

22 Senator Roth. So that that really substantiates your
23 conjecture earlier that it may be that the money is just
24 being diverted through a third country rather than directly
25 returned here?

1 Mr. Rosenblatt. That is a possibility.

2 Senator Roth. Let me go back and ask you a question
3 that I asked our prior witness. How important is money
4 laundering to drug operations?

5 Mr. Rosenblatt. It is extremely important, so much so
6 that from my personal experience when I worked down in Miami
7 as a special agent in charge, we began our Operation Greenback
8 financial investigation. We came to find out very quickly
9 from informants and from defendants in these money cases that
10 the problem and the logistical problem associated with moving
11 their money was much greater than moving the actual narcotics.

12 It is a logistical problem to take \$1 million of small-
13 denomination bills which can weigh upward to 100 pounds and
14 move it. We have had seizures down in south Florida and
15 other areas in the neighborhood of 3 to \$5 million in small
16 bills that weighs 3 to 400 pounds.

17 It becomes a big logistical problem, and what they want
18 to do is--what they were doing in the late '70s and the early
19 '80s was trying to take the money through the banks and
20 either convert the small bills into 100-dollar denominations,
21 reducing the logistical problem, or, better yet, convert it
22 and have it wire-transferred or obtain a check, which only,
23 as you all know, weighs only a few grams, and then move the
24 money that way.

Senator Roth. We had an earlier hearing--I believe it

1 was the Director of Customs--an example of how large in
2 physical volume and weight the collection of these small
3 bills is. I think people underestimate the seriousness of
4 the problem for the smuggler.

5 I mean, as I understand it, they have whole households
6 full of money, and so much that they don't even bother to
7 count it. Is that correct?

8 Mr. Rosenblatt. Yes, Senator. If I could ask your
9 indulgence, I have asked my personnel to put together for
10 your Committee some examples of the extent of concealment and
11 the logistics problems that the traffickers have to move
12 their money.

13 Senator Roth. Let me ask Exhibit A to be shown at this
14 time so that the audience can all see what you are talking
15 about. Do you want to elaborate on these photos in Operation
16 Buckstop?

17 Mr. Rosenblatt. I would, Senator; I would be glad to.
18 The amount seized in this particular case, as depicted by the
19 photographs--the amount is \$751,000. The seizure was made in
20 Los Angeles International Airport. It was in a false
21 compartment inside of a carton of frozen crabs.

22 The seizure was effected March 1986. Search warrants
23 were executed subsequent to the violator's arrest and
24 resulted in the seizure of an additional \$12,000, which we
25 believe to be his fee, and one kilogram of cocaine. The

1 shipment was destined for Panama City, Panama.

2 Senator Roth. Now, what about Operation Greenback, the
3 so-called Inair case?

4 Mr. Rosenblatt. On June 15th, 1984, an aircraft,
5 commercial aircraft carrying cargo came into the Miami
6 International Airport. Based on information that was
7 developed by DEA and our attache in Panama, inspection of
8 seven Sanyo freezer units arriving from Panama City revealed
9 1,000 kilograms of cocaine in the cargo.

10 There were no consignees. However, after tracing the
11 fingerprints in the seizures, two individuals were responsible
12 and were arrested and convicted in this particular case. The
13 cargo was transported on an Inair aircraft. It was seized as
14 a result of the smuggling venture.

15 I believe this case is the same one that the previous
16 witness, Mr. Kalish, made reference to relative to an inquiry
17 that allegedly was made to him by General Noriega relative to
18 1,000 kilos of cocaine transported by cargo aircraft.

19 Senator Roth. Now, we have a second set of photos from
20 Operation Buckstop. Are these white bundles really packages
21 of money?

22 Mr. Rosenblatt. That is correct. Those particular
23 bundles represent over \$500,000 in cash. I believe it is
24 inside a television set. The date of the seizure was in
25 February of 1986. Unfortunately, the attempt to locate the

1 shippers to date has been unsuccessful.

2 Senator Roth. So when you are stopping, like our
3 witness earlier talked about--he alone was trying to launder
4 something like \$300 million. Looking at those bundles, it
5 gives you some idea of the tremendous problems in carrying or
6 transporting those funds physically undetected to Panama.

7 Mr. Rosenblatt. Yes, Senator. As a matter of fact, I
8 received late last night photos from our field office which I
9 think may be of interest to this Committee. Back in 1985,
10 November of '85, in Miami, a couple of air compressors--these
11 are six-foot-long air compressors--were in a 20-foot con-
12 tainer. They were destined for the Colon Free Zone in Panama.
13 They had a record amount of over \$4 million in it, and I have
14 photographs if your Committee is interested.

15 Senator Roth. Yes. Would you hand that up here so we
16 could see it?

17 The point I want to make is that the pure physical
18 problem of transporting this money is the reason that this is
19 such a critical aspect of the drug smuggling, so that if we
20 could stop it, there is no question it would be a grievous
21 blow to drug smuggling efforts. Is that correct?

22 Mr. Rosenblatt. Absolutely, Senator. As a matter of
23 fact, Customs, as well as other federal agencies, are deeply
24 involved in pursuing the money trail associated with the
25 narco trafficking.

1 Customs has been involved, as you may be aware, since
2 1979 in pursuing the Bank Secrecy Act and now, most recently,
3 the Money Laundering Act.

4 Senator Roth. All right. Now, Panama has passed some
5 laws making money laundering a crime, and it purportedly
6 offers better cooperation with U.S. law enforcement authori-
7 ties.

8 What has been your experience since then? Has Customs
9 made any request for banking information? If so, what was
10 the result?

11 Mr. Rosenblatt. The U.S. Customs Service--I am aware of
12 that law, and so is my attache down in Panama, but we have
13 not made any official requests of the government of Panama
14 for assistance under the provisions of this anti-drug law.

15 Senator Roth. Why not?

16 Mr. Rosenblatt. We haven't directly. We have been
17 associated with other cases as a participating agent with
18 other agencies who have, and in some instances that have been
19 successful.

20 Quite frankly, I am leery of utilizing this law because
21 of the situation down there. The cooperation we get is
22 mixed. In certain instances we get good cooperation; in
23 others I feel that we are stonewalled.

24 Senator Roth. Wouldn't it be desirable to test it?

Mr. Rosenblatt. I think we are in the process of

1 testing it by participating with the Drug Enforcement
2 Administration and the FBI. As you are aware, the Drug
3 Enforcement Administration went forward with the Panamanians
4 on Operation Pisces.

5 Senator Roth. Let me go back to a more basic question.
6 While this law, if administered cooperatively, could help,
7 there is discretion. Aren't bank secrecy laws essential to
8 money laundering, or a critical aspect of money laundering?

9 Mr. Rosenblatt. Absolutely.

10 Senator Roth. So that if a foreign country really
11 wanted to be cooperative, they wouldn't allow such laws to
12 exist. Admittedly, there could be some bonafide purpose,
13 but--.

14 Mr. Rosenblatt. I believe when we demonstrate--when law
15 enforcement officials in the United States or any country
16 demonstrate that we have information that monies flowing or
17 monetary instruments flowing to a country that has a bank
18 secrecy act--if we can demonstrate that there is a narcotics
19 connection, they ought to be willing to give us that informa-
20 tion.

21 I believe the reverse should work as well, Senator. I
22 believe any country that has bank secrecy laws, if they come
23 into possession of information about drug trafficking
24 utilizing their banking system to hide illegal activity
profits, they should volunteer the information to the

1 appropriate law enforcement official in the appropriate
2 country.

3 Senator Roth. I would like to turn a moment to the
4 Steven Michael Kalish case, the witness we just had before
5 us. What investigations have you made to determine whether
6 Mr. Kalish's story is accurate?

7 Mr. Rosenblatt. Well, U.S. Customs is one of several
8 agencies working in the investigation involving the informa-
9 tion provided by Mr. Kalish. The DEA and the FBI are working
10 as equal partners in this.

11 The documentation that has been presented by the
12 Committee today, we have possession of. There is additional
13 information and evidence, at least documents, that represent
14 potential evidence.

15 A number of things have been verified relative to dates
16 and places that Mr. Kalish has represented in his testimony
17 before this Committee here today. With respect to the
18 purchase of aircraft, the purchase of helicopters, we have
19 those documents.

20 Whether or not these were on behalf of General Noriega--
21 we have the testimony of witnesses. Again, these witnesses
22 are subject to indictment, possibly, possibly also incarcera-
23 tion.

24 What the agencies are attempting to do is to corroborate
as extensively as possible--not only make a determination of

1 the potential for prosecution, but to ensure that if an
2 effort is made to prosecute those individuals that have been
3 identified by Mr. Kalish that we will be successful in
4 prosecution as well.

5 Senator Roth. Do flight logs for N39292 confirm that it
6 was used to fly General Noriega to Washington, D.C., on
7 November 18, 1983, and later to Las Vegas, Nevada?

8 Mr. Rosenblatt. The flight logs that we have indicate
9 that General Noriega was a passenger on that aircraft, as
10 reported by the pilot in command of the aircraft.

11 Senator Roth. We understand that Customs seized from
12 Mr. Kalish handwritten accounting records. When were they
13 seized, and is this a blow-up of the documents seized?

14 Mr. Rosenblatt. Senator, these documents were obtained
15 by Customs; I believe it was in August last year. We
16 obtained them from Mr. Kalish's attorney.

17 Senator Roth. And they were obtained after his arrest?

18 Mr. Rosenblatt. That is correct.

19 Senator Roth. Now, is Mr. Kalish still being paid
20 regularly by the National Bank of Panama on a letter of
21 credit involving the purchase of a helicopter for the Panama
22 defense forces?

23 Mr. Rosenblatt. That is correct.

24 Senator Roth. Have you obtained other records indicating
25 that Mr. Kalish was, in fact, involved in the purchase of a

1 727 jet for the Panamanian government?

2 Mr. Rosenblatt. We have documents pertaining to the
3 acquisition of that aircraft, including the bills of sales,
4 et cetera.

5 Senator Roth. Have you interviewed pilots hired by Mr.
6 Kalish to transport drug money? If so, what have you learned?

7 Mr. Rosenblatt. Special agents assigned to this case
8 from our agency as well as Drug Enforcement and the FBI have
9 interviewed witnesses. In a number of respects, they relate
10 a similar representation as given by Mr. Kalish this morning.

11 Senator Roth. Now, we have what appear to be aircraft
12 flight logs regarding Kalish-Panama; that is Exhibit 9 that
13 was shown earlier. Did Customs compile those records?

14 Mr. Rosenblatt. Well, insofar as an analysis and
15 compilation, yes.

16 Senator Roth. Now, Mr. Rosenblatt, we have heard some
17 pretty startling evidence today of government complicity, or
18 at least complicity of some government officials in money-
19 laundering operations in Panama.

20 Is there any hope of stopping money laundering as long
21 as government officials are involved?

22 Mr. Rosenblatt. If, in fact, government officials of
23 any country sanction a portion of money laundering as a
24 result of narcotics trafficking in their country, whatever
25 that universe is, it is virtually hopeless for law enforcement

1 agencies of any country to completely stop that kind of
2 activity.

3 Senator Roth. If I understand your testimony, money
4 laundering is critical to drug smuggling.

5 Mr. Rosenblatt. Yes.

6 Senator Roth. If we can stop that, we can badly damage
7 the illicit handling of drugs, but key to that is ensuring
8 that we get full cooperation from governments in stopping
9 such activities.

10 Mr. Rosenblatt. The answer to the first part of your
11 question is it is absolutely essential. It is one of the
12 primary tools, as far as I'm concerned, in stopping narcotics
13 trafficking is following the money. The second part of your
14 question, I agree.

15 Senator Roth. Mr. Chairman, you and I last year
16 sponsored some legislation providing for sanctions in the
17 event we did not get full cooperation. It seems to me that
18 the testimony we have today underscores the importance of
19 gaining full cooperation from foreign governments.

20 Mr. Chairman, that is all the questions I have at this
21 stage.

22 Senator Nunn. Thank you, Senator Roth. I just have a
23 few questions.

24 On this chart here, Mr. Rosenblatt, you say that that
25 chart or the small version of that chart, I assume, was

1 delivered to Customs by Mr. Kalish's attorney?

2 Mr. Rosenblatt. That is my understanding. Let me
3 verify that. That is correct.

4 Senator Nunn. And what was the date of that delivery?

5 Mr. Rosenblatt. Some date in August of last year.

6 Senator Nunn. Of 1986?

7 Mr. Rosenblatt. '87.

8 Senator Nunn. '87. What was the occasion for that
9 delivery? Was it requested, subpoenaed, or was it voluntary
10 turn-over?

11 Mr. Rosenblatt. I believe it was part of the plea
12 agreement as voluntary turn-over.

13 Senator Nunn. Had that chart been in Mr. Kalish's or
14 his attorney's possession all along or had it been under some
15 other supervision?

16 Mr. Rosenblatt. It is my understanding it was under the
17 supervision of another individual other than Mr. Kalish. Mr.
18 Kalish was incarcerated. They were in the possession of
19 another individual.

20 Senator Nunn. Do you know who that individual was?

21 Mr. Rosenblatt. Yes.

22 Senator Nunn. Are you fully aware of the chain of
23 possession of this information from the time of Mr. Kalish's
24 arrest in '84 until it was turned over to you or Customs by
25 his attorney in '87?

1 Mr. Rosenblatt. No.

2 Senator Nunn. Has any law enforcement agency verified
3 that chain?

4 Mr. Rosenblatt. I am not personally aware. It is
5 possible that the investigative agents on this case may be
6 aware of that.

7 Senator Nunn. Who were the investigative agents, the
8 FBI or Customs or--..

9 Mr. Rosenblatt. Customs and FBI and DEA agents.

10 Senator Nunn. I understood Mr. Kalish to say that this
11 had been seized from him at the time of his arrest. At least
12 that was my memory of what he said. Is that not right?

13 Mr. Rosenblatt. Mr. Chairman, if I may, it is my
14 understanding that the documents, the contemporary notes that
15 have been on display, plus others that the investigative
16 agencies and the U.S. attorney in Tampa have in their
17 possession now were in Panama at one time.

18 Subsequent to Mr. Kalish's arrest, these documents were
19 shipped from Panama as part of household goods relative
20 possibly to the sale of Mr. Kalish's home down there, but
21 nevertheless these documents were shipped from Panama to the
22 United States.

23 They were sent to Mr. Kalish's wife, who then turned
24 them over to Mr. Kalish's attorney, who turned them over to
25 the authorities.

1 Senator Nunn. Do you know whose handwriting that is?

2 Mr. Rosenblatt. We have not--these right here?

3 Senator Nunn. Yes.

4 Mr. Rosenblatt. We have not done a scientific com-
5 parison, but based on known samples of his writing, the
6 agents feel that these are originals. This is a copy,
7 obviously, but--.

8 Senator Nunn. From Mr. Kalish himself?

9 Mr. Rosenblatt. Right.

10 Senator Nunn. Was there any time from the time of his
11 arrest until this chart showed up from his attorney to
12 Customs that Mr. Kalish himself could have put this in
13 writing?

14 Mr. Rosenblatt. There is that possibility. I would not
15 want to sit here and say categorically there is no pos-
16 sibility. Once they were shipped from Panama and they
17 arrived here in the United States before they were turned
18 over to Mr. Kalish's attorney and to us, there is that
19 possibility.

20 Senator Nunn. Well, have you or your people been part
21 of the investigating team with Mr. Kalish?

22 Mr. Rosenblatt. That is correct.

23 Senator Nunn. Do you have any of your agents here that
24 were directly involved with him?

25 Mr. Rosenblatt. Yes, I do.

1 Senator Nunn. Would they identify themselves?

2 Mr. Rosenblatt. I have Laura Sherman here, special
3 agent.

4 Senator Nunn. I would like to get her to testify,
5 unless you have some objection. I think it is important that
6 we understand what we have got here, whether this could have
7 been done after the fact and whether there is someone who has
8 knowledge of it.

9 Mr. Rosenblatt. The only reluctance that I have, Mr.
10 Chairman, is that Ms. Sherman is investigative case agent for
11 U.S. Customs on it, on this case, as well as an agent of the
12 grand jury.

13 Senator Nunn. Well, I'm just going to ask her about
14 this chart and the questions surrounding it and her belief.
15 I want to see whether your people have belief that we have
16 got a credible witness here.

17 Would you hold up your right hand, please? Do you swear
18 the testimony you give before this Subcommittee will be
19 truth, the whole truth, and nothing but the truth so help you
20 God?

21 Ms. Sherman. I do.

22 Senator Nunn. Now, would you state your name, please,
23 for the record?

1 TESTIMONY OF LAURA SHERMAN, SPECIAL AGENT, UNITED
2 STATES CUSTOMS SERVICE.

3 Ms. Sherman. Yes, sir. My name is Laura Sherman.

4 Senator Nunn. And what is your position, Ms. Sherman?

5 Ms. Sherman. I'm a special agent with the United States
6 Customs Service.

7 Senator Nunn. How long have you been in that position?

8 Ms. Sherman. Approximately five years.

9 Senator Nunn. Approximately five years?

10 Ms. Sherman. Yes, sir.

11 Senator Nunn. During that period, have you had a chance
12 to be involved in the Kalish matter, the Kalish case?

13 Ms. Sherman. Yes, sir, I have.

14 Senator Nunn. Have you interviewed him?

15 Ms. Sherman. Yes, I have.

16 Senator Nunn. Have you gotten into this subject with
17 him?

18 Ms. Sherman. Yes, sir, quite extensively.

19 Senator Nunn. Well, just tell us in your own words what
20 you believe about this, and particularly the chain of
21 possession and whether you believe this document is authentic
22 as to when it was done, whether you believe it is his
23 handwriting, and so forth. Give us your own version of it.

24 Ms. Sherman. The document was turned over to me in
approximately August of 1987 by his attorney, Mr. Buffone. I

1 was told at that time that the document had been recently
2 retrieved from Panama by Mr. Kalish's wife, and Mr. Kalish had
3 not had access to these documents as yet. And I took
4 possession, made appropriate copies, and sealed them up and
5 put them in the safe.

6 Senator Nunn. Who told you that?

7 Ms. Sherman. Mr. Buffone.

8 Senator Nunn. Mr. Kalish's attorney?

9 Ms. Sherman. Yes, sir. When Mr. Buffone showed me the
10 documents, I called the assistant U.S. attorney to witness
11 the transaction.

12 Senator Nunn. I'm sorry; I couldn't hear. You will
13 have to pull that mike up.

14 Ms. Sherman. When Mr. Buffone showed me the documents,
15 I called the assistant United States attorney to witness the
16 transfer of the documents to me.

17 Senator Nunn. Have you had occasion to interview Mr.
18 Kalish about this document?

19 Ms. Sherman. Yes, sir, I have.

20 Senator Nunn. Did you ask him about the dates, and so
21 forth?

22 Ms. Sherman. Yes, sir, I did, and the dates on it are
23 corroborated by certain bank records that we have obtained.

24 Senator Nunn. The question I have is how do we know
25 that this wasn't done after that date, after he was incar-

1 cerated.

2 Ms. Sherman. We have not done an analysis of the date
3 of the paper or anything like that, sir.

4 Senator Nunn. How about analysis of the handwriting?

5 Ms. Sherman. The handwriting has not been analyzed by a
6 professional. However, in an unprofessional opinion it
7 compares with the handwriting I know to be Steven Kalish's.

8 Senator Nunn. Do you believe Mr. Kalish to be a
9 credible witness?

10 Ms. Sherman. My opinion is yes, sir.

11 Senator Nunn. Do you have any reason to disbelieve any
12 of the testimony he has given today?

13 Ms. Sherman. No, sir.

14 Senator Nunn. Have you corroborated a portion or
15 portions of that testimony?

16 Ms. Sherman. Yes, sir.

17 Senator Nunn. So you have worked with him and you
18 believe he is credible in terms of the testimony he has given
19 us today?

20 Ms. Sherman. Yes, sir, I do.

21 Senator Nunn. Do you have any reason to believe that
22 this document was not prepared by him prior to his arrest?

23 Ms. Sherman. I'm sorry?

24 Senator Nunn. Do you have any reason to believe that
25 this document was not prepared by him prior to his arrest?

1 Ms. Sherman. No, sir. I believe it was prepared at the
2 time it states.

3 Senator Nunn. Now, tell us why. Why do you believe
4 that?

5 Ms. Sherman. This is only one of a series of several
6 documents and they all seem to flow in a natural progression
7 of someone that is trying to keep track of their own personal
8 financial records.

9 Senator Nunn. So this was part of another whole array
10 of papers?

11 Ms. Sherman. Yes, sir.

12 Senator Nunn. But this document, at least, was not part
13 of the documents he had on him when he was arrested?

14 Ms. Sherman. No, sir, it was not.

15 Senator Nunn. What other agents have had to do with
16 this case?

17 Ms. Sherman. By name, sir?

18 Senator Nunn. Yes, by name.

19 Ms. Sherman. Stanley Jacobson from the Federal Bureau
20 of Investigation, Vicki Johnson from the FBI, and Al Henley
21 from DEA.

22 Senator Nunn. Would you repeat that last one?

23 Ms. Sherman. Al Henley with Drug Enforcement.

24 Senator Nunn. Thank you.

Senator Roth. I don't have anything else. Thank you,

1 Mr. Chairman.

2 Senator Nunn. Thank you.

3 Senator Roth. Mr. Chairman, we will be continuing to
4 work in this area and at a future time we will propose
5 possible further hearings. Mr. Chairman, with your permis-
6 sion, I would call the Subcommittee in recess, subject to the
7 call of the Chairman.

8 Senator Nunn. The Subcommittee will be in recess.

9 [Whereupon, at 12:31 p.m., the Subcommittee was adjourned.]

December 21, 1983

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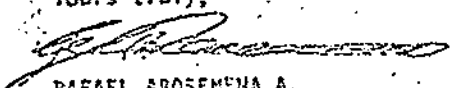
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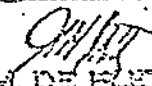
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Before the

Subcommittee on Terrorism, Narcotics and International Operations

of the

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

Washington, D.C.

February 8, 1988

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Salinas, California

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Miami, Florida

-accompanied by-

Lee Fugate, Esq. Counsel

1 HEARING TO RECEIVE TESTIMONY ON
2 DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

3
4 Monday, February 8, 1988

5
6 U.S. Senate
7 Subcommittee on Terrorism,
8 Narcotics and International
9 Operations
10 Committee on Foreign Relations
11 Washington, D.C.

12 The subcommittee met, pursuant to notice, at 10:02 a.m.,
13 in Room SH-216, Hart Senate Office Building, the Hon. John F.
14 Kerry [Chairman of the subcommittee] presiding.

15 Present: Senators Kerry [presiding], and Moynihan.

16 Senator Kerry: This hearing of the Narcotics, Terrorism,
17 International Operations Subcommittee will come to order.

18 Let me just say before I make any opening comments that
19 this morning attorneys for General Noriega by wire letter and
20 by being here in person have made available to us a letter
21 from General Noriega requesting that they be permitted to
22 cross-examine as well as place evidence before the
23 Committee.

24 In the spirit of fairness, I just want to make it very
25 clear, General Noriega is invited to appear here as a

1 witness. If the attorneys want to make him available without
2 subpoena, we would be delighted to make arrangements.

3 This is not a criminal proceeding. It is not a court of
4 law. And clearly General Noriega has ample opportunity to
5 answer whatever charges have formally been made against him
6 by indictment through the legal process of the United
7 States.

8 We will, however, be very happy to receive any documents,
9 any evidence for our staff to peruse as part of our overall
10 investigation. And make our own determination as to veracity
11 and credibility and determine who we might or might not call
12 as a witness. And I think that is standard operating
13 procedure for Congressional committees, even in investigative
14 posture.

15 But I repeat, we certainly would be delighted to have
16 General Noriega answer any and all charges here in person,
17 and there is an open invitation from the Committee for him to
18 do so.

19 Secondly, my ranking, the ranking Member of the Foreign
20 Relations Committee is unable to be here due to a personal
21 family situation. He wanted to be here, he has been very
22 much part of this process for a number of years. And that is
23 Senator Helms.

24 I have a statement here from him that I will not read in
25 full. It will be placed in the record as if read. But I

1 would just like to read two paragraphs of it to you, if I
2 may.

3 Senator Helms says, in preparation for these hearings, we
4 have spent over two years specifically investigating the
5 involvement of Noriega and other high-level officials of the
6 Panama defense forces in illicit activities of every kind.

7 We have discovered that these gangsters will stop at
8 nothing to rob and betray the Panamanian people. Noriega has
9 successfully taken Panama away from the people of Panama.
10 Now, the people of Panama want the dictator out.

11 In hundreds of interviews over the last several years we
12 have found that Noriega has turned Panama into a criminal's
13 paradise. We have prudently refrained from putting this
14 information into the public domain because it was absolutely
15 necessary to obtain independent confirmation of the testimony
16 of various witnesses who claimed to have first-hand
17 knowledge.

18 We now have many witnesses who are able to do that for
19 us. Three of them will testify here this week. Mr.
20 Chairman, I find the testimony of Floyd Carlton, Jose
21 Blandon, and Ramon Millon Rodriguez credible and
22 disturbing.

23 In private, these men have told the Foreign Relations
24 Committee of Noriega's personal and direct involvement in
25 money laundering, drug trafficking, arms trafficking, illegal

1 business deals, and murder. It is now time for the people of
2 Panama and the people of the United States to hear the
3 truth.

4 That full statement will appear in the record as if
5 read.

6 [The prepared statement of Senator Helms follows:]

7 [SUBCOMMITTEE INSERT]
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1 Senator Kerry: I would like to take a moment or two for
2 those who are new to this subject to place these hearings in
3 their proper context, if I may, and it is important to
4 understanding where we have been and where we are going.

5 In June of 1986, over a year and a half ago, in a secret
6 session of the Foreign Relations Committee, I presented
7 evidence of widespread narcotics trafficking which threatened
8 to undermine both American foreign policy interests and law
9 enforcement efforts.

10 This evidence involved Panama, the Bahamas, Mexico,
11 Columbia, Central America, and aspects of the private aid
12 network to the contras. At that meeting, in a bipartisan
13 agreement to let the chips fall where they may, the Committee
14 voted unanimously to conduct an investigation which has been
15 ongoing ever since.

16 Scores of people have been interviewed. Thousands of
17 documents have been reviewed. Many depositions have been
18 taken.

19 Last year, based on published reports as well as evidence
20 developed in our investigation, Senator Helms and I led an
21 effort on the Senate floor to challenge the Administration's
22 certification of cooperation in the war on drugs for Panama,
23 the Bahamas, and Mexico.

24 The vote to decertify Panama -- and the distinguished
25 Senator from New York, Mr. D'Amato, was central in that also

1 -- carried 58 to 31. Throughout the debate the
2 Administration steadfastly defended all three countries,
3 maintaining that each, Panama included, was doing everything
4 possible to cooperate fully in combating the flow of drugs.

5 At that time, we scheduled these hearings that are taking
6 place today. Hearings which I want to emphasize would be
7 taking place regardless of the events of last week. It is
8 important also to emphasize, and I want to stress this, these
9 hearings are not just about Panama. They are not just about
10 Noriega, though clearly Noriega is central to telling the
11 story.

12 Initially, this inquiry began with reports of certain
13 contras and elements of the network involved in drug
14 trafficking. Indeed, we will explore that issue. Are we
15 still here? Mention the contras and something happens.

16 Are we here? There we go. Indeed we will explore that
17 issue as these hearings develop. Not just in the next few
18 days, but when subsequent scheduled days take place in both
19 March and April.

20 Frankly, what we have found as this investigation
21 unfolded was an extreme, pervasive, almost awesome presence
22 of narcotics trafficking and the narco dollar in the everyday
23 life of countries we deal with, as well as in our own
24 affairs.

25 This presence was growing so rapidly and with such

1 profound effect that we came to the conclusion the United
2 States is facing a national security crisis. These hearings
3 are an effort to define and to explain that crisis.

4 We hope to show the imminent danger posed by continued
5 inattention to the international narcotics relationship. We
6 will hear testimony about the destabilization of whole
7 countries, regions, the support for terrorism, and the
8 subversion of our own laws and institutions.

9 And these hearings will attempt to answer many
10 questions. Among them, given the strategic importance of
11 Panama and the Panama Canal to U.S. interests, is it
12 conceivable that our intelligence agencies knew nothing about
13 the events that we will hear described?

14 What is the definition of national security which permits
15 us to sacrifice the war on illegal drugs to support the
16 illegal war of the contras?

17 How do negotiations -- and I am referring specifically to
18 the time of illegality under the Boland amendment -- how do
19 negotiations for Bahamian bases take priority over a sting
20 operation that would net high government officials as
21 conspirators in drug trafficking?

22 If the New York Times could write publicly on the front
23 page in June of 1986 that Noriega was involved in illegal
24 drugs, why did the Federal government only move most recently
25 in recent months and weeks to indict? How can we tell our

1 kids to just say no to drugs when our government could not
2 say no to Noriega?

3 This is the first of a series of hearings. And as we go
4 along it is our intention to tell a story, one which is both
5 shocking and disturbing. I believe it will become clear that
6 not only do we face a national security threat ourselves for
7 our interests, but that other countries are threatened to
8 such a degree that the stability of the Western hemisphere,
9 certainly the Southern Western hemisphere, is at issue.

10 Nowhere is this more clear than in Columbia. The
11 international drug traffickers have literally hijacked an
12 entire nation, and General Gorman will talk about that. They
13 have terrorized and brutalized the Colombian government into
14 near submission.

15 The latest example is the savage murder of the Attorney
16 General of Columbia on January 25th. The most recent in a
17 long string of killing of Columbian officials who dared to
18 challenge the power of the narco traficantes.

19 That does not complete the story. Mexico tells us more.
20 Three men indicted just last month, high Mexican officials,
21 indicted for drug trafficking. Nor does that complete the
22 story. The Bahamas will tell more.

23 In testimony before this Committee last year we heard how
24 it is possible to literally rent an island overnight so that
25 drug planes can land, unload, and transfer their drugs to

1 boats that come into Florida.

2 Nor is that the whole story, as we have learned this past
3 week with the sordid saga of General Noriega and the
4 happenings of Panama. And the story has many chapters that
5 we have neither the staff to research into nor the time to
6 tell. Burma, Pakistan, the Bekaa Valley, the Far East.

7 These hearings will also explore our response to that
8 threat. From what we have learned these past months, our
9 declaration on war against drugs seemed to have produced a
10 war of words and not action. And the results speak for
11 themselves.

12 We have declared a war of drugs but our inner cities have
13 increasingly become combat zones for a war between the drug
14 dealers themselves. I think more than 40 people have been
15 killed in the streets of Washington in 1988 alone.

16 Our suburbs are flooded with cocaine. Just ask any
17 parent. Our schoolyards remain playgrounds and marketplace
18 for drug dealers. Our borders are inundated with more
19 narcotics than at any time ever before.

20 In reality, the war on drugs has been more like a
21 low-intensity conflict fought by ill-equipped soldiers with
22 no coherent battle plan.

23 We talk about eradication, but provide few economic
24 alternatives. We talk about interdiction, but the drug
25 traffickers have more sophisticated equipment and

1 Intelligence than our drug agents. And I am sure that both
2 General Gorman and District Attorney Morgenthau will testify
3 to that.

4 We talk about war, but the soldiers we send to fight are
5 outgunned by drug dealer and user alike. We talk about law
6 enforcement, but our agencies are understaffed, our courts
7 overburdened, the Coast Guard suffered damaging cuts, the
8 Drug Enforcement Administration reports it has only one agent
9 covering Egypt and half of Africa.

10 More than one politician has told us that we engaged in a
11 battle for the soul of America, that our traditional American
12 moral values are at stake. I believe that is true. But the
13 gap between rhetoric and reality has grown enormous. It is
14 almost as if we are preoccupied with the creation of two
15 Americas, the one that we say we are, and the one that we are
16 really all about.

17 Americans have been left wondering whether we are
18 powerless, while illegal drug dealers continue to steal many
19 of our best minds, our finest athletes, our greatest creative
20 artists, and our children.

21 If you doubt its epidemic proportions, do not. Today,
22 5,000 Americans will use cocaine or crack for the very first
23 time. At least 20 million Americans have already tried
24 cocaine. At least one million Americans are addicts.

25 As many as 75 percent or more criminals arrested in major

1 American cities are testing positive for drugs. And I
2 remember from my days as a prosecutor that at that time
3 perhaps 60 to 65 percent of all crime was drug related.

4 Out of 1.2 million Intravenous drug users in America,
5 250,000 of them are infected with the AIDS virus. So the
6 cost to our society of drugs measured in terms of death,
7 illness, crime, lost productivity, law enforcement,
8 overcrowded jails, and drug treatment are estimated at \$100
9 billion a year.

10 Last year we passed the Drug Abuse Act. But we saw
11 serious cuts in the effort of that act to be able to do what
12 it would. It seems to all of us that a Nation serious about
13 drugs would take stronger steps to prevent the traffickers
14 from operating with impunity in foreign sanctuaries.

15 A Nation serious about drugs would find ways to make it
16 impossible for drug lords to use commercial banking system to
17 pay their pushers, launder their money, bribe their friends,
18 and run their business.

19 These hearings are finally not an attempt to point a
20 finger or solely to point a finger at other nations. For as
21 the Nation of demand, we bear responsibility. But if we are
22 going to successfully wage a real war on drugs, you have to
23 know the terrain, you have got to design a battle plan.

24 At this point in our inquiry it seems as though stopping
25 drug trafficking in the United States has been a secondary

1 U.S. foreign policy objective, sacrificed repeatedly for
2 other political and institutional goals such as changing the
3 government of Nicaragua, supporting the government of Panama,
4 using drug-running organizations as intelligence assets, and
5 protecting military and intelligence sources from possible
6 compromise through involvement in drug trafficking.

7 The result has been to guarantee that law enforcement
8 efforts have been frustrated, and the organizations that
9 produce, import, and distribute drugs have prospered. Most
10 disturbingly, it has been to guarantee that the kids of this
11 country have been denied the opportunity to have a drug-free
12 chance to start in life.

13 We look forward to learning a great deal more in the
14 course of these continuing hearings. Just to give you a
15 sense of where we are going over the next few days, we begin
16 today, this morning, with two distinguished, very experienced
17 veterans of this effort.

18 They will give us an overview, a picture defining exactly
19 what is at stake and what we are or are not doing. Then
20 within that larger picture, in that context, we will begin
21 this afternoon with the witnesses themselves who have taken
22 part in this effort.

23 We will begin first of all with Leigh Ritch. Last week
24 you heard from Steve Kalish. Well, Mr. Ritch was Mr.
25 Kalish's boss. He was several levels above him, and he will

1 describe in detail the laundering, the setting up of the
2 trafficking, how he became involved. And finally, his
3 involvement with General Noriega and with Panama.

4 After him, we will hear from an airline pilot for Eastern
5 Airlines, who will testify to what he observed as a pilot for
6 Eastern, flying in the region.

7 Tomorrow, Mr. Jose Blandon will start in the morning and
8 testify at considerable length and in detail about his
9 knowledge of what has happened in Panama and in the region.

10 Then we will hear from Mr. Floyd Carlton, who was the
11 personal pilot to General Noriega and involved in drug
12 transactions.

13 And finally we will hear from Mr. Million Rodriguez, who
14 was a major launderer of money, who will describe in
15 significant detail his life as a drug dealer, his involvement
16 with Panama, as well as the Colombian cartel, and describe, I
17 think, in terms that only somebody who has been there could
18 the depth and extent of the power of the narco traficantes.

19 I am delighted to be joined by my colleague on the
20 Foreign Relations Committee and my colleague on this
21 subcommittee, the distinguished Senator from New York, Pat
22 Moynihan.

23 We will be joined here, after the introduction of Mr.
24 Morgenthau, by the distinguished minority ranking Member of
25 the Senate Caucus on International Narcotics, Alfonse

1 D'Amato, also of New York. Let me turn to my colleague,
2 Senator Moynihan.

3 Senator Moynihan: Mr. Chairman, I want to say what I
4 know my distinguished colleague, Senator D'Amato, will say,
5 and what Mr. Helms would have said, that you have been
6 extraordinary in this matter.

7 You have been ahead of the Senate, you have been ahead of
8 the news, you have been on top of facts which, some of which
9 there was almost an avoidance of them for the simple reason
10 they were so incredible.

11 The things that appear now to be true could have been
12 true, it required a capacity for both indignation and
13 tenacity that I can only speak of with great respect, sir.

14 Senator Kerry: Thank you very much.

15 Senator Moynihan: I have just a few, I hope not too
16 personal, comments. But to get a sense of what we are on to
17 here, I think it would be fair to say that it was I who first
18 proposed that the issue of the international drug traffic be
19 put on the agenda of American foreign policy.

20 This was in 1969. I have become Assistant to the
21 President for Urban Affairs. And the heroin epidemic of the
22 1960s was cresting here in Washington, and in our city of New
23 York, we are going to hear more about.

24 There were more bank robberies that year in Washington
25 than there had been, one year than there had been in the

1 previous century, cumulatively. The young men walking into
2 banks, shaking a pistol at a teller, and demanding \$35.

3 And the heroin was almost entirely produced by what came
4 to be known as the French connection, from that movie later
5 made. The opium was grown in Turkey where opium is a, the
6 opium plant poppy, the opium is not grown, it is collected,
7 it is a natural substance.

8 Poppy is a natural product in Turkey. They put poppy
9 seeds on their bread, it is part of their cuisine. And it
10 was being suddenly moved to, as raw opium, to Marseilles,
11 where it was processed into heroin, and then brought over
12 here.

13 I said to the President, this is something we have to
14 stop. And you could not have two NATO countries doing this.
15 And he said, yes. I left from the Western White House in San
16 Clemente in August 29, 1969, and I went quietly across,
17 stopped in India, met in Istanbul with the Foreign Minister
18 of Turkey. I said, you know, that we have got to stop this.

19 Went to Paris, met with our embassy people. In time I
20 met with the head of the Surete, Jean Dewar, as he then was.
21 Sort of a combination of head of the FBI and everything else
22 in France. A man whose name is known, but whose picture is
23 not published.

24 And I would like to just account an exchange with him.
25 We had lunch at the American embassy, the ambassador's

1 residence. And he at that time, he spoke no English. We had
2 to go through the translation.

3 And we were describing what was happening in our city
4 where 1,000 had died in New York City, of overdoses, that
5 year. And one person had died in the Riviera of an overdose
6 of heroin, and it had occasioned a debate in the French
7 National Assembly on French family life.

8 And this man listened, as we told him what was going on
9 in our country, and he listened. And then finally, lunch was
10 over, I went, I was putting on his coat in the vestibule
11 there.

12 And he suddenly turned and he looked at me and in perfect
13 English said, what kind of people are you? What kind of
14 people would let another country do that to their own
15 citizens?

16 And indeed, well, in very short order the Turks went and
17 agreed to put an end to the production of opium, and we
18 recycled crops. The French, with the reluctance that always
19 involves operations in Marseilles, closed those things down.
20 And the heroin market was blocked for the moment.

21 Now, it moved to Mexico. We knew it would. But those
22 countries behaved in response to our insistence that they
23 must. Which came late in the day, but it did come. Now,
24 under your pressing, we had a problem of why did our
25 government not get involved with these matters earlier.

1 But suddenly we face the prospect, Is it possible that
2 elements of our government have actually been involved in the
3 international trafficking of drugs? In pursuit of other
4 objectives they have allowed, they have abetted, they have
5 chosen not to interdict.

1 What you have found out about Mr. Noriega, in a life of
2 government, I do not know that I have ever heard of American
3 officials being involved. I mean, we are going to hear
4 tomorrow from Mr. Blandon.

5 This is the New York Times of February 4, front page,
6 Steven Engleberg and Elaine Scalino. It begins: "A former
7 senior Panamanian official" -- that is to say Mr. Blandone --
8 "said today that the White House set up a secret operation in
9 1986 that called for Panama to arrange an East Bloc arms
10 shipment that could then be captured in El Salvador and
11 falsely linked to the Nicaraguan government."

12 If that is true, Mr. Chairman, it is the most degraded
13 conduct I think in the history of the American Republic, if
14 officials could have done that.

15 As General Gorman is going to testify, we knew that the
16 rebel forces on El Salvador had -- there are five groups.
17 They had been brought together by Fidel Castro and formed a
18 front, were in a certain alliance with the Sandinistas and
19 gave them money at some point, and in return the Sandinistas
20 let them, when they came to power in Managua, set up their
21 actual headquarters in Managua. We know that.

22 We also knew that they had been shipping some arms. And
23 then in 1983 the Administration came to us, came to the
24 Intelligence Committee -- I was Vice Chairman of the Senate
25 Select Committee on Intelligence -- and said: We have got to

1 interdict the arms going into El Salvador from Nicaragua.

2 And I went to the Senate floor and spoke of it October
3 18, 1983 -- we had the conference report on the Intelligence
4 Authorization Act -- and said, you know, we have to do this;
5 that the Nicaraguan government, if it is carrying out these
6 things, is in direct violation of Article 18 of the charter
7 of the OAS.

8 We had not just a right, but arguably a duty, to help
9 interdict this. And yet, we never found much in the way of
10 arms.

11 In December of that year I was in Salvador. I met with
12 the provost, the director and provost of the Jesuit
13 university and asked him -- and he obviously knew -- are
14 there arms coming in from Nicaragua?

15 He said no. I said no? He said: No, you are providing,
16 the United States is providing El Salvador all the arms it
17 can possibly use. The people in the hills, they buy them or
18 they steal them. There is plenty to go around.

19 And I know that General Gorman worked very hard on that,
20 and yet we never found any evidence. They never found a
21 shotgun.

22 If it now turns out that the government, having used this
23 as its issue when its real object was overthrowing the
24 government of Nicaragua, not El Salvador, was prepared to
25 plant East German arms in El Salvador in order to deceive the

1 Congress and the people, I do not know anything in
2 Iran-contra that was as vile.

3 Mr. Chairman, we are involved in issues that go to the
4 heart of the integrity of government, as well as the health
5 of the society. I thank you for what you are doing. I
6 congratulate you, and stay at it.

7 Senator Kerry: I thank you very much, Senator. You are
8 experienced at this and you have enormous knowledge through
9 your service on the Intelligence Committee of precisely what
10 is at stake here. And I thank you personally for your
11 comments.

12 But I also thank you for your comments generically and
13 publicly.

14 Let me now, if we can, move on to the testimony. Again I
15 repeat, this is the overview. This is to place the testimony
16 of our subsequent witnesses over the course of the next month
17 in a context. And I think the context is particularly
18 important.

19 And from my perspective, I can think of no one more
20 capable of articulating it than the distinguished district
21 attorney from New York. I know that when I served as a young
22 assistant district attorney and was running the DA's office
23 in Massachusetts, we looked to Bob Morgenthau as the example
24 for most everything, whether it was a task force on drugs or
25 a major crime unit or a rape counseling task force,

1 whatever.

2 And I am very honored to have him here.

3 I would like to turn to Senator D'Amato at this point,
4 both for introductory comments as well as any comments he
5 might have. And my distinguished colleague I think wants to
6 join you at the table for purpose of an introduction of his
7 district attorney.

8 Senator Moynihan: Mr. Chairman, this is a very important
9 moment for me. In my youth, I wrote speeches for Bob
10 Morgenthau. Now I have reached a level of equality which I
11 have looked forward to for 25 years.

12 Senator, we welcome you. I know you have had a long
13 interest in this. You have been terrific on the issue. You
14 fought on the floor. You have been fighting elsewhere about
15 it, and I am glad to have you here at these hearings.

16 Mr. District Attorney, I welcome you on behalf of the
17 Committee.

18 Senator D'Amato.

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1 STATEMENT OF HON. ALFONSE D'AMATO, U.S. SENATOR FROM NEW
2 YORK

3 Senator D'Amato: Mr. Chairman, let me first commend you
4 and join with Senator Moynihan in saying that in your rather
5 short stewardship as chairman of this most important
6 Committee, you have brought very real purpose and meaning to
7 it.

8 You have, I believe, identified what I think is the most
9 significant challenge to America today, and that is not just
10 the international narcotics menace as it relates to the
11 countries of Central and South America and Asia and
12 elsewhere, but the interrelationship to the decay, to the
13 decadence, to the enslavement of millions of Americans, our
14 youth, to the entrapment of the people that Bob Morgenthau
15 fights for daily and represents, not only in the city of New
16 York, but in all of our hubs and in our suburban communities
17 and in our rural communities, but particularly in our large
18 metropolitan areas, where senior citizens dare not venture
19 out when the sun goes down, where our parks have become
20 playgrounds for the traffickers and the drug pushers, where
21 our incredible mass transit systems have become places of
22 fear far too often, where our infrastructure notwithstanding
23 may be apparently something of great virtue, the public is
24 afraid to utilize them.

25 And you know, it goes to the central theme: How

1 committed are we? And not just this Administration, for all
2 of its failures, for the ridiculous coming forth with that
3 certification monster that it put forth in March, a document
4 that said that countries like Panama and Mexico and Colombia
5 and Bolivia were doing all that they reasonably could be
6 expected to in fighting drugs.

7 Mr. Chairman, it was yourself and Senator Helms, myself
8 and others who led those battles. And finally, finally, we
9 were able to get a symbolic vote that disagreed with that
10 certification.

11 And it was only symbolic because the State Department and
12 others, other people on both sides of the political aisle
13 within the Congress -- because let us understand, if there
14 has been a major failing, as far as I am concerned it is not
15 just a failing of the Administration to adequately fund, and
16 not only just to fund, to be committed to this war, this
17 menace, this international drug menace within our own
18 communities that saps the vitality of our people, but it is
19 those who campaigned prior to those November elections --
20 conservatives, liberals, Democrats, Republicans -- I am going
21 to fight the drug war, and their commitment was about as long
22 and meaningful as the day up to that election.

23 And after that election, they would just go their own
24 way. They take those polls, they measure the polls and they
25 say: Well, we have got to be against drugs.

1 Now, anybody self-respecting who can do that one day and
2 then vote the kinds of cuts that we do as it relates to the
3 areas that are most important and crucial and fail to stand
4 for the kinds of development of a policy, so that countries
5 will know that we are sincere about it, is beyond me.

6 But yet they do it regularly. I look back on the vote of
7 April 2nd last year, when you and Senator DeConcini, Senator
8 Helms and myself led the battle to decertify Mexico.

9 You see, Mr. Chairman, Noriega and all the lurid tales
10 that come out about him -- the money-laundering, the
11 protection for racketeers, the sale of arms, providing
12 protection for the Colombian dealers, and even working with
13 Castro to do that -- if you might excuse the expression, he
14 does not really amount to the pimple on the behind of an
15 elephant, not really.

16 In the totality of what we are speaking about, it is
17 nothing. As a matter of fact, he really does not amount to
18 much in the way of the international drug dealers in terms of
19 size or dollars or moneys that are moved, the billions and
20 billions and billions of dollars that are moved into New York
21 alone in terms of cocaine trafficking.

22 But what he does represent, and the fearful thing of the
23 stories that will be told out and the excellent, tedious job
24 that you and your staff have done of putting together this
25 incredible, lurid picture of just one little despot, almost

1 an illiterate, but a man who cunningly could see how he could
2 play the various systems -- the CIA, the military, and even
3 the Drug Enforcement people themselves -- how he could
4 manipulate them.

5 But the sad thing, Mr. Chairman, is that we have not
6 wakened up to the fact, and maybe we are just beginning to
7 realize it when we hear the stories of what has taken place
8 in Colombia with the assassination of an official who had the
9 courage to stand up, these countries, Panama and others, as a
10 result of the incredible wealth and the power that it brings,
11 the systematic corruption of all of those institutions and
12 systems, are no longer countries.

13 They may be in name, but they have surrendered their
14 sovereignty for the most part, and that of their people.

15 Senator DeConcini and I and a number of others sent a
16 letter, which I would like to leave as part of the record,
17 Mr. Chairman, in which we raise a number of questions to
18 President Reagan in his forthcoming meeting with the Mexican
19 President.

20 That is a thorny issue. It is a country of 100 million
21 people on our border, some of the poorest of the poor. We
22 had better recognize the national security interest that
23 directly affects the United States.

24 So there are those who say -- and we overwhelmingly lost
25 a vote. I think we got 38 votes and something like 58 or 59

1 against us when on April 2nd we moved to decertify Mexico and
2 say they had not been cooperating. Here are some of their
3 top generals, major elements of their government, directly
4 involved in not only drug dealing, but in terms of the
5 execution of our own Drug Enforcement agents.

6 And if we do not have the courage to stand up and say to
7 them we will decertify you, we will cut off our aid, we will
8 cut off that internationally and otherwise, whatever we might
9 possess, if you say you are not going to join with us, and if
10 we do not commit ourselves, what do you expect to take
11 place?

12 I will tell you what takes place. Not only the surrender
13 of the national sovereignty of these countries and offering
14 up their people, because who is there left to fight and what
15 can those people do, but here is what takes place, Mr.
16 Chairman:

17 A letter so outrageous that on the Mike Douglas Show we
18 all had to wonder. When we saw that show last night, I guess
19 the American people were saying: How can it be that here is
20 this drug dealer, this killer, this arms trafficker, and here
21 the Administrator for the Drug Enforcement Agency of the
22 United States, John Lawn -- and I do not criticize him
23 personally, but this agency goes on record May 27th, 1987,
24 commending -- commending -- Noriega as being one of the
25 leaders in the antidrug effort.

1 "Your personal commitment to Operation Pisces and
2 competent, professional and tireless efforts of other
3 officials in the Republic of Panama were essential to the
4 final positive outcome of this investigation. Drug
5 traffickers around the world are now on notice."

6 Well, what are they on notice? "That the proceeds and
7 profits of their illegal ventures are not welcome in
8 Panama."

9 The postscript should have been, "unless they pay their
10 percentage to the chairman of the board of that illegal
11 enterprise, General Noriega." For as you and I know, Mr.
12 Chairman, if you did not pay you did not get protected, and
13 you were offered up.

14 So consequently, here we have a Drug Enforcement Agency
15 undermanned, underfinanced, little if any real cooperation
16 with the intelligence community of this nation, with the
17 military powers of this nation, with all of the components
18 that would successfully lead it to believe that they are part
19 and parcel of a coordinated effort to win this battle.

20 And so certainly, when they can make a seizure of tens of
21 millions of dollars, 19,000 pounds of cocaine over a period
22 of years that was offered up to them as tribute, so that they
23 can go forward, they are going to commend this.

24 They do not have the resources, the time, or the energy,
25 as you related, to undertake the kind of effort. Does that

1 mean that they are corrupt? Not at all, because they are
2 dedicated, they are hard-working.

3 And they just simply have not had the support from this
4 Administration, from previous Administrations, and from our
5 Congress. We have failed them. And from the American
6 people.

7 I want to conclude by simply saying that our district
8 attorney, I do not know how he does it, or any law
9 enforcement officers. One need only look at the National
10 Institute of Justice, its latest report. I am going to hold
11 this up, the National Institute of Justice.

12 Positive, those who tested positive, those criminals who
13 tested positive for drugs, including marijuana, in 1987,
14 prior to their arrest, 24 to 48 hours, in our city of New
15 York, 79 percent of the criminals arrested tested positive.
16 In Washington, D.C., 77 percent.

17 And if one were to follow the figures, they are in about
18 that range in every major metropolitan area from the East
19 Coast to the West Coast to the South.

20 And let us drop out marijuana and the figures do not
21 change too much. People might say, well, that might be
22 occasioned by that. The figures are 72 percent excluding
23 marijuana in New York, 74 percent in Washington, D.C. And
24 those figures are in the sixties in all of the other cities,
25 basically in the sixties and high fifties.

1 If there is anything that drives the crime and the
2 incidence of our losing domestic tranquility, losing our
3 sovereignty -- you know, I can not really believe -- it seems
4 to me that domestic tranquility was something that was
5 mentioned in our Constitution.

6 We have lost that domestic tranquility. Our people have
7 become entrapped. They have become prisoners. We have
8 domesticated ourselves so that we do not encroach on the turf
9 of the criminals and the thugs, and we become third class
10 citizens.

11 Incredible. Law enforcement agencies are now compelled
12 -- oh, you should not walk in these places, you should not go
13 here, you should not do these things, you should lock your
14 doors, you should have the latest burglar alarm systems.

15 Mr. Chairman, I just simply want to tell you that Noriega
16 is important as it relates to what can take place, what has
17 taken place, to a people who are fighting back. He is only
18 symptomatic of even far greater abuses that have taken place
19 in Colombia, in Mexico, and ongoing situations.

20 And we had better mobilize and we had better bring real
21 education and prevention and a real sense of awareness,
22 because we are losing that battle. And we are surrendering
23 up our people and our national sovereignty as we continue to
24 debate the pros and cons of how to be effective, and are not
25 matching those rhetoric with action.

1 So I commend you, Mr. Chairman, and Bob Morgenthau for
2 his job, and Senator Moynihan for bringing to us some
3 historical perspective, because this is not a new issue. And
4 unfortunately, we have continued the same old tired rhetoric,
5 instead of the kind of dedication necessary.

6 I look forward to working with you, Mr. Chairman.

7 {The material referred to follows:}

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1 Senator Kerry: I thank you very much, Senator D'Amato,
2 for that statement. I thank you especially for underscoring
3 the scope and the size of this, the repercussions of it that
4 many people either take for granted or feel powerless about.

5 I thank you also for your support in the efforts as we
6 have gone along here.

7 Senator Moynihan: Sir, I am just here to do no more than
8 introduce to this honorable Committee the very distinguished,
9 legendary United States Attorney in the city of New York
10 under President Kennedy, President Johnson, President Nixon,
11 and now the District Attorney of New York County -- he was
12 U.S. Attorney for the Southern District, now the District
13 Attorney, an elected office, of course, a public servant of
14 the highest order, with testimony of the greatest urgency.

15 And if I may, Mr. Chairman, I will come back up.

16 Senator Kerry: Senator D'Amato, will you also join us up
17 here?

18 Senator D'Amato: Mr. Chairman, I am about to give
19 testimony at another Committee, but I would like to come back
20 to join you.

21 Senator Kerry: We would appreciate it. We would welcome
22 you back here.

23 District attorney Morgenthau, at last.

24 Pull the mike up to you very close and introduce the
25 gentleman with you.

1 And for the record, the letter of the Senator from New
2 York, Senator D'Amato, will be placed in the record in full.

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1 STATEMENT OF ROBERT MORGENTHAU, DISTRICT ATTORNEY, NEW
2 YORK COUNTY

3 Mr. Morgenthau: With me is Assistant District Attorney
4 Paul Sheckman.

5 Mr. Chairman, I am deeply grateful to you for the
6 opportunity to testify here. And also, I want to comment on
7 the clarity with which you stated the issues that confront us
8 all today.

9 And Senator Moynihan, thank you very much for that
10 generous introduction. I thought of calling you and asking
11 you for a little help with the statement, but I decided I had
12 to do it on my own.

13 I want to make three points this morning: First, that
14 drugs are not a victimless crime, but a national pestilence;

15 Second, that despite our considerable efforts at the
16 local level, the war on drugs is not being won;

17 And third, that it will not be won without significant
18 action on the part of the federal government. Help must
19 come, not only from the Justice Department, the Customs
20 Service, the Coast Guard, but from the State Department and
21 perhaps even the Defense Department, and it must come soon.

1 Among the principal evils of illegal drugs are these.
2 First, and most obvious, drugs kill and destroy lives. In
3 the past five years, cocaine-related deaths have increased
4 nationwide by 500 percent, and heroin-related deaths have
5 increased 64 percent. Horror stories abound. Last year a
6 young man tried to jump off the Brooklyn Bridge. He was
7 depressed after he sold his mother's VCR to support his crack
8 habit.

9 Shortly thereafter, another young man fatally stabbed his
10 mother when she objected to his use of crack. And just this
11 month, the principal ballet dancer in one of New York City's
12 leading companies was found dead in his apartment, a victim
13 of cocaine abuse.

14 Drugs do not discriminate. They destroy lives in every
15 racial and socio-economic group in our society. Drugs are
16 also a prime cause of crime. Just two weeks ago newspaper
17 headlines announced the unexpected news that, according to a
18 new Justice Department study, one-half to three-quarters of
19 the men arrested for serious crimes in 12 major cities have
20 tested positive for the recent use of illegal drugs, a study
21 that Senator D'Amato referred to.

22 But that is an old story for us in law enforcement. In
23 New York City a study was done in 1984 of arrestees, showing
24 that at that time 56 percent of those arrested for serious
25 crimes were abusing cocaine, heroin, methadone or PCP prior

1 to their arrest.

2 Ten the second study in 1986 showed an even higher
3 correlation, 78 percent of arrestees tested positive for
4 illegal use. For those charged with robberies, the figure
5 was 90 percent. Studies also show that individual crime
6 rates are six to eight times higher when an individual is
7 abusing drugs than when he is relatively drug free.

8 In Manhattan in the last few weeks we saw another
9 dramatic example of what drugs does. A seventeen year old
10 was arrested after an eight day, eleven robbery crime spree
11 in which he had murdered five innocent people. After his
12 arrest, the young man confessed that he had committed the
13 robberies to support his drug habit.

14 They are also a major cause, drugs are a major cause of
15 infant fatalities and birth defects. A recent study of 95
16 children who died before the age of five showed that in
17 three-quarters of those cases at least one of the parents
18 were abusing drugs. In 1987 in New York's Harlem Hospital,
19 one of the few hospitals in New York State to keep detailed
20 figures, some 400 babies tested positive for drugs at birth.
21 Again, the statistics do not capture the full story.

22 Each week, assistants in our Domestic Violence Unit
23 receive reports of child death. Baby Le'Nore is a typical
24 example. She died last year at age five days. Her urine was
25 positive for heroin, her mother, a heroin addict. The cause

1 of death was listed as escherichia coli sepsis. Now, sepsis
2 means a poisoning of the blood system, which is an apt
3 description for what had occurred.

4 Drugs are also a major contributing factor in child
5 abuse. Last year, two-thirds of the cases in family court
6 involved parents who were drug abusers. This year my office
7 will prosecute Joel Steinberg for the murder of six year old
8 Elizabeth, his illegally adopted daughter, in a case that has
9 attracted national attention. I would only note what has
10 already been reported in the press, that a search of the
11 Steinberg home after his arrest uncovered cocaine, heroin and
12 marijuana as well as two large bottles of ether, a substance
13 used in freebasing cocaine.

14 The past few years have added a new evil to those
15 associated with drug abuse, and that of course is AIDS. The
16 National Institute of Drug Abuse estimates that of the 1.2
17 million intravenous drug users, 250,000 are infected with the
18 AIDS virus. Among women with AIDS, 80 percent are IV users
19 or have sexual partners who are IV drug users.

20 And once again, the abuses of the parents are visited
21 upon their children. Eighty percent of the babies born with
22 AIDS are children of IV drug users.

23 Drugs also destroy the quality of life in our
24 neighborhoods. Here is a portion of a letter I received last
25 year from a woman in Manhattan. Drug sales and drug addicts

1 doing cocaine are seen 24 hours a day in at least six
2 buildings on our block and in the street. There have been
3 muggings and other violence. Master keys to our buildings
4 are being sold on the street corner. We are under siege.
5 Please help us.

6 Whenever I speak to community groups, their first concern
7 is not murder or rape, but drug trafficking. And I might say
8 I was the keynote speaker this month -- or last month -- at
9 the California State DA's Association in Monterey, and that
10 is the subject of prime importance there, and the District
11 Attorney of Monterey was saying that he is being called
12 before community groups to explain why there is so much drugs
13 on the streets in a city like Salinas.

14 So it is not a New York problem, it is a California
15 problem, I think it is a national problem.

16 Parents rightly fear that their children will sacrifice
17 productive lives for the rush of heroin or the high of
18 cocaine, or that they will abandon their education for the
19 quick riches associated with the drug trade. It is no wonder
20 that every prominent minority leader, without exception,
21 views narcotics as an unalloyed evil, and proposals to
22 legalize narcotics as tantamount to a racist plot.

23 Let me turn now to what we in local law enforcement are
24 doing to wage the war on illegal drugs. And that chart over
25 there on the left shows that in 1980 there were less than --

1 there were approximately 15,000 arrests in New York City on
2 drug charges, and that in 1987 there were 70,000 arrests. So
3 you see that almost five-fold increase in arrests in the last
4 seven years.

5 This past year, the number of felony arrests -- now I am
6 talking felony arrests only -- rose to more than 34,000.
7 During that period of time, felony drug convictions rose from
8 4200 to 13,000. Commitments of drug offenders to New York
9 State prisons increased from 1376 in 1984 to 4000 in 1987.

10 Now, that figure, 4089 defendants committed to state
11 prison from New York City for drug offenses is 20 percent
12 more than the total number of defendants sent to Federal
13 prison from all 50 states. Let me say that again. The
14 number of prisoners sent to state prison last year in New
15 York City is 20 percent more than the number of prisoners
16 sent to federal prisons from all of the 50 states.

17 The increase in arrests, convictions and state jail time
18 reflects more than just increased street level buy and bust
19 operations. We are pouring far more resources into
20 investigative efforts aimed at dismantling large scale drug
21 enterprises. In 1984, our Special Narcotics Prosecutors drew
22 up 199 search warrants. Last year that number was 628.
23 Wiretaps are up from 16 in 1984 to 49 last year. Most
24 dramatic are the statistics for seizures in narcotics cases.
25 In 1985, the first year in which statistics were kept, 131

1 kilograms of cocaine was seized in New York City. Last year
2 the figure was 904.

3 All of this is to say that those of us in state and local
4 government, in New York City and in the state, are trying to
5 do our jobs. We are putting more people in jail for longer
6 terms than ever before. But despite our efforts, there are
7 more drugs entering New York City than ever before.

8 Price statistics are an especially good indicator of
9 supply conditions. In 1985, a kilogram of cocaine cost
10 \$30,000 on the streets of Manhattan. This year, our
11 undercover officers are buying a kilogram for less than
12 \$20,000.

13 Plainly, local law enforcement cannot do the job alone.
14 We do not have the constitutional powers, let alone the
15 resources, to reduce significantly the importation of drugs.
16 We cannot close the Mexican border or negotiate with
17 Colombia. Indeed, it would violate the Logan Act if we were
18 to try.

19 To rely principally upon local law enforcement is
20 tantamount to telling the citizens in towns along the
21 Mississippi, who cannot constitutionally interfere with the
22 course of the Mississippi River, that the Army Corps of
23 Engineers will no longer build levees to contain the river.
24 The citizens must go there and mop up the overflow. As local
25 law enforcement officials, we are trying to mop up the sea of

1 narcotics that inundates us daily.

2 Let me make that same point in a different fashion. In
3 preparing for my testimony, I spoke with Julio Martinez, who
4 is in charge of treatment programs in New York State. Mr.
5 Martinez compared his role to that of the Red Cross: It is
6 his job to tend to the casualties of a war that is beyond his
7 power to control.

8 I recognize that I am not the first local government
9 official to complain to a congressional committee that the
10 Federal government is not doing enough. When the subject is
11 drugs, however, the complaint has merit, for the simple
12 reason that the Federal war on drugs has been long on
13 rhetoric and short on substance.

14 You may recall the rhetoric. In signing the Anti-Drug
15 Abuse Act of 1986, the President promised the "total
16 commitment of the American people and their Government to
17 fight the evil of drugs." "Our goal," he said, was "nothing
18 less than drug-free operation." Drug use was "too costly for
19 us not to do everything in our power not just to fight it,
20 but to subdue it and conquer it."

21 Here is the recent reality. The President's 1988
22 proposed budget called for significant reductions in every
23 category related to the drug problem. Funds for the Customs
24 Service to Interdict drugs were to be cut 23 percent;
25 expenditures for drug education, 36 percent, monies for

1 essential and underfunded treatment programs, 46 percent;
2 funds for state and local law enforcement efforts were to be
3 cut entirely from the \$225 million allocated in 1987 to zero
4 in 1988.

5 Fortunately, the Congress declined to enact these budget
6 cuts: the Continuing Resolution restored most of the monies
7 that the administration sought to take away. There was,
8 however, one area of significant reduction: funding for
9 state and local law enforcement. Our funds were slashed from
10 the \$225 million allocated in 1987 to \$75 million in 1988.

11 Now, I would be more angry about this unkind cut if any
12 of the money allocated to New York City under the 1986 Act
13 had actually reached us. So far none has. The funds are
14 still tied up in red tape and bureaucratic lethargy.

15 Our failure to match our words with actions is evident in
16 the international arena as well. In 1983, as you know, the
17 Congress enacted the Rangel-Gilman-Hawkins Amendment which
18 requires the State Department annually to report on the
19 efforts of major drug exporting countries to curtail
20 production, and I have already heard comment about that. If
21 a country fails to make maximum feasible efforts at
22 curtailment, the sanction is loss of economic aid. Last
23 March, the State Department reported to the President,
24 pursuant to the Act. The report, not surprisingly, was
25 sharply critical of many countries, but only three were

1 identified for sanctions: Afghanistan, Iran and Syria, none
2 of which received any economic aid from us to begin with.
3 The report may have been amusing to officials in those
4 nations and to the official in Russia who is in charge of
5 Afghanistan, but it was not a laughing matter for those of us
6 in law enforcement.

7 If more proof of our failings is necessary, consider this
8 interchange taken from congressional hearings held on
9 December 8, 1987. The questioner is Congressman Charles
10 Rangel of New York who has dedicated himself to the fight
11 against drugs. The answer comes from Assistant Secretary of
12 the Treasury Frank Keating, Acting Chairman of the
13 administration's Drug Law Enforcement Coordination Group.

14 "Question: Is there one ounce less of heroin, opium,
15 cocaine or marijuana on the street this year as compared to
16 last?"

17 "Answer: No."

18 Mr. Keating's candor is to be appreciated. If nothing
19 else, he has learned to "Just say No." But it can hardly be
20 comforting to the citizens of this country to learn that one
21 year after declaring war on drugs, we are no better off than
22 before.

23 These criticisms should not be taken as the partisan
24 sniping of a New York City Democrat. Rather, they reflect
25 the accumulated frustration of a New York City District

1 Attorney. The sad truth is that the present administration
2 inherited a staggering drug problem from its predecessor
3 which never came to grips with the problem. Our failure has
4 been a bipartisan failure.

5 What is to be done? I do not claim to have a panacea.
6 Of one thing, however, I am sure that without bold Federal
7 action, drugs will continue to inundate us. Those of us in
8 the local government will continue to mop up the overflow and
9 to patch up the victims. But the underlying problem will not
10 be solved.

11 Drugs must become a foreign policy issue. We must
12 recognize that Mexican black tar and Colombian white powder
13 pose as grave a threat to our national well-being as
14 Nicaraguan or Cuban reds. Indeed, our problem would be far
15 less acute if a fraction of the energies devoted to funding
16 the contras went to defunding the drug cartels that are
17 increasingly dominating the lives of our Latin American
18 neighbors.

19 Drug money is literally pouring into Latin America. If
20 one assumes that 300 metric tons of cocaine were produced for
21 distribution in the United States last year -- and that is a
22 Drug Enforcement Administration estimate -- and two, that 75
23 percent of the cocaine comes from Colombia and 15 percent
24 from Bolivia, again a DEA estimate, and three, that cocaine
25 for approximately \$20,000 a kilogram, one can make a rough

1 estimate about drug payments to those nations. My
2 calculation shows \$4.5 billion in drug payments to Colombia
3 and \$900 million to Bolivia. Now, legal assistance to those
4 countries was \$11.5 million to Colombia and \$71.7 million to
5 Bolivia, and those figures pale in comparison.

6 Senator Kerry: Is that reflected in the chart over here?

7 Mr. Morgenthau: It is reflected in the chart over
8 there. The small green amount is the government payments,
9 and the large red amount is the illegal dollars going in
10 there.

11 Senator Kerry: Just by way of clarification, when you
12 talk about the leverage of our sanctions, the little green
13 line is what we threaten them with the loss of versus the
14 alternative gain from the drug market?

15 Mr. Morgenthau: Yes, Senator.

16 I am afraid that the time has passed now when cutting off
17 foreign aid would have any significant impact. I mean, if we
18 had done that five, six, seven years ago, cutting off that
19 foreign aid might have had a significant impact. Now it is
20 so small, it is so dwarfed by the illegal dollars that are
21 going in there that I do not even know that that would have
22 anything other than a symbolic effect.

23 Senator Kerry: Are you aware, Mr. District Attorney,
24 that a member of the Colombian drug cartel offered to pay off
25 the entire national debt of Colombia in cash?

1 Mr. Morgenthau: I am, and I think Roberto Flores in
2 Bolivia made the same offer.

3 Giving billions of dollars to drug barons may be
4 someone's idea of a contemporary Marshall Plan, but not
5 mine. Drug money is destroying the social fabric of our
6 Latin American neighbors, a point that you have made,
7 Senator. Colombia has lost 12 Supreme court Justices and an
8 Attorney General to the bullets of the Medellin Cartel.
9 Cocaine barons are building homes and providing welfare to
10 the poor in order to ingratiate themselves with law-abiding
11 people. Corruption is rampant in Colombia, Mexico, Bolivia,
12 the Bahamas, and at the highest levels of the government in
13 Panama. In Colombia, our drug dollars are helping to finance
14 a leftist organization, M-19, which seeks to overthrow the
15 government of that nation.

16 I recently had an opportunity to speak with a security
17 consultant for one of our major airlines who had just
18 returned from Bolivia. He told me of his conversation with a
19 senior Bolivian Customs official. After bemoaning the
20 widespread corruption that exists in his country, the
21 official explained why it is so. The drug dealers, he said,
22 offer you \$2,000 or two bullets in the head. He said most
23 people take the money. The story recalls the observation of
24 the British philosopher John Locke that where there is no
25 law, there is no freedom. Law is vanishing and freedom is in

1 Jeopardy in the countries cursed by the flow of dirty dollars
2 from the drug trade, and we are doing far too little about it.

3 Let me hasten to add that the problem is not just a
4 regional one. Increasingly, the heroin that we are seizing
5 on the streets of Manhattan is imported from Asia by Chinese
6 groups. The nation's highest quality hashish is grown in the
7 strategically important Bekaa Valley in Lebanon and smuggled
8 through Lebanese ports.

9 If the war on narcotics is to succeed, we must muster all
10 our foreign policy skills to persuade the world's exporting
11 nations to control the production and distribution of illegal
12 drugs. We must work with them to fight the drug traffickers
13 who are our common enemy.

14 The Constitution tells us that the Federal union was
15 formed to ensure domestic tranquility. Our founding fathers
16 did not take domestic tranquility to mean a heroin nod or a
17 cocaine high. Their concern was that the people be safe in
18 their homes and their daily lives to enjoy the blessings of
19 our democracy. That must be our concern.

20 I hope that these hearings will dramatize the dimensions
21 of the narcotics problems, and I congratulate you on holding
22 them, and the need for greater Federal initiative.

23 And I thank you again for inviting me to share my views
24 with you this morning.

25 [The prepared statement of Mr. Morgenthau follows:]

1 Senator Kerry: We thank you very much, Mr. District
2 Attorney.

3 I am struck by your testimony, I must say. You state it
4 in low key and almost understated tones, but the impact of
5 what you are saying, I mean, you are really -- and I do not
6 say this lightly -- I mean, you are the dean of prosecutors
7 in this country. You have dedicated a lifetime to this
8 effort. You have got one of the largest offices in the
9 nation with the most expenditures and the biggest problem,
10 and what you are really saying to us here is you have gone up
11 in wiretaps from 16 to 49, you have gone up in kilos seized
12 from 131 or whatever to 900 some. You are putting more
13 people in prison than ever before. You are crowding the
14 jails. You are doing everything you are supposed to do with
15 less resources, you are doing more; you could be doing more,
16 but it is not enough.

17 We are basically losing. I mean, that is the bottom line
18 of your testimony.

19 what is the problem here? Why -- I mean, all of us,
20 everybody is sitting here, I am sure the American people say,
21 well, you know, what is it? Are we going to face this choice
22 of two bullets in the head or \$2,000? What do we do? Where
23 do we go?

24 Mr. Morgenthau: I think there has to be a foreign policy
25 initiative at the highest levels to deal with the Latin

1 American governments and other governments to work out a way
2 to reduce the production of these drugs. I think there also
3 has to be a much greater effort at interdicting these drugs
4 before they reach the shores. But I think that this has
5 reached the proportion of a national emergency, and I think
6 the Secretary of State has to become involved in this
7 directly in dealing with the foreign ministers of the
8 production countries and the transit countries.

9 I mean, I think that we have made a considerable effort,
10 but there has been no momentum. There has been no impact.
11 And I think it has reached the point where there has to be a
12 major federal initiative, because as I say, just dealing with
13 it on the local level, and we have certainly stepped up our
14 efforts, is not going to solve the problem.

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1 Senator Kerry: Do you believe as a law enforcement
2 official on the local level that the time has perhaps come
3 for us to perhaps even involve United States military forces
4 in some way, in a more active way, in this effort?

5 Mr. Morgenthau: I think that under the amendments passed
6 in 1986, that is legal and proper. We have a general
7 testifying here later, but it seems to me it would be
8 excellent training for the armed forces to learn how to
9 intercept low-flying planes and ships that are carrying
10 contraband, because those planes and those ships could also
11 be carrying atom bombs.

12 So I think it is important and it is feasible and it is
13 in the national interest.

14 Senator Kerry: How many cases that your office has
15 prosecuted, if you have a breakdown, lead back to foreign
16 countries in terms of the conspiracies?

17 Mr. Morgenthau: I would say virtually every single case,
18 because the opium poppy is not growing in central park, nor
19 is the coca plant. It is all coming from offshore.

20 Now, we trace it as far as we can. We work very closely
21 with the Federal authorities, but all of it leads overseas.

22 Senator Kerry: What countries have been most principally
23 involved in your tracking?

24 Mr. Morgenthau: In terms of the source, most of the
25 cocaine is coming through Colombia. A lot of it originates

1 in Peru and Bolivia, but it is coming through Colombia.

2 The major wholesale traffickers are Colombians, although
3 you now see Dominicans and Cubans and many other Hispanics
4 are involved in the distribution.

5 In heroin, the largest amount is now coming from
6 Southeast Asia and has been brought in by Chinese
7 traffickers. Some of it comes in through the West Coast, but
8 a lot of it comes around through the Netherlands and comes
9 in. Then you are also seeing Pakistanis and Nigerians and
10 Indians and Israelis. There are a lot of ethnic groups that
11 are involved in the drug trafficking.

12 Senator Kerry: It has been alleged not only by people
13 who will testify here but others that the laundering of money
14 is one of the principal reasons that it has grown so rapidly.

15 Do you have any sense of the level of drug money
16 currently being laundered by New York financial institutions?

17 Mr. Morgenthau: I do not. I know that the estimates go
18 from \$40 to \$80 billion per year.

19 I think it would be fair to say that New York has
20 probably 10 or 15 percent of that minimum. So I think you
21 are talking about anywhere from \$5 to \$10 billion being
22 laundered through New York banks and other financial
23 institutions.

24 Senator Kerry: One of our witnesses later in the week
25 will, in fact, not only name some institutions but talk to us

1 about how he was wined and dined by leaders of some of these
2 banks in an effort to get his deposits.

3 Does that make some of these people complicitous in the
4 process of what has happened to us?

5 Mr. Morgenthau: That is a very serious problem.

6 I was one of the principal witnesses back in 1969 and
7 1970 when the original Bank Secrecy Act was passed. We tried
8 very hard to get New York State law which would enable us to
9 prosecute people for money laundering. So far, we have been
10 unsuccessful.

11 Senator Kerry: Who blocks that? Why can we not get a
12 law for that? Who is blocking that?

13 Mr. Morgenthau: That is always difficult to say, but I
14 think it is safe to say the banks are not that happy about
15 having that kind of a requirement.

16 We are going to spend more resources now in trying to
17 trace the funds. I think we are going to be successful,
18 although, again, that is a labor-intensive kind of activity.
19 We are, however, going to try to make more effort to try to
20 trace the funds.

21 Senator Kerry: Can you speak for a moment, and I know
22 General Gorman will also, to the technical disadvantages
23 faced by U.S. and foreign law enforcement agencies in
24 fighting against international drug traffickers?

25 Mr. Morgenthau: I am sorry, I did not get that.

1 Senator Kerry: Can you address the technical
2 disadvantages that we face in trying to fight them, so-called
3 technological supply?

4 Mr. Morgenthau: You have it coming in by plane, by
5 truck, and by boat. First you have to get it into the United
6 States. The number of ways of bringing it in are almost
7 unlimited, whether it is through New York or California or
8 the Mexican border or Canada. There are so many places that
9 need to be watched.

10 The smugglers have sophisticated equipment, and there are
11 sophisticated radar detection devices and so on. They are
12 using up-to-date equipment to evade detection.

13 Another problem that we have, of course, is the language
14 problem. We do not have that many people in the Federal law
15 enforcement establishment who are familiar with the dialects
16 that are used by the smugglers. Then there is a very
17 significant cultural lag that has to be overcome.

18 Senator Kerry: With respect to that, it is my
19 understanding that you have a problem in wire taps. Is that
20 accurate?

21 Mr. Morgenthau: It is.

22 Senator Kerry: Do you have law enforcement agencies
23 currently involved in the wire taps who have people fluent
24 in, say, Chinese or Spanish? I am sure you do in Spanish.
25 Do you have Chinese?

1 Mr. Morgenthau: We have some. Chinese is the most
2 difficult language to deal with.

3 Senator Kerry: Let me turn to my colleague, Senator
4 Moynihan, and then perhaps again come back to ask some
5 questions.

6 Senator Moynihan: Mr. Chairman, just exactly as you say,
7 we have the senior prosecutor in the United States before us
8 in this committee, and he has an understated quality about
9 his testimony which makes it all the more powerful for that
10 reason.

11 I offer you the thought that if we keep going the way we
12 are going, we are going to end up with more people in prison
13 in the United States than there are in the Soviet Union.
14 Then what will they think of us?

15 Mr. Morgenthau mentioned that when the framers spoke of
16 domestic tranquility, they did not have in mind a heroin nod
17 or a cocaine high. I am trying to think about this subject
18 to any use.

19 You have to start with the idea that what we are dealing
20 here with is a familiar, much more general experience than we
21 might think. We are talking about the impact of technology
22 on society. They did not think of a heroin nod because
23 heroin did not exist.

24 What you have had in both these patterns is you see a
25 natural substance which is used with no great consequence,

1 brought to steadily higher levels which the species has no
2 experience with. Opium is a natural growing product; just
3 the gum of the poppy if you slice the stamen.

4 I guess the Germans developed morphine out of opium, and
5 someone with my teeth would not want to live in a world
6 without morphine.

7 At the same time the hypodermic needle was developed, and
8 morphine was used with enormous abandon almost by both sides
9 in the Civil War. Morphine addiction became known as the
10 soldier's disease. It had a certain quality, for example, if
11 you were at Gettysburg.

12 Heroin was developed in part as a cure for morphine
13 addiction. It was the same people who developed Bayer
14 aspirin, and they tried it out on their workers and made them
15 feel heroic.

16 I have seen an advertisement for heroin, its trade name,
17 in the Yale Alumni Journal in late 1910.

18 Cocaine was first synthesized in 1884 from the coca leaf.

19 Senator Kerry: I am glad you said 1910. I did not see
20 it in mine.

21 [Laughter.]

22 Senator Moynihan: You mean you have not looked at the
23 last issue?

24 I do not know what societies know about how you deal with
25 these things. We had an awful problem in learning to deal

1 with distilled alcohol. It kind of existed but never in any
2 quantitles because there was no agricultural surplus. Then
3 suddenly you get Gin Lane in the Eighteenth Century.

4 I know we have come nowhere near an internal strategy for
5 putting an end to demand. If I could just say on foreign
6 policy, and I do not want to get too anecdotal, but after my
7 various trips to Paris and so forth, it was clear the French
8 would cooperate and clear that the Turks would cooperate.

9 I was in a helicopter flying up to Camp David with George
10 Shultz, who was then Secretary of the Treasury. I said, you
11 know, I think we have that Turkish/French thing under control
12 and they are going to work with us. Then I said I guess as
13 long as there is a demand, there is going to be a supply, is
14 there not? Shultz, the old economics professor, said there
15 is hope for you yet.

16 We now have and we expected that heroin would move
17 around, and it is now coming in from Southeast Asia, from the
18 straits up in Burma. It is beginning to come in in large
19 amounts from Pakistan, from the northwest frontier.

20 You are absolutely right that we have to make this an
21 issue of foreign policy. We are dealing here with fragile
22 societies, easily overturned by money.

23 About eight years ago when I was over there and toured
24 the poppy fields, I said to General Zia, you get hold of this
25 fast or you will not control the northwest frontier. The

1 money will just wipe your police and your military out. You
2 just cannot handle it. It is too much money. Colombia, the
3 weak society, the Valencia which raged for about 20 years
4 after World War II and left it in very weakened condition.
5 Panama was never much of a society, and the Bahamas.

6 But, at a minimum, we have got to make it what Bob
7 Morgenthau says. It has got to be something high on the
8 agenda of American foreign policy, and it is not. It always
9 keeps slipping away. There is always something else that is
10 more important. There is always some bilateral relationship
11 or something that presses it.

12 If it is true that Colonel North proposed to Mr. Noriega
13 that he plant East Block arms in El Salvador and as a part of
14 that concern we chose to ignore the man's involvement in
15 drugs, then you see a really deep and corruptive effect
16 here. I am just telling you you have to find that out.

17 I think Bob Morgenthau speaks as a person who -- people
18 are murdered daily on the streets of New York. At Kings
19 County Hospital, which is in Brooklyn, 2 percent of the
20 children born test positive for AIDS. Now, 2 percent of the
21 children born, that is a price beyond our comprehension right
22 now, partly because there is a class gulf, a racial gulf.
23 But it does not go away. It gets worse, and we have not
24 learned to think about it to any great purpose.

25 I, again, thank you and thank Bob Morgenthau.

1 Mr. Morgenthau: Could I make just two quick observations?

2 Senator Moynihan: Please.

3 Mr. Morgenthau: Senator, you refer to how fragile the
4 societies are in the drug-producing companies, but every year
5 that goes by, those societies become more dependent on the
6 drug traffic and make it more difficult.

7 If we had tried to deal with Colombia 10 years ago when
8 it was not a significant part of their gross national
9 product, we could have done it much more simply.

10 Senator Moynihan: You can be pretty sure that 10 years
11 ago, the American Ambassador in Colombia was being told the
12 single most important thing was to see that the Cubans do not
13 get hold of some aspect of the political structure, and he
14 was not being told and was not asked about this as part of
15 your success or failure as ambassador and then see what
16 happens.

17 Mr. Morgenthau: The other point is that our jails and
18 prisons throughout the country are not being overloaded with
19 drug traffickers. What they are being overloaded with is
20 people who are using drugs that commit robberies and
21 burglaries and murders. That is where the problem is.

22 Senator Kerry: Thank you very much.

23 Mr. District Attorney and my colleague, we were talking
24 about supply and demand, and I direct your attention to this
25 chart over here. These are prices taken from affidavits in

1 court trials of prosecutions and are DA figures.

2 In 1982, \$47,000 to \$60,000 was the price range of
3 cocaine per kilo. One can track all the way down to 1987
4 with one bill. It is now \$12,000 to \$15,000 on the street.

5 I think it is no coincidence that you might point out
6 that in 1983 General Noriega and Panama began that closer
7 relationship with the cartel. In 1985 President Barletta
8 left, and in 1987 you see the price going down significantly.

9 So, clearly, there has been a very significant increase
10 in availability. I do not think you would disagree with that.

11 Senator Moynihan: Mr. Chairman, Mr. Morgenthau reported
12 an almost identical pattern of the street prices of cocaine
13 in New York City.

14 Senator Kerry: How do you react? You spend a lifetime
15 prosecuting. You see this stuff every day on the streets of
16 New York. You pick up the papers last week and you start
17 reading about General Noriega and the United States
18 Government, people knowing about this for years, deals being
19 cut.

20 How do you react as a law enforcement official having
21 read what you have read over the course of the last week
22 about our relationship with General Noriega?

23 Mr. Morgenthau: My view is that he should have been
24 prosecuted a long time ago. I guess the only thing you can
25 say now for General Noriega is that he has been acting in

1 reliance on the friendship of people in high positions in the
2 United States Government and that he had a right to expect
3 that he would continue to get immunity from prosecution for
4 criminal conduct, but I think it is long overdue.

5 Certainly people in law enforcement have known that
6 General Noriega was corrupt for a long period of time, and I
7 think that kind of tolerance of corruption in foreign
8 countries undermines our own respect for the law and respect
9 for the law among people in law enforcement and could lead to
10 corruption in our own police department. So I think it is
11 something that is long overdue.

12 Senator Kerry: I was struck, also, as I always have
13 been, by the obvious, on its face, connection between
14 narcotics and crime; burglaries, robberies, armed robberies
15 and most of the violent crime. Disagree with me if I am not
16 accurate, but most of the violent crime for which people are
17 in our jails is drug related, is it not?

18 Mr. Morgenthau: I could say this, that most of the
19 robberies and burglaries are committed by people who were
20 drug users. So, yes, it is drug-related.

21 Senator Kerry: Do you have any sense of what your life
22 would be like if we greatly reduced the flow of drugs into
23 this country?

24 Mr. Morgenthau: I think it would be much easier.

25 From 1975 to 1980, there was an increase in crime. Then

1 we saw four years of decrease. During that period of time,
2 there was also much less drugs available in the city. With
3 the availability of crack, however, in 1985, 1986 and 1987,
4 the crime rate has started to go back up again.

5 The thing about cocaine and particularly in crack form,
6 it is highly addictive, highly dangerous, and does lead to
7 violent conduct, much more so than heroin.

8 Senator Kerry: A couple of final questions with respect
9 to that.

10 On the demand/supply issue, can you advise us as to
11 whether one works better than the other? Can you do one to
12 the exclusion of the other, or do you have to do both? Can
13 you do it on the demand side, just say no?
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1 Mr. Morgenthau: People are always looking for some easy
2 answer on the drug business, and in my view it is a
3 many-faceted problem. You have got to cut down on the growth
4 in the countries that grow it. You have got to increase
5 interdiction.

6 You certainly have to have law enforcement. You have to
7 have education, you have to have treatment. Treatment is a
8 long run solution. It is a sound one, but I guess it was Sir
9 John Maynard Keynes said, in the long run we will all be
10 dead.

11 It is a long term solution, but certainly one of six or
12 seven things that needs to be done.

13 Senator Kerry: Has the average age at which young people
14 are using drugs or experimenting with it changed in the last
15 five or six years?

16 Mr. Morgenthau: I do not see that, no. And I thought
17 that that study that was made at the University of Michigan,
18 you know, used the wrong sample. I mean, they were looking
19 at graduating high school students. They should have looked
20 at dropouts.

21 They should have looked at the whole spectrum of students
22 to see what the impact of drugs was.

23 Senator Kerry: How would you describe the level of
24 cooperation between the local and state agencies and federal
25 agencies?

1 Mr. Morgenthau: I think it is good. We work very
2 closely with the Drug Enforcement Agency on drugs. And
3 fairly recently we have begun to work with the FBI. I think
4 the level of cooperation is good.

5 If I may just say this, the problem is the federal people
6 do not have the resources. I mean, for the whole state of
7 New York you have less than 300 Drug Enforcement agents, and
8 that is a corporal's guard. We work very well with them and
9 they are a very professional organization, but they do not
10 have the manpower to make the number of cases that need to be
11 made.

12 Senator Kerry: Well, this is your chance to testify, not
13 mine, but I will just leave you with one story. When I was
14 first assistant district attorney in Middlesex County, which
15 is the largest county in Massachusetts, one of the ten
16 largest in America, 1.5 million people, we had no buy money
17 at all, we had no van, no two-way photographic equipment, no
18 undercover available to us whatsoever.

19 And frankly, at that time we found it very difficult to
20 get cooperation between the state and local level. But that
21 is not for here.

22 Do you have anything that you not have been asked that
23 you want to add before we turn to General Gorman?

24 Mr. Morgenthau: No. I think the point you made at the
25 opening, that we are destroying governments and society in

1 these drug-producing or transiting countries. I mean, we
2 used to think of Colombia and Bolivia and so forth as the
3 enemy.

4 I think that they are experiencing the same kind of
5 adverse effects that we are experiencing here, except that
6 their governments are in jeopardy and I do not think our
7 government is in jeopardy yet. But I think we could learn a
8 lesson from what is happening down in those countries.

9 The other point I would like to make is, again people
10 think about drugs only in terms of the sellers and the users,
11 but what we are seeing in terms of infant mortality and child
12 abuse and domestic violence, and it is related more to the
13 cocaine traffic, and AIDS -- I think that these are to some
14 extent unseen effects of the drug traffic that we really have
15 to deal with.

16 Senator Kerry: I might add, when you said other
17 governments are being destroyed and we are not yet, but I
18 think that, for those who have been watching this closely,
19 there is an increasing level of corruption that is extremely
20 disturbing.

21 And just yesterday there were major articles. I believe
22 one was in the New York Times. Ten percent -- ten percent of
23 the police force of the Miami Police Department is being
24 purged because it has been compromised for dealings with
25 drugs.

1 And literally, there was a story about how these officers
2 began by just taking the money that was in a car when they
3 arrested a drug dealer. They found that pretty easy. Then
4 they started taking the cocaine itself and dealing with that,
5 plus keeping the money.

6 And that led to the next effort, where they began robbing
7 the drug dealers' boats and ultimately were dealing
8 themselves in millions of dollars of drug trafficking. Now,
9 that is a example of the sort of two bullets or gun routine
10 in a different way.

11 But it is part of the choice that we face. And again,
12 later in the week a couple of our witnesses will talk about
13 how they would bribe people in customs, in police
14 departments, and so forth, and the power of that dollar.

15 Mr. District Attorney, I really want to thank you for
16 being here. I think you have helped us to create the
17 framework for what we will hear later. And you bring a very,
18 very important perspective to this.

19 And we also are very grateful to you for the work that
20 you have been doing and thank you for coming.

21 Mr. Morgenthau: Thank you very much for highlighting
22 this crucial issue.

23 Senator Kerry: I would like to ask General Gorman if you
24 would now come forward.

25 General, we welcome you here. General Gorman has had a

1 most distinguished career, serving in the armed forces of the
2 United States some 40 years of active duty. He has been a
3 commander of a battalion in the infantry in Vietnam, an
4 operations and plans officer in Vietnam, assistant for
5 counterinsurgency in the Office of the Defense Secretary. He
6 was on the delegation staff to the United States peace talks
7 in Paris about Vietnam.

8 He was commander of the first brigade of the 101st
9 Airborne, again in Vietnam, the assistant commander of the
10 U.S. Army Infantry School, the deputy chief of staff for the
11 U.S. Army Training and Defense Command.

12 He was commander of the eighth infantry division,
13 mechanized, U.S. Army Europe. He was national intelligence
14 officer with the CIA. He has been with the division for
15 plans and policy, assistant to the chairman of the
16 organization of the Joint Chiefs of Staff, and finally,
17 served from 1983 to 1985 as commander in chief of the United
18 States Southern Command.

19 He holds a number of degrees, including one from the War
20 College and a master in public administration at Harvard. He
21 has had a most distinguished career.

22 I might say that the reason General Gorman is of
23 particular competence to testify before this Committee is
24 that for a long period of time he has been sounding the alarm
25 bell with respect to this question of narcotics. He has

1 written about it, argued about it, spoken about it. And he
2 comes here as a very knowledgeable individual with respect to
3 what is happening in the southern hemisphere as the former
4 commander.

5 General, we are delighted to have you here and we
6 appreciate your taking the time. And I take it you have an
7 opening statement.

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1 STATEMENT OF GENERAL PAUL GORMAN, USA (Ret.), FORMER
2 COMMANDER, SOUTHERN COMMAND, U.S. ARMY

3 General Gorman: Thank you, Senator Kerry.

4 I would add one footnote to the bio: Entered the federal
5 service from the state of Massachusetts.

6 Senator Kerry: That is not a footnote, General. That is
7 a major qualification. Thank you.

8 General Gorman: It is true, sir, that in nearly all of
9 my official reports and in my speeches and in my writings
10 since 1983 I have characterized narcotics trafficking from
11 Latin America as a threat to the national security of this
12 country.

13 After I left active duty in 1985, I served as a
14 consultant to the President's Commission on Organized Crime
15 and prepared a detailed written report for the Commissioners,
16 which set forth the reasons why I believed that the
17 Administration and the Congress should formally adopt the
18 view that national security was involved in drug
19 trafficking.

20 I have three times testified to Committees of the
21 Congress on this subject, and I have met individually to
22 discuss that testimony with members of both bodies. So I am
23 very grateful to you for this opportunity to reiterate my
24 conviction that the American people must understand,
25 understand much better than they ever have in the past, how

1 their safety and that of their children is threatened by
2 Latin drug conspiracies dramatically more successful at
3 subversion in the United States than any that are centered in
4 Moscow.

5 Now, I did not come up to talk today about El Salvador
6 and I do not know anything about the proposal to implant a
7 phony shipment of arms in El Salvador. It would have been a
8 very stupid move in my view.

9 But I would like to make the point, Senator Moynihan,
10 because I think it is germane to the topic here today, that I
11 do indeed remember your speech in 1983, and both Ambassador
12 Pickering and San Salvador and I resolved to test the thesis
13 advanced by the rector of the university.

14 And in August of 1984, I presented to the Select
15 Committee on Intelligence of the Senate the results of that
16 investigation. We sent people into the countryside to buy
17 arms. We made every effort through the Salvadoran armed
18 forces to collect documents which contained in them
19 references to arms in the possession of the guerillas. We
20 examined weapons taken from the battlefields. We collected
21 in all over 500 weapons which had serial numbers on them
22 which could be traced.

23 70 percent of those weapons were weapons that were
24 shipped from the United States to the Republic of Vietnam
25 during the Vietnam War and in our view could only have

1 entered El Salvador via the communist infiltration system.

2 Over 20 percent of the weapons we had no records of. We
3 had very good records of the weapons we shipped into El
4 Salvador. So my conclusion at the time was the rector was
5 simply wrong.

6 Now, he may have been right in the sense that in 1983 no
7 weapons were coming in because the weapons were already there
8 and what was coming in was cryptologic material, people who
9 had been trained on the outside and were being returned to
10 lead the effort on the inside, ammunition, et cetera.

11 I did report to your Committee, you will recall, a
12 specific instance where, while we did not get a smoking gun,
13 we did come very close to doing so, and in the ensuing battle
14 picked up on the battlefield three rocket launchers of
15 Chinese manufacture, the serial numbers of which were
16 identical, that is to say in the same series, as those found
17 in a warehouse in Grenada in the previous months.

18 So my conclusion is quite contrary to yours, sir. I
19 think the Nicaraguans were complicit in moving arms into El
20 Salvador.

21 Now, my point in that being germane to these proceedings
22 is simply that I was able to investigate that, because the
23 United States had in place a tactical intelligence mechanism
24 in Central America which could be brought to bear on issues
25 that were considered germane to the national security and of

1 interest to the Congress of the United States.

2 There is no comparable apparatus being brought to bear on
3 the international drug traffic. And that, sir, I think is a
4 matter of interest to you in your present pursuits.

5 Now, let me detail four reasons why I believe that drug
6 trafficking is a national security threat. First of all, as
7 Mr. Morgenthau made very evident, most of the illegal drugs
8 which are purchased by Americans come from Latin America and
9 the Caribbean, and present and foreseen consumption of these
10 drugs will subvert millions of Americans from productive
11 pursuits and it will channel enormous amounts of money into
12 the heads of foreign criminals who are avowed enemies of this
13 country.

14 I have seen credible estimates, Mr. Chairman, that the
15 aggregate annual financial impact of the nation's drug habit,
16 taking into account that lost productivity, taking into
17 account clinical costs, taking into account public
18 information campaigns to cut consumption, taking into account
19 the expenditures within our legal systems, as well as all of
20 the efforts of the United States overseas to interdict
21 smugglers or to eradicate the plants where grown, taking into
22 account all of that, you are looking at a sum of money which
23 approximates what we spend for national defense -- an
24 enormous outlay.

25 My second reason for believing this is a matter for

1 national security is that the Latin criminal cartels who have
2 profited from the depravity of some Americans constitute an
3 international underworld so extensive, so wealthy, and so
4 powerful that it can literally buy governments and
5 destabilize entire societies -- your point about the offers
6 to pay off the national debt of two nations in the region.

7 This underworld, owned and operated by these cartels,
8 specialized as it is for the smuggling of narcotic and
9 psychotropic substances and for the movements of large
10 amounts of money, often in large sums of American greenbacks,
11 this network has lent itself to the pursuits of those who are
12 engaged in illicit movements of arms or munitions for
13 whatever purposes.

14 If you want to move arms or munitions in Latin America,
15 the established networks are owned by the cartels. It has
16 lent itself to the purposes of terrorists, of saboteurs, of
17 spies, of insurgents, and of subversives.

18 While the interests of the narcotraffickers are not
19 always identical to these others, the prevalence of their
20 cooperation country by country reflects their common outlaw
21 status and their common interest in ineffectual government in
22 any democratic country.

23 And in this respect, I think it is germane to note that
24 among our neighbors only the governments of Cuba and
25 Nicaragua have refused to cooperate with our own government

1 against the narcotics traffickers and have instead given them
2 safe haven and other assistance.

3 My third reason for my conviction that this is a national
4 security matter rests on the fact that drug trafficking, as
5 Mr. Morgenthau alluded to, constitutes a clear and present
6 danger to the very survival of democracy in certain countries
7 which have long been friends and allies of the United
8 States.

9 Now, there are many countries that are so imperiled, by I
10 am confident that none is at the moment more threatened than
11 Colombia, a democracy particularly deserving of our national
12 understanding and support. America's drug habit, our
13 consumption of Colombian drugs, has brought to the people of
14 Colombia political chaos, social upheaval, and pervasive
15 fear.

16 Colombia's system of justice has been directly attacked
17 and severely impaired by thus and guerillas acting for the
18 narcotraffickers. Last week's Washington Post carried an
19 article which asserted that more Colombian males age 14 to 44
20 die of assassination -- lead poisoning, Mr. Chairman -- than
21 any other malady. And if that is true, that statistic makes
22 Colombia uniquely unfortunate of all the nations of the
23 world.

24 I will return to a further analysis of Colombia if I may
25 in a moment.

1 My fourth reason for asserting that this is a national
2 security matter is that Latin drug trafficking directly
3 detracts from our ability to defend ourselves from military
4 attack. Drug abuse has affected readiness within our armed
5 forces and it has figured in foreign espionage aimed at
6 penetrating our most carefully guarded defense secrets.

7 Despite significant diversion of military force to assist
8 U.S. law enforcement agencies in interdicting smugglers from
9 the south, the United States is today unable to detect, let
10 alone to apprehend, drug traffickers penetrating our most
11 vital strategic zone from the south, whether by land or by
12 sea or by air.

13 And that is hardly a tolerable condition of national
14 security in the age of the cruise missile and in the age of
15 the international terrorists with access to very
16 sophisticated and dangerous weapons.

17 All four conditions that I have cited to you as national
18 security threats have deteriorated since 1983. Mr. Chairman,
19 despite extensive efforts on the part of the United States
20 government to encourage foreign governments to eradicate
21 cannabis, coca, and opium poppies and to promote alternative
22 agriculture, despite its extensive interdiction efforts
23 involving unprecedented cooperation among U.S. government
24 agencies, and with foreign governments and their security
25 agencies, and despite some striking successes in law

1 enforcement both here and abroad, this security threat has
2 grown.

3 The tendencies as far as I know them are all adverse.
4 Hence, I see a need for reassessment and readjustment. As in
5 any other area of national strategy, if our adversaries seem
6 to have outwitted and outmaneuvered us, then it is time for
7 us to re-examine both our strategic ends and our strategic
8 means.

9 And I propose to conduct such a re-examination for you in
10 the context of Colombia. Most of your constituents, Mr.
11 Chairman, may have difficulty in remembering Colombia as the
12 country from which Panama was carved back at the turn of the
13 century. Few will recall that Colombia has a long record as
14 a staunch ally of the United States.

15 Mr. Morgenthau indicated that he remembers them as an
16 enemy. I remember them as fellow soldiers in Korea, and I am
17 one of the dwindling number of Americans who can bear
18 personal witness to the sacrifices of Colombian soldiers amid
19 Korea's shell-scarred, snow-covered hills.

20 Not many Americans will understand that between Colombian
21 and American military professionals there remains a mutual
22 respect and understanding of long standing, such as exists in
23 very few countries of the world outside of NATO. For
24 example, General Jack Galvin, the Supreme Allied Commander,
25 Europe, was trained as a junior officer in the Colombian

1 Ranger School, the Esqueilla de Ranchero, and owes to that
2 experience his proficiency in martial Spanish.

3 Mr. Chairman, Colombia is a democracy. It has a
4 remarkable record of freedom from military intervention in
5 politics, and in recent decades a record of economic growth
6 and political vitality.

7 Most Americans have seen Colombians only in those
8 televised coffee advertisements such as those which portray
9 Juan Valdez who is up there picking the coffee beans one by
10 one when they are perfectly ripe. The trouble is, as you
11 know better than most, Mr. Chairman, for both Colombians and
12 Americans the real Juan Valdez's have long since abandoned
13 coffee picking for coca and cannabis, agricultural employment
14 which pays them 10 to 20 times more.

15 Colombia has been the proximate source of 50 percent of
16 the illegal substances, the product of such plants which were
17 smuggled into the United States as measured by value. By
18 volume, Colombia has been the source of more than 75 percent
19 of the cocaine and 60 percent of the marijuana.

20 And of course, in Colombia criminals have organized
21 themselves into elaborate conglomerates for the purposes of
22 growing, harvesting, processing, transporting, selling, and
23 repatriating their profits from cocaine and marijuana. Men
24 like Pablo Escobar, the Ochoa brothers, Jaime Gillo, Carlos
25 Leher Rivas, these men formed large, continent-spanning,

1 ocean-crossing organizations, Mafia-like rings capable of
2 very large, very complex undertakings demanding significant
3 discipline and very tight management.

4 They built coca processing centers in the trackless rain
5 forests of the Amazon River Basin in Colombia, factory
6 complexes which were capable of converting a mash of coca
7 leaves, termed paste, into crystalline cocaine, and doing so
8 in quantities of tons per week.

9 One of the dramatic aspects of this problem is that if
10 one looks at the potential output of such factories, it is
11 many times what we have seen here in the United States in
12 terms of estimated consumption. So there must be somewhere
13 an enormous reserve of this material available to these
14 combines.

1 In order to do this, among a trackless jungle, there are
2 no navigation aids out there, no radars, no roads, virtually
3 no infrastructure, these organizations had to fly in
4 virtually all of the wherewithal for this enterprise,
5 generators and fuel, heaters and driers, reagents like
6 alcohol, sulfuric and hydrochloric acid, acetone, ammonia,
7 potassium carbonate, and potassium permanganate, kerosene,
8 gasoline, and diethyl ether.

9 Most of the raw materials, the coca paste, is flown in
10 from Peru and Bolivia, converted in the factories, or as they
11 are known, the laboratories, into crystals of cocaine
12 hydrochloride and then flown out across the Caribbean or
13 Central America to the United States.

14 From coca leaf to successfully smuggled plastic bags of
15 this white powdery substance, then, these criminals effect a
16 transformation which reduces weight and volume by three
17 orders of magnitude, and it pays them better than \$5 in
18 profits for each \$1 they invest in all of that process, a
19 very, very handsome return on investment.

20 Now, I want to make a point which again takes issue with
21 one of the points advanced by Mr. Morgenthau in his excellent
22 presentation. The huge sums of money that flow back to these
23 criminals are held outside of the formal economies. That is
24 black money. It means that it circulates disfunctionally
25 outside of the Colombian government's plans to control

1 inflation and unemployment, to share wealth with Colombia's
2 poor and disadvantaged or to invest in education or other
3 long range projects to ameliorate economic discontinuities.
4 That is not the kind of aid that President Vargas or
5 President Betancur was looking for from the United States.
6 The kind of aid that they were looking for we did not proffer.

7 In time, as we have noted, the narco-trafficking
8 organizations became richer than the government and through
9 bribery, extortion and intimidation, in many respects better
10 informed and more politically powerful.

11 Mr. Chairman, when I first visited Colombia in 1983 --
12 and this goes to the observation of Senator Moynihan -- the
13 narcotics problem was not very high on the agenda of the
14 embassy of the United States. I was initially interested in
15 the possible connections between the narcotraficantes and the
16 guerrilla organizations of Colombia, and those relationships
17 existed, and the embassy was able to detail some of what they
18 referred to as the narc-FARC connection.

19 But they were very clear, the members of the country
20 team, that I should expect no interest on the part of anyone
21 in Colombia in doing anything about such connections, and in
22 particular, I should expect no interest on the part of the
23 Colombian military. The view was that the Colombians regard
24 this drug trafficking as a problem of the United States. It
25 was the American consumer which caused it. The

1 narcotraficante was, in effect, a Robin Hood who was robbing
2 these concupiscent Americans on behalf of Colombia's poor,
3 and therefore, we had to fix the problem up in the United
4 States, not a problem to be dealt with in Colombia.

5 And the Colombian military, I was told, would be
6 persuaded that for them to involve themselves in any action
7 which infringed on the prerogatives of the narcotraficantes
8 would be to invite large-scale corruption within the
9 Colombian military, an event which had occurred in previous
10 years when Colombian governments tried to turn their security
11 apparatus loose on the narcotraficantes.

12 I soon discovered, however, that there were a number of
13 senior Colombian officers, men whom I came to respect deeply
14 as persons as well as fellow military professionals, who held
15 a very different view from that reported by our embassy.
16 They recognized what the narcotraficantes really meant, not
17 only in terms as a source of intelligence and funds for the
18 guerrilla organizations that they were locked in combat with,
19 but as a long term threat to the whole social fabric of
20 Colombia.

21 And I left from my initial visit convinced that there was
22 very much more to be learned about this whole subject than
23 one could in the American embassy in Bogota.

24 Shortly thereafter, President Betancur began to move to
25 deal with a problem of drug abuse in Colombia occasioned by

1 what I have termed was the narcotraficantes' decision to foul
2 their own nest. They began to sell in Colombia the
3 by-products of this processing that they conducted out in the
4 jungles, and in particular, a product called pazuco. Pazuco
5 is like crack in that it is a smoked compound. Usually one
6 takes marijuana or tobacco, dips it in the coca paste, and
7 sells that. It is a putative aphrodisiac. It sold very well
8 among young Colombian males.

9 And there was as a result of all of that a series of
10 incidents which caused the President ultimately to close the
11 national university. There was a series of suicides among
12 Colombian youths, very similar to those reported by Mr.
13 Morgenthau. And the President was impelled to direct the
14 Colombian security forces to strike out into the jungles and
15 go after the laboratories.

16 That decision led to the murder of the Minister of
17 Justice in early 1984, and thereafter, the Colombian
18 government found itself, whether it wanted to be at war or
19 not, very much on the battle lines. A state of siege was
20 declared, martial law was decreed for association with the
21 narcotraficantes, and the Colombians have since been engaged
22 to an incredible degree in a violent campaign against the
23 criminals.

24 You may be aware, of course, that the Colombians sought
25 our assistance. We responded chiefly by talking about the

1 extradition treaty between the United States and Colombia,
2 seeking to bring people like Escobar and Ochoa and Carlos
3 Lender Rivas before American justice. This was countered by
4 a threat from the Colombian narcotraficantes to kill five
5 Americans for every Colombian extradited to the United
6 States, and in effect, condemning to death any Colombian who
7 aided such an extradition.

8 Murders per capita in Colombia have been five times more
9 frequent than those in the United States. Dreadful as our
10 statistics are, Mr. Chairman, in brief, imagine the suffering
11 of the people of Colombia. Half of Colombia's Supreme Court
12 judges have been assassinated; more than two dozen other
13 judges have been killed, the editor of the second largest
14 newspaper in the country, hundreds of police officers, and of
15 course, innocent bystanders and relatives of victims also by
16 the hundreds. Many a judge's bench sits empty in Colombia
17 today because lawyers fear to accept appointment, and sitting
18 judges have come to know that to approve a U.S. extradition
19 request is to sign their own death warrant.

20 And of course, recently, the Colombian Supreme Court,
21 perhaps understandably, declared that the U.S.-Colombian
22 extradition treaty was unconstitutional.

23 It was after this act by the Supreme Court, however, that
24 the Attorney General of Colombia was executed.

25 Now, in waging this war, the government of Colombia is

1 operating under enormous disadvantages vis-a-vis their
2 opposition. The narcotraficantes have available to them the
3 most modern kinds of air transportation, the best of modern
4 communications. They use satellite radios, for example.
5 They have encryption devices, voice privacy mechanisms. I
6 have seen equipment used on the aircraft that fly between the
7 United States and Colombia, and I can assure you that it is
8 more sophisticated and more facile than the equipment that I
9 had on my aircraft at the United States Air Force in the
10 United States Southern Command. They have the latest and the
11 best.

12 And compared with that, the Colombia government had
13 equipment that dated back to the 1960s. For example, the
14 national communications system, the government communications
15 system is terrestrial microwave with no voice privacy, no
16 encryption. We know that it is regularly intercepted,
17 indeed, used by the narcotraficantes, and the Colombian armed
18 forces are well aware that the narcotraficantes can track the
19 movements of Colombian armed forces and aircraft and ships
20 better than their respective commanders, know more surely
21 where they are and where they are going.

22 Now, Mr. Chairman, I cannot assess our domestic
23 counterdrug programs. I just simply do not know enough about
24 them. I have a strategic sense, however, that one cannot
25 operate on demand alone. You have to operate on everything

1 that we can operate on, supply and demand as well. That was
2 the conclusion of the President's Commission on Organized
3 Crime, and I certainly endorse that idea.

4 I can offer some evaluation of our overseas efforts
5 against the narcotraficantes which I find to be
6 discouragingly ineffectual. I have argued for years that our
7 national strategy ought to include a strong effort to back
8 Colombia's attack on the narcotraficantes, and to back an
9 attack where those apparatuses are most vulnerable, in their
10 production centers.

11 We have tried to do so, I will readily admit, but I also
12 maintain that our efforts have been half-hearted. I have
13 four specific points of criticism.

14 First, we have been promising the Colombia's materiel
15 help since 1983. We have simply not delivered. Whether that
16 help is radars or modern helicopters or actionable
17 intelligence, the rhetoric of the United States has
18 consistently outrun its performance.

19 Second, we have reached for short term measures, in
20 effect, applying Band-aids to what is a massive societal
21 trauma. We have not sought to devise with the Colombians a
22 long term comprehensive strategy for dealing with the
23 narco-traffickers, one which would draw upon all the
24 respective strengths of both countries.

25 Third, we have failed to bring American technology to

1 bear, either for short term tactical advantage or for longer
2 range developments which might promise a decisive strategic
3 defeat for the narcotraficantes.

4 And fourth, the United States has failed to engage the
5 capabilities of the Colombian armed forces.

6 I am very much aware, Mr. Chairman, that recent U.S.
7 ambassadors have been skeptical of the willingness of
8 Colombia's military leaders to accept a major role in a
9 campaign against the drug traffickers, and I know that they
10 are doubtful of the capabilities of Colombian forces, even
11 were those forces to be committed. It is clearly the case
12 that many senior Colombian officers fear the intimidation and
13 corruption which is bound to follow upon any large scale
14 effort against the drug traders, and it is also true that
15 many of these officers believe that the drug traders are a
16 matter for the police, not the military. In short, they
17 disbelieve that the narco-traffickers threaten Colombia's
18 national security. These officers want instead to
19 concentrate on the guerrillas.

20 But, as I have said, there are a few, fortunately senior
21 and influential officers who have a very different view of
22 the matter who are prepared to see in the drug trafficking a
23 threat to Colombia's very survival and are prepared to accept
24 the dangers entailed in a campaign against the
25 narco-traffickers.

1 These officers would probably advocate a small,
2 hand-picked elite force with unique training and equipment, a
3 force carefully guarded to deny its penetration by the
4 narco-traffickers. My own estimate is that they could in
5 fact raise such a force, and especially they could do so were
6 the United States prepared to provide it significant
7 assistance in equipping and training and supporting it with
8 command, control, communications and intelligence.

9 How would such a force be employed? It seems militarily
10 self-evident that one should attack where the foe's greatest
11 vulnerability lies, at the centers where the processing of
12 the drugs occurs. Such centers can be located by
13 technological means, as well as using informants, and they
14 can be assaulted while active. We have demonstrated that.

15 Moreover, most such centers are dependent upon air
16 support, so that a strategy which aimed concurrently at
17 gaining and maintaining superiority over Colombian air space
18 could inflict mortal damage on the narco-traffickers.

19 Even short of air superiority, information about the
20 aerial comings and goings would enable early warning of U.S.
21 agencies, law enforcement agencies, and more responsive and
22 effective interdiction efforts on the U.S. border.

23 Now, my next point again goes to some of the earlier
24 remarks about the centrality of money in this process, and
25 knowing that this room was, I gather, where you have been

1 holding your INF treaty hearings, let me borrow a little bit
2 from the parlance that one uses in thinking about nuclear
3 strategy to remind you that counterforce is not an effective
4 strategy in dealing with low intensity conflicts. One should
5 reach, rather, for countervalue strategies, and here plainly,
6 the narcotraficantes do not really care about the drugs.
7 They want the money. That is what the name of the game is.
8 And so strategies which aim at blocking or seizing the sums
9 of money involved in this business seem to me to be
10 inherently more valuable than strategies which are aimed at
11 dealing with the substances themselves.

12 I am absolutely convinced, of course, that we must do
13 both, but we are just now beginning to think through the
14 implications of the movements of these huge amounts of
15 illegal -- the illegal movements of these huge amounts of
16 cash entailed in this business, and that genuinely is a
17 matter where I think the United States can make a great deal
18 of progress to the benefit of its foreign policy and its
19 allies.

20 My next point, Mr. Chairman, is that I believe that this
21 committee has got to reconsider its attitudes towards
22 security assistance. We talked about foreign aid in the
23 present presentation, but I am absolutely convinced that
24 unless the United States is prepared to provide assistance to
25 the foreign security apparatuses of these beleaguered

1 countries, they cannot carry their weight in this struggle.

2 Now, the way to go about effective planning and
3 operations is for the Secretary of Defense to task the United
4 States Commander-in-Chief Southern Command, to do the job, to
5 concert an appropriate plan with the Colombian Minister of
6 Defense, coordinating the while with the Ambassador to
7 Colombia, and that Ambassador should receive parallel tasking
8 from the Secretary of State to fit the military plan into a
9 broader U.S.-Colombian national plan. Both the CINC and the
10 Ambassador will have to be backed with resources to ensure
11 implementation.

12 And Mr. Chairman, those sorts of directives have not come
13 from Washington on either side of the bureaucratic chain of
14 command.

15 I remain convinced that an effort to attack the sources
16 of narcotics in the Colombian source, to assert control over
17 the Colombian air space, and to provide early warning of
18 attempts to penetrate U.S. territory will be a much more cost
19 effective way to proceed than investing further in attempts
20 to interdicting our borders. A dollar spent in Colombia, I
21 am confident, will produce far more effect on this equation
22 than a dollar spent on additional AWACS flights over the
23 continental United States.

24 Finally, Mr. Chairman, and consistent with what I have
25 been trying to get across, I would also recommend a long

1 range research and development effort to provide our military
2 services and our law enforcement agencies with decisive new
3 advantages. This phenomenon that you have correctly brought
4 to the attention of the Congress will not go away anytime in
5 the near future. It will be with the next President and his
6 administration and probably with Presidents and their
7 administrations in the years thereafter. As Mr. Morgenthau
8 said, as long as there is a demand, there probably will be a
9 supply.

10 Recently there have been a series of studies in the
11 government of what might be done about these matters. Here,
12 for example, is a summer study of the Defense Science Board
13 which is entitled "Detection and Neutralization of Illegal
14 Drugs and Terrorist Activities." It consists of several
15 hundred pages of analyses and recommendations on technologies
16 that could be brought to bear on this problem. To my
17 knowledge, no action has been taken yet within the
18 Department. That needs to be pressed ahead.

19 Here is a report presented to the President just within
20 the past few weeks, the Report of the Commission on
21 Integrated Long Term Strategy. In this report they deal with
22 the problem of tactical intelligence for the purposes of
23 dealing with the kind of violence that we are just
24 discussing, low intensity conflict. Certain technologies,
25 according to this report, can be especially helpful in

1 bolstering tactical intelligence, and these include advanced
2 information processing systems, low-cost space systems -- it
3 seems evident on the face of it that we at least ought to
4 offer the Colombians some satellite access -- networks of
5 sensors and other microelectronic equipment to monitor the
6 movements of opposing forces, bio and micromechanical sensors
7 with vastly expanded capabilities for detecting explosives
8 and narcotics, vivid digital graphics of dangerous areas or
9 areas denied to U.S. advisors to permit reconnaissance,
10 rehearsal of plans and training for specific operations of
11 the sort to which I made earlier allusion.

12 Mr. Chairman, only the Department of Defense has an R&D
13 community sufficiently robust and experienced to develop such
14 technologies. But although the Defense Science Board and the
15 Defense Advanced Research Projects Agency have separately
16 within the past twelve months identified specific R&D
17 projects worth pursuing towards the objective of curtailing
18 narcotics trafficking, neither has found a champion within
19 the Department of Defense willing to attest that the
20 requirements are real and worthy of priority over other
21 claims for scarce Defense budget dollars. In fact, this may
22 be one set of requirements that you here in the Congress are
23 going to have to assert for the Department of Defense.

24 Mr. Chairman, I have been talking about Colombia, but
25 plainly, Colombia should be considered as typical of other

1 nations in Latin America and the Caribbean Basin where drug
2 trafficking has both threatened the indigenous government and
3 engaged the national security interests of the United States.
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1 Measures such as I have proposed could also be taken in
2 these countries, appropriately coordinated by the regional
3 commander in chief through each U.S. Ambassador.

4 I conclude, sir, by repeating what I told the
5 Subcommittee on Defense of the Senate Committee on
6 Appropriations in June 1985. I then stated that cocaine,
7 marijuana and heroin illegally imported from Latin America
8 constitute, and I quote, "a threat to the nation of such a
9 magnitude that it requires us to bring to bear all our
10 societal defenses, both our criminal justice apparatus and
11 our national security forces."

12 Events since these dread statistics, to point, certainly
13 provide me no basis for altering my judgment.

14 Thank you very much.

15 Senator Kerry: Thank you very much, General. I
16 appreciate enormously the detailed discussion of Colombia,
17 because I think that helps us to underscore what I said at
18 the outset, that these hearings are not only about Noriega
19 and Panama, they are about a problem that is larger and that
20 is really of epidemic proportions.

21 I do, however, in my questions want to talk about General
22 Noriega somewhat, and I want to talk about Panama and some of
23 the other issues about groups that get hold of narcotics and
24 utilize them on their behalf.

25 Let me, by way of building the record, however, begin

1 first of all with a general discussion, if we can, on the
2 Southern Command.

3 You went there in 1983; is that correct? You assumed
4 command?

5 General Gorman: That is correct, Senator.

6 Senator Kerry: You were there from 1983 to 1985.

7 General Gorman: Right.

8 Senator Kerry: Can you describe for us the scope of the
9 Southern Command?

10 General Gorman: The Southern Command has purview over
11 U.S. military activities in the region from the
12 Mexican/Guatemalan border south on the land mass of Central
13 and South America.

14 Senator Kerry: So you are familiar, therefore, with
15 narcotics problems that we have with Mexico, narcotics
16 problems growing in Central America generally? Can you
17 answer affirmatively, because your nod cannot be recorded. I
18 just want to make sure we keep the record straight.

19 General Gorman: I am sorry. I nodded affirmatively.

20 Senator Kerry: The Southern Command is based in Panama,
21 is it not?

22 General Gorman: Yes, sir, unfortunately. I have
23 testified before the Senate that I regard the presence of the
24 headquarters there as singularly dysfunctional.

25 Senator Kerry: Do you want to describe why?

1 General Gorman: It is the only headquarters of a U.S.
2 combatant command, the gates to which are guarded by foreign
3 troops, and the water, sewage, electricity is under control
4 of a foreign power, and, at the moment, I would have to say
5 probably a hostile power; not a very useful kind of a posture
6 to have a headquarters involved in significant military
7 undertaking.

8 Senator Kerry: Is it possible that those very facts are
9 part of the reasons that the powers that be of Panama may
10 have been permitted to do things that otherwise might be
11 prohibited?

12 General Gorman: I suspect that, first, we would have
13 been much better had the government taken my advice tendered
14 first in 1983 and gotten the headquarters out. There would
15 have been a lot less concern about Panamanian attitudes
16 towards our activities.

17 Second, less concern over insecurity of the headquarters
18 than the simple ability readily available to the Panamanian
19 defense forces to make life uncomfortable for Americans
20 living in Panama.

21 The Panamanian Defense Forces issued the license plates
22 for the automobiles.

23 The Panamanian Defense Forces laid down the rules and
24 regulations regarding the wearing of the uniform. The
25 soldier wearing the uniform downtown in Panama City, for

1 example, is subject to arrest.

2 The Panamanian Defense Forces had demonstrated in the
3 years before I went down there, 1981 and 1982, an ability to
4 make life extraordinarily uncomfortable for American
5 servicemen stationed there.

6 One was, therefore, interested, and I was certainly
7 interested, in maintaining good relations, but I can assure
8 you I would not have in any sense done so at the sacrifice of
9 carrying forward a charge of complicity in drugs against any
10 member of the Panamanian Defense Forces.

11 Senator Kerry: This is probably an appropriate place to
12 make it clear in the record, also, that when you arrived in
13 Panama in 1983, there had previously been a kind of tension
14 between the military command and the State Department down
15 there as to who was going to deal with General Noriega. Is
16 that accurate?

17 General Gorman: At the time it was General Paredes, who
18 was the commander of the Panamanian Defense Forces, then the
19 Guardia Nacional at the Panamanian National Guard.

20 Paredes had political ambitions and, in fact, the first
21 summer I was there retired so that he would be eligible to
22 run for president in the elections of 1984. He had already
23 begun to make political statements, and the Ambassador had
24 had a falling out with him over his political activities.

25 My actions upon arriving on the scene were simply to

1 tender the whole problem of relations with the Guard to the
2 embassy, saying, in effect, look, we have an election coming
3 up in this country. This is going to be a very political
4 year ahead. The United States Southern Command has many
5 problems on its list of missions which are going to require
6 my frequent absence from the country, so you, Mr. Ambassador,
7 are going to call the shots here, and my instructions to my
8 subordinates were to do nothing that was not decided upon or
9 cleared with the embassy.

10 Senator Kerry: Now, the military command had under its
11 control, did it not, several intelligence agencies. Is that
12 accurate?

13 General Gorman: Yes.

14 Senator Kerry: Would you describe those for us?

15 General Gorman: I would prefer not to.

16 Senator Kerry: I do not mean describe them in detail but
17 just by heading. The Navy had one; the Army had one. Is
18 that accurate? Each had its intelligence unit?

19 General Gorman: Yes. Each of the service components
20 under my command had intelligence organizations. They were a
21 nexus of various kinds of organizations with varying
22 capabilities, and they changed from time to time.

23 Senator Kerry: Prior to your arrival in Panama as
24 commander, you received both from general sources, diplomatic
25 network, word of mouth, et cetera, as well as from

1 intelligence sources briefings and knowledge of the region,
2 did you not?

3 General Gorman: I did.

4 Senator Kerry: Did that knowledge include a knowledge of
5 Noriega and his nefarious activities?

6 General Gorman: Noriega was, at the time, a colonel, the
7 head of Panamanian Intelligence. Yes, he was identified to
8 me.

9 After I became the Commander in Chief, I had an
10 investigation conducted into Colonel Noriega's connections
11 and activities. The picture that emerged was definitely not
12 one of a blue collar criminal. This fellow was or at least
13 behaved as though he was a businessman. He had holdings in
14 all sorts of commercial enterprises: shipping firms;
15 airlines; various kinds of importing and exporting activities.

16 It was quite evident that very little was going on of a
17 commercial nature in Panama from which he did not in some
18 sense directly profit. He was making money and making money
19 in a very diverse way.

20 Senator Kerry: Did you understand precisely how he was
21 doing that?

22 General Gorman: No.

23 Senator Kerry: Did you come to learn that?

24 General Gorman: No.

25 The reports that I got were all of the second and third

1 party nature: it is rumored that, it is reported that, we
2 believe that this and thus is so.

3 What I got was the impression of a man who was certainly
4 venal, was involved in a lot of very, very shady kinds of
5 undertakings; but I never saw a report that pinned him
6 specifically to a criminal act or undertaking of the sort
7 that one could adduce in a court.

8 Senator Kerry: Were you there at the time that Dr. Hugo
9 Spadafora was killed?

10 General Gorman: No.

11 Senator Kerry: You had left just prior to that?

12 General Gorman: That is right.

13 Senator Kerry: That was late 1985, I guess.

14 Now, when did you first hear that General Norlega was
15 involved in laundering drug money in the narcotics business?

16 General Gorman: In the President's Commission on
17 Organized Crime there were documents that were put in front
18 of us for our examination. I was asked to comment on all of
19 that.

20 Senator Kerry: When was that?

21 General Gorman: 1986.

22 Senator Kerry: Prior to that, while you were in Southern
23 Command?

24 General Gorman: No; to the contrary. The
25 representations that were made to me then by presumably

1 knowledgeable officials of the embassy were that General
2 Noriega was a major contributor to American efforts to do
3 something about narco trafficking.

4 Senator Kerry: If I could just interrupt you for a
5 minute.

6 Those responses were in response to your inquiries of
7 concern, were they not? You were raising this issue as one
8 of concern?

9 General Gorman: Yes.

10 Senator Kerry: You were told essentially no, General, do
11 not worry, things are okay? Is that accurate?

12 General Gorman: That is accurate.

13 Senator Kerry: Now, can you tell us what officials
14 shared that with you?

15 General Gorman: Again, I would prefer to identify those
16 officials, because of their job, to you in executive session.

17 But suffice to say, they were in a position to know.
18 They pointed out to me that General Noriega, by this time now
19 a general and by this time a commander of what he had renamed
20 the Panamanian Defense Forces, had cooperated with the United
21 States to the extent of identifying and destroying a large
22 shipment of diethyl ether, one of the agents used in cocaine
23 processing, and General Noriega had conducted an attack on a
24 Colombian drug processing laboratory that he had detected in
25 the Darien.

1 These were cited as just the most visible evidences of
2 the degree to which he was cooperating with American agencies
3 concerned with such matters.

4 Senator Kerry: Now, it is true, is it not, that of the
5 23 people arrested, including General Noriega's secretary or,
6 I believe, second in command, Lieutenant Mello, who were
7 arrested at Darien, they were all released subsequently? Is
8 that accurate?

9 General Gorman: I cannot testify to that. I do not know.

10 Senator Kerry: Well, there will be later testimony in
11 the course of the hearings as to what happened.

12 General Gorman: Yes. I know that Mello was in
13 Venezuela, I believe.

14 Senator Kerry: You know Mello, who was arrested in
15 Darien, to be who?

16 General Gorman: I cannot say. I do not know.

17 Senator Kerry: Now, General, were there officials within
18 our government during that course of time that you were there
19 and subsequently who wanted to take action against Noriega?

20 General Gorman: I do not know anyone who has ever dealt
21 with General Noriega in an official capacity for the United
22 States Government that would not have preferred to be dealing
23 with somebody else.

24 Senator Kerry: More specifically, were there not efforts
25 made by some of these people to push a specific detachment

1 process, to say we have to move to the alternative? Were
2 there not specific recommendations by people?

3 General Gorman: I did not hear any when I was in office,
4 Senator.

5 Senator Kerry: Did you make any?

6 General Gorman: No, I did not. My attitude on Noriega
7 is very similar to that of Mr. Morgenthau. I see him as a
8 pimple on the rump of the elephant. He was certainly not a
9 major strategic factor, in my view, given the missions that I
10 was discharging for the government. He was a very minor
11 player.

12 Senator Kerry: What services did General Noriega perform
13 for the United States, to your knowledge, that gave him this
14 claim on us?

15 General Gorman: Well, to cite my own particular
16 relationships with him, he promised to permit me to retain
17 the School of the Americas in the Republic of Panama, a move
18 that would have been advantageous for Panama and for the
19 United States.

20 He did not deliver on that promise. So as far as the one
21 thing that I personally asked of him, I got nothing for that
22 relationship.

23 Concerning the other contributions that he is alleged to
24 have made, I can only say "alleged" because I get it
25 secondhand. He was dealing with officials of the embassy on

1 matters pertaining to drug trafficking, which we just
2 discussed; the Cuban presence in Panama, one of the largest
3 in the hemisphere. Just off of the end of the runway of
4 Howard Air Force Base belonging to the United States Southern
5 Command is the Pacific base of the Cuban fishing fleet.
6 There is very substantial coming and going of Cubans every
7 week to and from that installation.

8 Senator Kerry: Were you aware at any time of his
9 trafficking in visas for Cubans?

10 General Gorman: I knew that he was deeply involved in
11 the comings and goings of Cubans.

12 Senator Kerry: Do you want to be more explicit?

13 General Gorman: No, I do not think so.

14 Senator Kerry: Not at this time?

15 General Gorman: Right.

16 Senator Kerry: We will get it out in executive session.

17 General Gorman: Yes, I think you need an executive
18 session.

19 He traveled widely, and he reported to American officials
20 on his travels. He traveled in France, in Northern Africa;
21 he visited Cuba frequently and had conversations with Fidel
22 Castro; and he provided reports concerning these
23 conversations.

24 I do not think any of us put much credence in what he
25 said, but there certainly was that kind of --

1 Senator Kerry: When you say "none of us put much
2 credence", he was a CIA operator. He was working with the
3 CIA at that time; correct?

4 General Gorman: I do not want to testify about that.

5 Senator Kerry: Well, it has been published.

6 General Gorman: I did not put much credence in it.

7 Senator Kerry: It has been publicly stated in most
8 journals in the United States that he was working for the CIA
9 at the time. Is that not a matter of public record?

10 General Gorman: Most journals in the United States are
11 wrong most of the time about such matters, Senator.

12 Senator Kerry: Are they wrong about that one, or you do
13 not want to testify?

14 General Gorman: I do not want to testify.

15 Senator Kerry: When you say we did not put much stock in
16 what he was saying, why was the relationship important, then?

17 General Gorman: It was not important to me.

18 Senator Kerry: Why was it important to others?

19 General Gorman: I cannot testify. I do not know.

20 Senator Kerry: You have no sense of that at all?
21 Speculatively, you have no opinion as to why people found it
22 still important?

23 General Gorman: I could certainly repeat what I said
24 before. Our headquarters was there. We were, in effect, in
25 the hands of this man.

1 Secondly, he did have significant power to harass, to
2 intimidate and to make life difficult for the men and women
3 of my command. I, therefore, treated him with a degree of
4 circumspection. I would not do anything to irritate him lest
5 he indulge in one of his picayune acts of retribution, of
6 which we knew him to be fully capable.

7 Senator Kerry: I want to come back to General Noriega in
8 a couple of contexts, but I would like to keep going on this
9 broad issue that we are talking about a little bit, because I
10 think it ties into it and to some of the final questions
11 about it.

12 have narcotics traffickers begun to operate out of Costa
13 Rica and to establish air strips and other infrastructure in
14 Costa Rica?

15 General Gorman: I began to see as early as 1984 evidence
16 of increased traffic out of Colombia and out of Panama into
17 Costa Rica.

18 I know from my own sources and from that of other
19 agencies that there was a significant increase each year in
20 1984 and 1985 when I last looked at it.

21 I looked at statistics when I was with the President's
22 Commission on Organized Crime, which seemed to imply that the
23 trafficking involved both marijuana and cocaine and that,
24 beginning in 1984, there was a significant indigenous
25 marijuana growing operation, particularly in the northern

1 part of the country where the Costa Rican law apparatus is
2 scanty, at best.

3 The Costa Ricans that I know, officials of the Costa
4 Rican government who dealt with such matters, were, at the
5 time that I left, very apprehensive about the implications of
6 that for the future, but I have no recent information that I
7 could impart.

8 Senator Kerry: What about Cuba during the period that
9 you were there?

10 General Gorman: Cuba is an interesting case because it
11 is on the opposite side of the ledger. All of the
12 information at my disposal suggests that the Cubans made it
13 possible for drug traffickers to do business without
14 significant interference from the Cuban security apparatus.

15 Indeed, there is a lot of evidence that they got, in some
16 instance at least, active cooperation in terms of ports made
17 available, islands made available for the transfer of
18 substances from a large oceangoing vessel to a small boat for
19 a run-in to the United States, et cetera.

20 Senator Kerry: I might add that a number of our
21 witnesses, beginning this afternoon with the personal
22 involvements, will corroborate that in testimony.

23 General Gorman: In that connection, it is worth noting,
24 and it goes again to this hearing in 1984 that I mentioned to
25 Senator Moynihan, in that same hearing I laid out what I knew

1 about the movement of the Escobar Operation from Colombia
2 into Nicaragua, a move which was apparently done with
3 significant involvement of Cubans.

4 There were a lot of goings and comings between Nicaragua
5 and Cuba associated with the activity at Los Brasillias
6 Airport. We were very puzzled by all of that. We did not
7 know what was going on. I did not really understand what was
8 happening until the indictments were brought in the federal
9 court in Florida concerning the drug operation that Mr.
10 Escobar was running.

11 That airport, Las Brasillias, is north and west of the
12 capital, and we knew it to be under the control of the
13 Ministry of the Interior. What we did not understand is why
14 all the Cubans were going and coming into that particular
15 locale.

16 Well, if you can take the incidents that have been
17 reported in court as indicative of what was happening, it is
18 as simple as Mr. Escobar set up his drug processing lab there
19 with the assistance of a number of Cubans.

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1 Senator Kerry: Did you gain evidence of increasing drug
2 trafficking and involvement of the Medellin cartel with
3 either Nicaragua, the Bahamas, or Mexico? Or all three?

4 General Gorman: First, let me make the point that I did
5 not suffer from a lack of people who spoke the language. I
6 had individuals in my organizations who were Columbianos, who
7 knew the parlance of the traffickers, and my heart goes out
8 to the law enforcement agencies that have to deal with these
9 matters.

10 Without that kind of talent, it is a very difficult
11 target. They are very circumspect. They have burst
12 transmission communications equipment, as I mentioned
13 earlier, a high degree of encryption. It is a tough target.

14 The trends throughout 1984, as near as we were able to
15 track them from the distance at which we were then operating,
16 were that the pressure mounted by the Betancourt government
17 had caused a number of the Medellin cartel to make the
18 decision to move their operations outside of the country.

19 One of those moves was into Nicaragua. And as I say, we
20 did not really understand what was going on until after the
21 DEA brought forward its evidence in court. But it does seem
22 that that was just one of a number of such displacements.

23 We had reason to believe at the time that some of the
24 operations were moved into Venezuela. We had reason to
25 believe that some of them were moved into Brazil. We had

1 some information, not corroborated, that some had been moved
2 into Ecuador.

3 But the movements that were the easiest to follow were
4 those into the Caribbean Islands and Nicaragua. And I think
5 that that probably happened.

6 Senator Kerry, I live just a few miles from a farm in
7 Virginia which was rented by a group of Columbians and
8 converted into a cocaine processing laboratory. They were
9 flying paste into the United States.

10 Now, when they will go to that length, you can imagine
11 the economic disadvantage of doing that when you go from
12 paste to crystal and you decrease the volume and weight by a
13 factor of 200.

14 If they are willing to do that, they have got the
15 wherewithal to go almost anywhere they want to. And that
16 bespeaks the importance of regionality in addressing this
17 phenomenon.

18 One of the dysfunctions of the United States government
19 in getting a handle on this is our propensity to wire up our
20 embassies in stovepipes. The chief of station reporting up a
21 stovepipe, the ambassador reporting up a stovepipe.

22 Very little exchange of information among the several
23 undertakings in the region. And that kind of a regional
24 flushout phenomenon, as I say, did not make sense because of
25 this blind side in our military intelligence. We did not

1 understand enough about the drug business.

2 Let me give you one other example which goes to this
3 difficulty. There is a facility in Miami which is supposed
4 to be watching the Caribbean basin for the purposes of
5 detecting inbound drug shipments.

6 When I testified before the House Joint Committee on
7 Narcotics in 1985 I took advantage of being there to walk
8 across the street and into this center and ask to see some of
9 their recent information pertaining to drug movements.

10 And I was surprised to discover in the first batch of
11 reports they handed to me a group of reports from El
12 Salvador, of aircraft coming and going, landing in El
13 Salvador, and then departing on northerly azimuths, as though
14 they were flying up into Guatemala or Mexico.

15 I did not have any of that kind of information available
16 to me in my previous command. I inquired whether my
17 successor had access to such information. The answer was
18 no.

19 There is a membrane, an artificial membrane, between the
20 intelligence relating to the drug business and the
21 intelligence relating to the military business. My argument
22 then and now is that we should not allow that kind of
23 distinction to be drawn.

24 And I think that much has been done within the
25 intelligence community to break down those membranes. But I

1 am not confident that the traditional law enforcement person
2 looks at intelligence the way that a military intelligence
3 officer would regard it.

4 The whole fixation on prosecution leads to a set of
5 procedures and EEI, essential elements of information, which
6 are very different from what a military intelligence
7 operation would focus on. We need both. We have not been
8 getting it.

9 Senator Kerry: How do narcotics traffickers tie in with
10 guerilla movements of left or right?

11 General Gorman: That is different, of course, country by
12 country. Let us start by saying that if one wants to
13 organize an armed resistance or an armed undertaking for any
14 purposes, the easy place to get the money and the easy places
15 to get the guns are in the drug world.

16 So whether you are --

17 Senator Kerry: Let me just interrupt you. You said to
18 me earlier when we were talking that not a group, there is
19 not a group that does not use narcotics in order to fund it
20 at some point.

21 General Gorman: I believe that to be the case. I know
22 of no exception.

23 Senator Kerry: Did you run into that while you were in
24 Central America? Did you see that happening with respect to
25 El Salvador or Nicaragua or any of those areas?

1 General Gorman: The Salvadorean guerillas grow pot and
2 sell it on the local markets. Virtually everybody who thinks
3 about a revolutionary, or coup detat, revolutionary movement
4 or a coup detat, et cetera, has to get money.

5 Now, this is, I think, a very central issue. It goes
6 back to the point that I made about the importance of the
7 United States getting a handle on the money flows. If you
8 want to have a revolution, Senator, get money.

9 Money is what fueled the Salvadoreans. Not Marxist
10 ideology, but money. And the money came from diverse
11 overseas sources. We know a lot about that now that we did
12 not back in 1983. Or we learned a lot about it in 1983 and
13 1984.

14 But without money, there would have been no violence. Or
15 certainly not the degree of violence that existed in that
16 country. The most ready source of money, big money, easy
17 money, fast money, sure money, cash money, is the narcotics
18 racket.

19 Senator Kerry: Were you aware at any time of the
20 Southern front depending on narcotics money to support it?

21 General Gorman: Referring to the --

22 Senator Kerry: Southern front in Costa Rica, the
23 Southern front with respect to Nicaragua.

24 General Gorman: Well, as I say, I knew that there were
25 fairly sizable marijuana operations up there. Now, whether

1 those were contras, you know there are 200,000 Nicas in Costa
2 Rica right now.

3 And up on that border there were defectors from the
4 Nicaraguan armed forces, there were so-called contras,
5 sometimes contras sometimes not --

6 Senator Kerry: What I am trying to get at is not as
7 specific. Based on your knowledge of how it works and what
8 you understood from your experience down there, it would not
9 surprise you?

10 General Gorman: Not at all. Particularly if they had
11 been on somebody's payroll and had their funds cut off, would
12 be the natural recourse of those people.

13 Senator Kerry: Now, you also said that when Mr. Noriega
14 visited the United States he visited in a different way than
15 other people that were under your command. Can you describe
16 that?

17 General Gorman: Typically, when a senior military
18 commander came to the United States, he was the guest of the
19 military establishment of the United States, and would
20 usually be escorted by myself or by one of my principals
21 while he was up here. Normal courtesy plus our interest in
22 hearing what he said.

23 So, for example, I visited this body with the Commander
24 of the armed forces of Honduras twice, the Minister of
25 Defense of El Salvador on two occasions, the Minister of

1 Defense of Columbia, several other visits which I did not
2 personally attend to came out of my command.

3 We never, in my memory, sponsored a visit, General
4 Noriega had other mechanisms at his disposal for visiting the
5 United States and other sponsors here. They were not the
6 military.

7 And I do not think, you know, that General Noriega
8 considered himself just a military commander. He saw himself
9 as the embodiment of the dream of Omar Torillos.

10 Senator Kerry: Who did sponsor his visit when he came up
11 here?

12 General Gorman: Another agency of the government,
13 Senator.

14 Senator Kerry: Not the State Department.

15 General Gorman: Not the State Department.

16 Senator Kerry: Not the White House specifically.

17 General Gorman: No.

18 Senator Kerry: Not Health and Human Services,
19 certainly.

20 General Gorman: Not to my knowledge.

21 Senator Kerry: Did anybody want you to keep some
22 distance from Noriega during the time you were there?

23 General Gorman: I never received any such instructions,
24 except from the Ambassador, and then under specific cases in
25 point.

1 Senator Kerry: But you did receive specific instructions
2 from the Ambassador as to certain cases.

3 General Gorman: Oh, yes.

4 Senator Kerry: And do you recall what those were?

5 General Gorman: Well, for example, in the whole set of
6 negotiations involving the Paredes retirement and the role
7 that Paredes was going to play in the upcoming political
8 campaign, we got guidance from the Ambassador to keep away
9 from any association with the social events and avoid making
10 any statements that might be used on behalf of what the
11 embassy regarded as an untoward development in Panamanian
12 politics. A judgment in which they were eminently correct.

13 Senator Kerry: While you were at the Southern Command,
14 were you ever advised by anyone that Noriega was providing
15 help to the contras at the request of the United States?

16 General Gorman: No.

17 Senator Kerry: You never had any knowledge of that?

18 General Gorman: No, and I would be pretty sure that if
19 it were going on in that sense, somehow or other we would
20 have picked that up.

21 Senator Kerry: Were you ever aware during that period of
22 time of arms shipments to El Salvador, or anywhere else, by
23 General Noriega?

24 General Gorman: No.

25 Senator Kerry: Your intelligence did not have that, or

1 you did not at that point?

2 General Gorman: There was some cooperation between the
3 Panamanian defense forces and the Salvadorean defense
4 forces.

5 General Noriega took a direct interest in the raising and
6 training of the civil defense forces in El Salvador as an
7 example. Some Panamanian officers went up and worked with
8 Salvadorean staff on preparation of plans.

9 But I do not know of any arms shipments as such. And I
10 think, again, I would think that I would have known that.

11 Senator Kerry: At one point you tried to argue within
12 the Defense Department that you thought there were things we
13 could do and that we ought to be doing with respect to this
14 Central America narcotics problem, but that you felt you did
15 not get a favorable hearing, or you could not make it move.
16 Can you describe that?

17 General Gorman: Yes. The representations that I made to
18 you today are essentially those that I made beginning in
19 1983.

20 I was trying to draw the attention of the Department of
21 Defense to the larger strategic issues, the more enduring
22 strategic issues. You will recall, I am sure, vividly, that
23 in those years nobody wanted to talk about anything but El
24 Salvador.

25 El Salvador was the problem. Not the contras, not

1 Nicaragua, but El Salvador. And that remained the case, I
2 would say, until, just about until I left office. Then the
3 focus began to shift to the Nicaraguan incident, and the
4 support of the contras.

5 But I could not get the attention of the JCS or the
6 Secretary of Defense on what I considered to be the more
7 acute problem, certainly the one that was going to be of much
8 longer duration for the United States, this massive powerful
9 emerging phenomenon of these international drug cartels.

10 Senator Kerry: With respect to the international drug
11 cartel and that effort in the Defense Department, in our
12 private conversations you made what I thought were some very
13 straightforward, graphic descriptions of the problem.

14 And to paraphrase quote you, if I may without violating
15 anything that I think was between us, I hope, and you tell me
16 if you do not want me to say that. But you said we are a day
17 late, a dollar short, you said we are talking, promising,
18 failing to deliver year after year.

19 General Gorman: I said that.

20 Senator Kerry: You said the gun and badge boys cannot do
21 it.

22 General Gorman: I said that. Cannot do it alone.

23 Senator Kerry: Cannot do it alone.

24 General Gorman: Cannot do it alone.

25 Senator Kerry: I agree. That these guys are a very well

1 organized phenomenon. Almost organized like a military
2 campaign. Why are we a dollar late, short? Why are we
3 failing, what is your sense of why we are failing on this?

4 General Gorman: Well, let me cite three contributing,
5 these are almost cultural sorts of attitudinal problems.

6 The first is that the primary mission, focus, the proper
7 preoccupation of the Department of Defense is the East-West
8 problem, particularly the Soviet problem. And if it is not
9 colored Soviet, it is not a matter for the Department of
10 Defense.

11 I happen to believe, and I am sure you would agree, that
12 many of the threats to our security arise from factors over
13 which the Soviets exert very little control, if any. And
14 many of the problems that we face would exist if there were
15 no Soviet Union or, a compliant, friendly cooperate Soviet
16 Union.

17 But there are many in the Department of Defense, and they
18 are in very high positions, who simply believe that if it is
19 not part of the U.S.-Soviet business, the military has no
20 role, or the Department has no role or prerogative.

21 Second, there are many who hold with great vehemence to
22 the belief that there ought to be a "separation of powers"
23 between the military and the law enforcement agencies. And
24 they see the boundaries that have been drawn between them
25 since the drafting of the Constitution, as right, proper,

1 something to be safeguarded. And they can get very
2 principled, I guess is the word about all of that.

3 Again, I simply believe that we are dealing here with a
4 phenomenon that requires us to reconsider those legal
5 boundaries. The Congress has shown a much more illumined
6 attitude in its moves on Posse Comitatus, for example, than
7 some of the senior officials of the Department of Defense.

8 Finally, it is a dirty business, Senator. It is not a
9 crisp, clean set of issues and undertakings. And frankly, a
10 lot of my fellow professionals are simply repelled by the
11 kinds of people they have to do business with in order to get
12 into this realm. They would much prefer to consign it to the
13 Coast Guard and the other law enforcement agencies.

14 Put all of that together, and you can begin to see why
15 some of these representations fall on deaf ears. And then,
16 of course, there is the question of priorities in a time of
17 dwindling budgets.

18 All of this can only be undertaken at the expense of
19 something else, and that something else is always much more
20 important.

21 Senator Kerry: With respect to that attitude, et cetera,
22 as far back as the early 1970s, President Nixon's drug
23 enforcement administration was picking up intelligence on
24 General Noriega's involvement in narcotics trafficking. You
25 are aware of that, correct?

1 General Gorman: No, I am not aware, you know, how far
2 back all of that goes.

3 Senator Kerry: But narcotics trafficking on the part of
4 certain elements of the Panamanian defense forces became part
5 of the canal treaty discussions in 1977. You are aware of
6 that?

7 General Gorman: Not aware of that.

8 Senator Kerry: You are not aware of that.

9 General Gorman: But I am not surprised, I am not
10 surprised.

11 Senator Kerry: Then in 1984, as you are aware, General
12 Noriega provides safe haven for key members of the Medellin
13 cartel. Correct?

14 General Gorman: During the negotiations with the
15 Attorney General of Columbia, at the request of President
16 Betancourt.

17 Senator Kerry: At that point, Panama becomes a major
18 drug laundering, money laundering, drug transit money
19 laundering locale. Correct?

20 General Gorman: Correct.

21 Senator Kerry: Today, General Noriega stands indicted by
22 two United States grand juries. Today it is fair to say that
23 the interests we have in Panama are greatly at risk, that the
24 country is destabilized. Is that not accurate?

25 General Gorman: Yes.

1 Senator Kerry: So what do we say about that policy? In
2 light of that history, how well have the national security
3 interests of the United States been protected while we have
4 basically been willing to bed down with this narcotics
5 trafficker of major consequence?

6 General Gorman: The whole history of our relationship
7 with the Republic of Panama has a severe indictment of the
8 United States' ability to handle its relationship with any
9 foreign country.

10 But it is a particular indictment because in this
11 country, as in the case of the Republic of the Philippines,
12 we have had a long residential involvement, unlike our
13 relationship with Columbia, for example.

14 I mean, we are part and parcel of the history of Panama
15 in a blood sense, and in an in situ sense. And the fact that
16 we have allowed these events to eventuate in the country
17 being run by this pimple on the rump of an elephant, to use
18 Mr. Morgenthau's phrase, is a travesty of sorts in American
19 history.

20 And I do not exempt myself from blame in this respect. I
21 should have been more prescient, should have been more
22 aggressive. I suppose that most other officials, like me,
23 would make the same case. That back at the time I had my
24 mind on other things and I did not see, I could not foresee
25 where all of this would go.

1 Senator Kerry: Well, General, I think you have been very
2 forthcoming, and I certainly appreciate your testimony.
3 There are some questions that we do want to ask you in
4 Executive Session, and there are a few that we want to ask
5 about the record. The time is moving rapidly.

6 I am going to place some questions in the record from
7 Senator D'Amato, which you would also like to have answered.
8 If I may, there is one item here that I got delivered to me
9 this morning, I did not have a chance to ask you.

10 And if you could, perhaps, approach me here, because I
11 just want to see if you can answer it, and I will not ask the
12 question if you cannot.

13 General Gorman: Let the record reflect I'm approaching.

14 Senator Kerry: Thank you very much, General. What I
15 would like to do is identify for the record an exhibit which
16 we will call Exhibit No. 1, which is a now-unclassified page
17 of Oliver North's diaries which bears in it the title General
18 Gorman underlined, and then asterisk, include drug case. And
19 you have seen that now, and you understand that?

20 General Gorman: Yes, sir. What is the date again?

21 Senator Kerry: The date is 12 June 1984. Did you have
22 occasion to meet with Oliver North frequently?

23 General Gorman: Frequently, yes.

24 Senator Kerry: With respect to?

25 General Gorman: Well, he travelled frequently in the

1 region, usually with an official party of some description.
2 I don't know about the particular date, but I could infer
3 that it is a reference to the point that SOUTHCOM's
4 briefings, both in Washington and in the region, always
5 included the drug case.

6 That is to say, we were trying to call attention to
7 visiting Congressional delegations, visiting teams from the
8 Administration, to the fact that the problem in the region
9 was significantly larger than the rubric of the Salvadorean
10 insurgency.

11 And I do not know, again. There is just those cryptic
12 phrases there from which to draw for an aide memoir. But I
13 would infer from the way that's laid out that he is thinking
14 of including in his own presentations a comparable
15 dimension.

16 And I would guess that what is underneath there that is
17 blocked out is probably some of the stuff that he picked up
18 from one of our conversations.

19 Senator Kerry: So the drug issue was at that time being
20 discussed?

21 General Gorman: Well, I was certainly doing my
22 damndest, Senator, to discuss it. Each of my presentations
23 to the Defense Resources Board, each of my meetings with the
24 JCS, any opportunity that I had to testify before this body
25 or the other I brought it up.

1 Senator Kerry: Okay. Well, I thank you very much, and
2 that helps us enormously. What I would like to do is reserve
3 the right, General, if you are willing, we would like to
4 follow up on some of those things privately, if we can.

5 General Gorman: Yes, sir.

6 Senator Kerry: And talk further. We will recess until
7 2:00, when we will resume for the afternoon witnesses. Thank
8 you very much.

9 [Whereupon, at 1:10 p.m., the hearing was recessed, to
10 resume at 2:00 p.m. the same day.]
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AFTERNOON SESSION

[2:18 p.m.]

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3 Senator Kerry: The hearing will come back to order. My
4 apologies for the delay. We are involved in some last minute
5 negotiations here with one of the U.S. attorney's offices in
6 Florida and those negotiations are going to force us to take
7 one witness out of order, but we will do so.

8 Mr. Gerry Loeb, would you stand, please.

9 Would you raise your right hand. Do you promise to tell
10 the truth, the whole truth, and nothing but the truth, so
11 help you God?

12 Mr. Loeb: I do, sir.

13 Senator Kerry: Thank you. Could you be seated.
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1 TESTIMONY OF GERALD K. LOEB

2 Senator Kerry: Would you state your full name for the
3 record, please.

4 Mr. Loeb: Gerald K. Loeb.

5 Senator Kerry: Mr. Loeb, where do you live?

6 Mr. Loeb: I reside in Salinas, California, sir.

7 Senator Kerry: How long have you lived there?

8 Mr. Loeb: Approximately 14 years.

9 Senator Kerry: What is your occupation?

10 Mr. Loeb: At the present time I'm serving as the ALPA
11 Chairman of Legislative Affairs for the Eastern ALPA group in
12 Miami, Florida, representing 3800 pilots.

13 Senator Kerry: Are you yourself a pilot?

14 Mr. Loeb: I am a former pilot, sir.

15 Senator Kerry: How long were you a pilot?

16 Mr. Loeb: As a naval officer and a Navy pilot, sir, 21
17 years. For Eastern Airlines, a period of 20 years.

18 Senator Kerry: At what rank did you leave the United
19 States Navy as?

20 Mr. Loeb: Commander, USNR-R, sir.

21 Senator Kerry: What year did you leave the United States
22 Navy?

23 Mr. Loeb: Approximately 1975.

24 Senator Kerry: At that time what did you do?

25 Mr. Loeb: I was also as a reservist, a naval officer,

1 and aviator, a flight officer for Eastern Earlines. I joined
2 Eastern in 1967 and continued my reserve affiliation until
3 approximately 1975.

4 Senator Kerry: After '75, what did you do?

5 Mr. Loeb: Continued my career as an Eastern Airline
6 pilot.

7 Senator Kerry: What did you achieve as an Eastern
8 Airline pilot?

9 Mr. Loeb: Captain.

10 Senator Kerry: And how long did you fly as a captain
11 for?

12 Mr. Loeb: Less than six months, sir.

13 Senator Kerry: Now, at some time were you dismissed from
14 Eastern Airlines?

15 Mr. Loeb: Yes, I was.

16 Senator Kerry: Would you describe to us the
17 circumstances of that dismissal?

18 Mr. Loeb: As best I can understand it, Senator Kerry, I
19 was accused of outrageous conduct, to wit turning over to the
20 FBI a 19 page summary report involving details of drug
21 trafficking, money laundering operations on Eastern aircraft
22 over a period of approximately four years.

23 The officials -- excuse me, sir.

24 Senator Kerry: Go ahead.

25 Mr. Loeb: The officials at Eastern Airlines and the

1 corporate officers deemed that to be outrageous conduct.
2 Having learned from the FBI within hours of my giving that
3 information, they hired two private detectives and then the
4 fun began.

5 Senator Kerry: Now, at some point in time you say you
6 turned in a report to the FBI. What did that report to the
7 FBI contain?

8 Mr. Loeb: Primarily drug trafficking, money laundering
9 operation emanating from Panama City.

10 Senator Kerry: When did you first observe that?

11 Mr. Loeb: Early in 1984, sir.

12 Senator Kerry: What were the circumstances of that?

13 Mr. Loeb: The trigger, sir, was a telephone call from an
14 Eastern Airlines captain who had just had his Eastern L-1011
15 jetliner arrested by U.S. Customs, and he was not only
16 devastated by that, but he was frightened. They had found 15
17 pounds of cocaine -- correction, 15 kilos of cocaine,
18 underneath the captain's seat in the forward electronics
19 section at the U.S. Customs building in Miami, Florida.

20 Senator Kerry: And how did that trigger you? What did
21 that cause you to do?

22 Mr. Loeb: He asked me for help, since I was obviously
23 involved in the Air Line Pilot Association affairs, and he
24 asked me for some advice. His aircraft had been impounded
25 and he had been served with a writ to appear before a

1 magistrate in Miami, and he was terrified.

2 Senator Kerry: When was this, again?

3 Mr. Loeb: Approximately April of 1984, Senator.

4 Senator Kerry: Okay. At that time what did you do?

5 Mr. Loeb: I suited up -- I was in Miami -- went across
6 the field to the airport. I met unofficially with a U.S.
7 Customs official and I asked him what the circumstances were
8 and what we could do to help unwind this without getting into
9 the area of justice, unwind it as far as our flight crews
10 were concerned.

11 It was an ongoing scenario with drugs aboard the Eastern
12 aircraft, particularly from Panama, the hub operation, and
13 Colombia. And our crews were very aware that they were
14 unwittingly being duped and flying cargo, as it was called,
15 that was unlisted in their aircraft, unmanifested, into ports
16 of call in the United States of America.

17 Senator Kerry: Now, can you describe what you mean by
18 "unmanifested, unlisted," and tell how as a captain you would
19 know that?

20 Mr. Loeb: Well, sir, you can take the total weight of
21 the aircraft and, by extrapolating the numbers of the cargo
22 manifest weight, and then go out on the ramp and take a look
23 at the cargo that's being loaded and come to a very, very
24 good conclusion with close proximity of how much weight that
25 aircraft actually is going to carry.

1 For example, one flight out of Bogota, Colombia, was so
2 marginal due to the weight of the aircraft, the registered
3 weight of the aircraft as opposed to the actual weight of the
4 aircraft, and when we arrived in Miami, Florida, our
5 instruments in the cockpit told us that we were a lot heavier
6 than what was indicated on the manifest.

7 And this was a very usual situation, particularly from
8 South America. In fact, it was a standard joke.

9 Senator Kerry: As a pilot, weren't you concerned about
10 safety regarding that?

11 Mr. Loeb: That, sir, is reckless endangerment of flight
12 crews and needless exposure to the traveling public.

13 Senator Kerry: What did you notice? Did you notice
14 something more specific at some point in time? Did you go
15 look at the cargoes?

16 Mr. Loeb: Yes, sir, I did.

17 Senator Kerry: At what point did you first do that?

18 Mr. Loeb: In mid-1984, there seemed to be a consistent
19 pattern from Miami to Panama specifically and beyond into
20 several other countries that Eastern services, not only in
21 Central America but in South America.

22 Senator Kerry: What was that pattern?

23 Mr. Loeb: The pattern was normally as a flight crew
24 member to go out to the aircraft approximately 30 to 40
25 minutes before flight time. And Senator, on these occasions

1 never did I observe any armored vehicles guarding or
2 transporting crates or whatever under the holds of those
3 Eastern L-1011's, never.

4 But on arrival in Panama, on those same flight occasions
5 a man I'll call Fast Eddie would leap off the aircraft, meet
6 the armored cars, and sometimes Panamanian national guard
7 people were there, sometimes ununiformed people were there.
8 But the armored trucks were always there to receive the
9 offload.

10 And that's a very strange occurrence if one is
11 legitimately carrying precious cargo.

12 Senator Kerry: Who was Fast Eddie?

13 Mr. Loeb: Sir?

14 Senator Kerry: Who was Fast Eddie? Not specifically by
15 name, but the man you call Fast Eddie, what did he do? Who
16 was he?

17 Mr. Loeb: Fast Eddie we considered to be our most
18 obvious frequent flyer. In fact, I'd like to share with you
19 a short story. Fast Eddie always seemed to show up right
20 before flight time with a last minute cargo load, and always
21 in Panama the first one off the aircraft to help supervise
22 the unloading and the reloading into these armored vehicles,
23 sometimes two vehicles, sometimes three.

24 Senator Kerry: Did Fast Eddie ever tell you anything
25 about these cargoes?

1 Mr. Loeb: Yes, sir, he did.

2 Senator Kerry: What did he tell you?

3 Mr. Loeb: Well, one night in Panama -- and it was not a
4 very dark and stormy night; it was a clear night. But the
5 aircraft was broken. If I recall, it was due to an
6 inoperative generator. And we were forced to stop the trip
7 in Panama City.

8 It was scheduled to go on to Bogota. The decision was
9 made to go to the local airport hotel. He went over there as
10 Fast Eddy was rapidly trying to disgorge the cargo into the
11 armored cars, and I asked him as he was checking into the
12 airport hotel why he was so upset.

13 And he said: I have a dilemma. I have to be in Colombia
14 tonight. I said: This aircraft is not going to leave
15 Panama; it's broken. And he said: Can't you fix it? I
16 said: No, I can't fix it; it has to wait for a legitimate
17 part, for a legitimate repair.

18 He was very agitated and upset, and we went into the
19 bar. And Senator, since I don't drink because my American
20 heritage precludes that, I bought him numerous rounds of
21 drink and asked him several questions, one of which was:
22 What are in those crates, what are in those pallets? And he
23 said money.

24 I said: Are you a courier for Eastern Airlines? And he
25 said: Yes. So I then asked him several questions, general

1 questions that any employee should know. It didn't fit.

2 In any event, as the short evening grew longer he became
3 more agitated. I asked him the big question: If these are
4 Eastern Airlines funds, why are they being transported into
5 Panama and disbursed beyond that point or wherever?

6 And he said: Oh, we need to bank money down here. I
7 said: That's very strange for a company that's on the
8 cutting edge of Chapter 11, where the employees had given up
9 close to a billion dollars in pay cuts to maintain the
10 survivability of Eastern Airlines.

11 He said: Well, we do it all the time and that's my job,
12 and you must get me to Colombia. I said: We'll go in the
13 morning. And with that he was gone.

14 Senator Kerry: Did you ever observe the pallets
15 personally?

16 Mr. Loeb: I did.

17 Senator Kerry: Could you speak a little closer? Pull
18 the mike down a little.

19 Mr. Loeb: Yes, sir, I did.

20 Senator Kerry: You observed the pallets?

21 Mr. Loeb: I did, sir.

22 Senator Kerry: On what occasions did you observe the
23 pallets?

24 Mr. Loeb: Approximately 18 to 24 different occasions,
25 sir.

1 Senator Kerry: Between what period of time?

2 Mr. Loeb: 1984 through 1985.

3 Senator Kerry: And what were the circumstances of your
4 observing them? You went out?

5 Mr. Loeb: As a flight crew member.

6 Senator Kerry: What did you observe when you saw those
7 pallets?

8 Mr. Loeb: The pallets came off the aircraft and there
9 was a variation on that theme, Senator. Sometimes the
10 pallets themselves came off the aircraft or the pallets were
11 inside the freight containers, brought off, downloaded,
12 reloaded into the armored vehicles, and it was adios.

13 Senator Kerry: Did you see the contents of the pallets?

14 Mr. Loeb: I did not.

15 Senator Kerry: So you are relating the knowledge about
16 there being money based on the conversation you had with Fast
17 Eddie?

18 Mr. Loeb: And a witness brought up from Panama to give
19 evidence to the FBI.

20 Senator Kerry: Now, who is this witness?

21 Mr. Loeb: This was a young fellow who worked in Eastern
22 Airlines stationed in Panama City and a Panamanian citizen.

23 Senator Kerry: Did that person in fact talk to the FBI?

24 Mr. Loeb: He was traumatized by the FBI, Senator. I
25 don't think he spoke to them.

1 Senator Kerry: What do you mean? He didn't talk to them
2 ever?

3 Mr. Loeb: It is my understanding that this particular
4 witness, along with two others that I have personal knowledge
5 of, received a visitation from the FBI representative. And I
6 call this scenario "FBI Agent Eraserhead and his flying
7 squad," because every time the FBI would present a question
8 to one of these three witnesses that had been carefully
9 coordinated and brought up to Miami or into Miami, they
10 became so traumatized that they became absolutely
11 panic-ridden that they were the focus of a criminal
12 investigation.

13 Senator Kerry: Did this person go back to Panama after
14 that?

15 Mr. Loeb: He vanished, sir. I have no idea where he
16 is.

17 Senator Kerry: Now, did you personally meet with the FBI
18 agents?

19 Mr. Loeb: I did, sir.

20 Senator Kerry: Do you recall the names of those agents?

21 Mr. Loeb: I do, sir.

22 Senator Kerry: Would you give us their names for the
23 record?

24 Mr. Loeb: Special Agent in Charge Corliss and ASAC, or
25 Assistant Special Agent, William Perry.

1 Senator Kerry: William Perry?

2 Mr. Loeb: Yes, sir.

3 Senator Kerry: Who was the FBI agent in charge of the
4 detail that subsequently interviewed people, do you know?

5 Mr. Loeb: My contact was an FBI agent by the name of Rod
6 Beverley.

7 Senator Kerry: Have you since been through a grievance
8 process with Eastern Airlines?

9 Mr. Loeb: Yes, sir, I have.

10 Senator Kerry: What have been the results of that
11 grievance process?

12 Mr. Loeb: We anticipate a positive decision and a return
13 to work by month's end. However, Texas Air-Eastern
14 Corporation has sworn that this pilot will never fly again
15 for Eastern Airlines one way or the other.

16 Senator Kerry: Now, you brought us some documents, is
17 that accurate?

18 Mr. Loeb: Yes, sir.

19 Senator Kerry: And among those documents is a copy of
20 the report that you submitted to the FBI?

21 Mr. Loeb: Yes, sir, but not the total report.

22 Senator Kerry: Is there any reason why we don't have the
23 total report?

24 Mr. Loeb: Yes, sir. I have held back some information
25 because I thought it appropriate at the time not to overload

1 the FBI's plate in Miami, and a visceral feeling.

2 Senator Kerry: So this report is a partial reflection of
3 what you saw at that particular time when you submitted it at
4 the time that the grievance took place?

5 Mr. Loeb: About 40 percent, yes, sir.

6 Senator Kerry: Okay. I'm going to place that report in
7 the record. It's dated one -- you made a voice tape
8 simultaneously?

9 Mr. Loeb: I did, sir.

10 Senator Kerry: The date of the report is 1/6/86.

11 Mr. Loeb: And the date of the interview with the FBI was
12 January the 6th.

13 Senator Kerry: What was the date of your termination?

14 Mr. Loeb: April the 21st, 1986.

15 [The material referred to follows:]

16 [COMMITTEE INSERT]
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1 Mr. Loeb: Senator Kerry, may I correct. The date of the
2 FBI meeting in Miami with both the SAC and ASAC, January the
3 8th, 1986.

4 Senator Kerry: January 8th, 1986, was the date of the
5 meeting in Miami?

6 Mr. Loeb: That is correct, sir.

7 Senator Kerry: With the FBI?

8 Mr. Loeb: They asked me to take a midnight special and
9 meet them in Miami, and I did so from California.

10 Senator Kerry: Now, was the station manager in Panama
11 somehow involved in the process of offloading?

12 Mr. Loeb: Absolutely.

13 Senator Kerry: Can you describe that?

14 Mr. Loeb: It was his area of responsibility to
15 coordinate a great number of things, one of which was the
16 ground crew coordination for loading, unloading,
17 transportation. And apparently this gentleman went beyond
18 that scope and had not only fundamental business interests,
19 but interests that extended to the Panamanian government,
20 deeply within the Panamanian government.

21 Senator Kerry: Can you describe the armored vehicles at
22 all that would arrive at the airport in Panama?

23 Mr. Loeb: Yes, sir.

24 Senator Kerry: Did they have any markings?

25 Mr. Loeb: More often than not, no, sir. However, they

1 were the standard armored boxcab type, grey in color, and
2 very often with no logo or no license numbers whatsoever,
3 license plate, some of which were noted as government
4 vehicles.

5 Senator Kerry: And did you notice, did they have
6 escorts?

7 Mr. Loeb: As in automobile escorts?

8 Senator Kerry: Automobile, motorcycle, military, any
9 kind of escort?

10 Mr. Loeb: Senator Kerry, it was the quietest operation
11 that one could ever observe from the ramp. If we could have
12 our baggage unloaded and delivered as quietly and as quickly
13 as they did, it would have been a super airline.

14 Senator Kerry: Were there people in uniform offloading?

15 Mr. Loeb: There were Eastern ground crew folks, and we
16 must assume at this point, or I did at that point --

17 Senator Kerry: Well, I don't want to assume.

18 Mr. Loeb: They appeared to be Eastern employees
19 offloading that cargo. They were not Eastern employees that
20 were loading or driving the armored vehicles.

21 Senator Kerry: Did you observe who were -- were they
22 uniformed, the drivers of the vehicles?

23 Mr. Loeb: Oftentimes they were, but not on every
24 occasion, and particularly those that swarmed around the ramp
25 were oftentimes in civilian clothes or what I believe to be

1 the national guard.

2 Senator Kerry: Was there any visible involvement of
3 Panamanian defense forces or military forces at the airport
4 in this process?

5 Mr. Loeb: None other than a casual guard or two near or
6 around the armored vehicles.

7 Senator Kerry: Now, you've mentioned also that, apart
8 from the money, the drugs themselves were loaded and
9 offloaded on the plane, is that correct?

10 Mr. Loeb: To the best of my knowledge, yes, sir.

11 Senator Kerry: When you say to the best of your
12 knowledge, precisely how do you have that knowledge?

13 Mr. Loeb: Reports from other Eastern pilots who
14 personally were involved in having cocaine found on their
15 aircraft, getting into a panic state of, what do I do now.

16 Senator Kerry: How many occasions as one of the pilot
17 union officials were you called in in those circumstances,
18 would you say?

19 Mr. Loeb: Advised, sir, by my colleagues as to drugs on
20 the aircraft?

21 Senator Kerry: Yes.

22 Mr. Loeb: At least 45 to 50 times.

23 Senator Kerry: During what period of time?

24 Mr. Loeb: From 1981 through 1986.

25 Senator Kerry: Was there a pattern to where those

1 particular flights came from?

2 Mr. Loeb: Yes, Senator.

3 Senator Kerry: Where is that?

4 Mr. Loeb: Colombia, into Panama, Panama to Miami, and
5 then into other gateways of this nation.

6 Senator Kerry: Where was it hidden on the plane, apart
7 from in the cockpit, under the pilots' seats, and so forth?

8 Mr. Loeb: Hiding cocaine, sir, underneath the captain's
9 seat in the electronics compartment is a sloppy job. Most of
10 the cocaine is either hidden in the electronics compartment
11 well before flight time -- catering trucks also aid and abet;
12 spare aircraft parts that are being freighted, and there are
13 so many nooks and crannies on an airliner that it would take
14 a stunning investigation of hours of determined effort to
15 find the cocaine on an aircraft that is well hidden.

16 Senator Kerry: Did you become aware at some point in
17 time of a private detective being hired with respect to your
18 case?

19 Mr. Loeb: Two private detective firms, sir.

20 Senator Kerry: Do you want to describe how that came
21 about? Not how it came about; can you describe what you know
22 of that particular hiring?

23 Mr. Loeb: Yes, sir. I received a call from one of the
24 members of the board of directors of Eastern Airlines, and he
25 was very concerned and very agitated. He had just received a

1 very harsh visit from a private detective firm in New York
2 hired by Eastern Airlines to investigate where I received my
3 knowledge on certain events, and specifically for whom I was
4 working, as though there was some question.

5 It was the worst kept secret on the airline, if that's
6 what he was after.

7 And my friend, the member of the board, said: I'm really
8 concerned about your safety; I'm concerned about where all
9 this is going; I'm concerned where it's going for the
10 airline. We're in a panic situation now and it's so
11 critical; we may lose the airline; and with drug trafficking
12 and money-laundering and all this coming about.

13 He said: Gerry, I have great fear for your survival and
14 the survival of the airline.

15 The second detective agency that was hired by Eastern
16 Airlines went out and attempted to bribe to other private
17 detectives working for another agency, and they offered -- or
18 this gentleman who said that he worked for the corporation of
19 Eastern Airlines and one corporate officer specifically said
20 that he was offered \$5,000 by this detective working for
21 Eastern on one occasion, and his colleague was offered
22 \$2500.

23 And when the other colleague found out that he was only
24 offered \$2500, he became a little insulted. But the upshot
25 of it all was that both of these gentlemen went back to their

1 bosses and said: I've been offered a bribe to create -- to
2 perjure myself, to fabricate information against the Air Line
3 Pilots Association, this guy Loeb and others.

4 Senator Kerry: What was the name of that private
5 detective?

6 Mr. Loeb: Intercontinental Detective Agency, sir.

7 Senator Kerry: Do you remember the name of the detective
8 specifically?

9 Mr. Loeb: Dabalsia, sir.

10 Senator Kerry: And did one of these detectives bring a
11 complaint against the others?

12 Mr. Loeb: They have, sir.

13 Senator Kerry: What is the name of the detective who
14 brought a complaint?

15 Mr. Loeb: I believe the complaint has been generated by
16 a former Eastern Airline pilot who was also fired within
17 weeks of my firing, who was attempting to find out more about
18 Eastern's operations, particularly the illicit operations.
19 And he went out and hired a private detective firm, and after
20 the upshot of all of this attempted bribery and so forth he
21 filed a complaint within the State of Florida against the
22 licensing rights of Intercontinental Detective Agency in
23 Miami.

24 Senator Kerry: Does the name of Raoul Dias ring a bell
25 to you?

1 Mr. Loeb: No, sir, not Dias. Valdez does.

2 Senator Kerry: Ramon Valdez?

3 Mr. Loeb: Yes, sir. He is the former pilot.
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1 Senator Kerry: Let me just ask you, do you know if --
2 let me get the time frame again.

3 When was the last time you were aware of those pallets of
4 money?

5 Mr. Loeb: In the latter stage of 1985.

6 Senator Kerry: The latter stage of 1985?

7 Mr. Loeb: Yes, sir.

8 Senator Kerry: Did you hear among pilots any talk about
9 this money or about general pallets? Were you the only one
10 to observe this?

11 Mr. Loeb: No, sir, I was not.

12 Senator Kerry: You know of other pilots who saw this?

13 Mr. Loeb: Yes, sir, and when they saw what happened as
14 the upshot of my revealing this to the FBI, they have amnesia.

15 Senator Kerry: Do you know specifically of some pilots
16 who have seen this, who have told you and talked to you about
17 it?

18 Mr. Loeb: Yes, sir.

19 Senator Kerry: Okay. Well, I think we can deal with
20 that in executive session.

21 Now, just for the record, I want to reascertain. As you
22 now, we are taking testimony as to these portions under oath,
23 which means that any witness is obviously subject to the
24 pains and penalties of perjury.

25 Mr. Loeb: I understand, sir.

1 Senator Kerry: And I just want to make certain that as
2 to your testimony here today that there is nothing in your
3 testimony that you have thus far given us that you wish to
4 change or that you somehow feel may not have been as clear as
5 you would like it to be.

6 Mr. Loeb: There is additional information, Senator
7 Kerry, that I think goes hand in glove with the overall
8 operation and the problems within Eastern and Panama, the hub
9 and spoke operation of drug trafficking.

10 Senator Kerry: And what is that? Do you want to share
11 that with us?

12 Mr. Loeb: I would be delighted, sir.

13 Senator Kerry: Do you want to share that with us now?

14 Mr. Loeb: Yes, sir.

15 Senator Kerry: Go ahead.

16 Mr. Loeb: Since 1982, Eastern, which inherited the
17 routes from Braniff International Airlines, has continued the
18 legacy of drug trafficking and other illicit and illegal
19 operations into the United States. And I want to
20 re-emphasize that it is my belief that the corporate
21 officials of Eastern Airline were in no fashion attached to
22 that illicit and illegal drug operation activity. However,
23 they were aware of it, and apparently and obviously could not
24 deal with it, and it helped accelerate the tailspin of
25 Eastern Airlines as we once knew it.

1 Senator Kerry: Well, I appreciate your comments.

2 Let me just say for those observing that this will not be
3 the only witness who confirms the notion of palletization of
4 money and of the use of the airlines with respect to the
5 laundering operation, and I think that as the hearings go on,
6 more hopefully will be forthcoming on that.

7 Mr. Loeb, we are going to take about a ten minute recess
8 for a minute, but I just want to thank you very much for your
9 testimony and obviously hope that the grievance process turns
10 out well for you.

11 Thank you very much.

12 Mr. Loeb: Thank you, Senator.

13 Senator Kerry: We will take a ten minute recess.

14 [A brief recess was taken.]

15 Senator Kerry: The hearing will come back to order.

16 Mr. Ritch, I would like to ask you if you would stand,
17 please.

18 Would you raise your right hand?

19 Do you swear to tell the truth, the whole truth, and
20 nothing but the truth, so help you God?

21 Mr. Ritch: I do, sir.

22 Senator Kerry: Thank you.

23 Would you sit down, please.

24 Would you state your full name for the record?

25 Pull the microphone right up close to you, Leigh.

1 Would you state your full name for the record?
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1 TESTIMONY OF LEIGH BRUCE RITCH, MIAMI, FLORIDA
2 ACCOMPANIED BY LEE FUGATE, ESQ., COUNSEL

3 Mr. Ritch: Leigh Bruce Ritch.

4 Senator Kerry: Why do you not say that again.

5 Mr. Ritch: Leigh Bruce Ritch.

6 Senator Kerry: All right.

7 How old are you, Mr. Ritch?

8 Mr. Ritch: Thirty-four.

9 Senator Kerry: Let me just say for the record that the
10 reason for the delay was some discussion with the U.S.
11 Attorney's office of the Middle District in Florida. They
12 are seeking Mr. Ritch's cooperation in subsequent legal
13 matters, and Mr. Ritch clearly has concerns about himself and
14 his future and his safety.

15 I will state for the record that no promises whatsoever,
16 or agreements have been made except to say that if Mr. Ritch
17 cooperates fully, that certainly the Chairman of this
18 committee will understand that cooperation and recognize it.

19 In addition, the U.S. Attorney has said that that
20 cooperation is also important to them, and they will take
21 that into future consideration.

22 Mr. Ritch, you are represented by counsel here, and I
23 wonder if counsel would state his name for the record.

24 Mr. Fugate: Lee Fugate, F-u-g-a-t-e.

25 Senator Kerry: Where is your office, Mr. Fugate?

1 Mr. Fugate: Clearwater, Florida.

2 Senator Kerry: Okay.

3 Mr. Ritch, are you currently incarcerated?

4 Mr. Ritch: Yes, sir.

5 Senator Kerry: Where are you currently incarcerated?

6 Mr. Ritch: Miami MCC.

7 Senator Kerry: What sentence are you serving now?

8 Mr. Ritch: Thirty years, no parole.

9 Senator Kerry: What are you serving sentence for?

10 Mr. Ritch: Running a continuing criminal enterprise.

11 Senator Kerry: When were you sentenced?

12 Mr. Ritch: July of 1987.

13 Mr. Fugate: I would like to state for the record that
14 there was and there is an agreement relating to Mr. Ritch's
15 security as a result of his cooperation here, and that does
16 not need to be made public, but there was an agreement as to
17 what the terms of that was.

18 Senator Kerry: The agreement is that the Federal
19 Government will take any measures necessary to guarantee the
20 safety of the witness should he be in a situation that is
21 threatening. That is accurate.

22 Now, Mr. Ritch, what is your citizenship?

23 Mr. Ritch: I am a dual citizen, United States citizen
24 along with British.

25 Senator Kerry: How did you first get into the drug

1 business?

2 Mr. Ritch: I began, I would say, 1969, 1970, while in
3 high school.

4 Senator Kerry: Where were you in high school?

5 Mr. Ritch: Tampa, Florida.

6 Senator Kerry: Do you remember what year when you began
7 in high school?

8 Mr. Ritch: It would have been 1960-'70 year.

9 Senator Kerry: Do you want to describe how you first got
10 involved?

11 Mr. Ritch: It would have been, I guess, socializing with
12 the group I was, selling bags of marijuana, you know, bouncing
13 out pounds of marijuana.

14 Senator Kerry: At some point in time did you graduate
15 from that, not just from high school but from that particular
16 level of business?

17 Mr. Ritch: Yes, sir. I went from dealing in one-pound
18 lots to bales of marijuana.

19 Senator Kerry: How did that come about? How did you get
20 into that?

21 Mr. Ritch: I would say the geographical location I was
22 in there, and Tampa being a seaport, there was a lot of
23 marijuana passing through the city there, and we had an
24 opportunity to deal in it.

25 Senator Kerry: How would you go about marketing it?

1 Mr. Ritch: Well, in the school days you'd just, mainly
2 among your friends, you know, you had other people buying
3 ten-pound lots, 20-pound lots, and they'd distribute it among
4 their friends, you know, in different schools in the area, or
5 take it out of the area.

6 Senator Kerry: And then you graduated to yet another
7 larger level, correct?

8 Mr. Ritch: That's correct, sir.

9 Senator Kerry: Do you want to describe how you began
10 that?

11 Mr. Ritch: I began after dealing in the bales of
12 marijuana, I began -- I had the opportunity to unload, the
13 first time was small sailboats coming up with marijuana on
14 them.

15 Senator Kerry: Coming up from where?

16 Mr. Ritch: Colombia, South America.

17 Senator Kerry: Whose small sailboats.

18 Mr. Ritch: School friends that I'd met in high school.

19 Senator Kerry: And what size lots would you bring up?

20 Mr. Ritch: The first loads we were running were on 44
21 foot sailboats, and I believe the first load was around 9,000
22 to 10,000 pounds.

23 Senator Kerry: How much money would that bring in?

24 Mr. Ritch: At that time the marijuana was very cheap in
25 Colombia. It was \$10 a pound, \$15 a pound, and you'd sell it

1 for right around \$200 a pound, so figuring on the paper here,
2 it was in the millions of dollars.

3 Senator Kerry: And how old were you at this age?

4 Mr. Ritch: I would have been 19, 20 years old.

5 Senator Kerry: And how much money were you earning at
6 age 19 or 20?

7 Mr. Ritch: Well, at that time I was just being paid a
8 salary for unloading and running an offload boat to meet
9 other boats. At that time I was making \$5,000 to \$10,000
10 only, and then I was allowed so much marijuana to sell at a
11 good price.

12 Senator Kerry: \$5,000 or \$10,000 --

13 Mr. Ritch: For the night's work.

14 Senator Kerry: For the night's work.

15 Mr. Ritch: Yes.

16 Senator Kerry: Okay, only \$5,000 or \$10,000 for the
17 night's work.

18 Mr. Ritch: Yes, sir.

19 Senator Kerry: Okay. Then you began to change from
20 sailboats to another kind of boat, is that correct?

21 Mr. Ritch: Yes, sir. After unloading some sailboats, I
22 purchased a larger sailboat, though, and then I went in,
23 after successfully running that sailboat a time or two, I was
24 approached by some people that owned shrimp boats to secure
25 them a load and an offloading site and oversee the operation

1 for them, which was in the amount of 40,000 pounds.

2 Senator Kerry: 40,000 pounds again, still marijuana?

3 Mr. Ritch: Yes, sir.

4 Senator Kerry: How many shrimp boats were you using then?

5 Mr. Ritch: I had access to sometimes three to five
6 shrimp boats that I could have used.

7 Senator Kerry: Were they working full time in smuggling
8 drugs?

9 Mr. Ritch: No, sir. The object was to actually maintain
10 a shrimp boat to run in the shrimp fleets, you know, like a
11 normal boat, and then certain months have it run to Colombia
12 and come back undetected.

13 Senator Kerry: Would they in fact also fish shrimp or
14 not?

15 Mr. Ritch: Yes, sir, they would -- you'd come back, on
16 your way in you would mingle in to the shrimp fleet and
17 shrimp for, say, a day or two, and come in with your nets wet
18 just as if you had been shrimping.

19 Senator Kerry: How much deterrence was the Coast Guard
20 or DEA at that point in time?

21 Mr. Ritch: In those years, sir, there wasn't too much.
22 I mean, as long as you had the passes clear coming up, it was
23 fairly easy.

24 Senator Kerry: You could pretty much do this with
25

1 impunity?

2 Mr. Ritch: Yes, sir.

3 Senator Kerry: Now, did the distributors who met the
4 shrimp boat use refrigerated trucks to pick up the marijuana?

5 Mr. Ritch: Yes, sir, that was one of our main things we
6 did use.

7 Senator Kerry: Why did you use those?

8 Mr. Ritch: We would use refrigerated trucks to -- in our
9 travels from, say, a shrimp house, we'd be distributing the
10 marijuana in the north or the west, say leaving the State of
11 Florida at the agricultural stops or the way stations,
12 there's a bonded seal usually on the back of a refrigerated
13 truck where as you'd pull into these way stations, they won't
14 -- they have an inspection door only, a small door that has a
15 small net so they can see what's in there. We'd hang usually
16 a small net of frozen shrimp in the back small door where
17 when they inspected, that's what the cargo manifest would say.

18 Senator Kerry: Now, how did you handle the cash that you
19 began to collect at this time?

20 Mr. Ritch: The cash would, on say a large load, we would
21 have given days where the distributor would call, and we'd
22 send a car to pick it up in, say, different parts of the
23 country, Detroit or, say, New York City or whatever, and we'd
24 usually maintain one or two safe houses in a location such as
25 Florida.

1 Senator Kerry: What is a safe house? Do you want to
2 describe a safe house to people?

3 Mr. Ritch: A safe house would be a home where only the
4 upper people in the organization would be allowed to go to,
5 and possibly, depending on the amount of cash you were
6 receiving, five counters, say, would be allowed to come and
7 go to count the money as it came in.

8 Senator Kerry: Five counters.

9 Mr. Ritch: Yes, sir.

10 Senator Kerry: And were the counters very trusted people?

11 Mr. Ritch: They were usually school friends, trusted
12 girlfriends.

13 Senator Kerry: How much money were they counting?

14 Mr. Ritch: Sometimes, I believe we've had up to \$40
15 million.

16 Senator Kerry: \$40 million in one safe house?

17 Mr. Ritch: Yes, sir, I believe it's \$35 million to \$40
18 million.

19 Senator Kerry: And what would \$40 million in cash
20 represent -- what period of time would that represent of
21 sales?

22 Mr. Ritch: Oh, that was the proceeds from a particularly
23 large load that we had gone into after the shrimp boats, sir.

24 Senator Kerry: Again, strictly marijuana?

25 Mr. Ritch: Yes, sir.

1 Senator Kerry: \$40 million.

2 Mr. Ritch: Yes, sir.

3 Senator Kerry: Over what period of time? Again, this
4 load would have --

5 Mr. Ritch: This was, this one particular time was a
6 large load, we had done 280,000 pounds on a barge that
7 produced that kind of cash flow.

8 Senator Kerry: When would the next trip be? When would
9 the next counting take place after the \$40 million? How soon?

10 Mr. Ritch: Well, the money would continue to arrive, but
11 in that situation in your safe house, you try and move your
12 cash flow on to a bank or out of the country or into another
13 safe house or amongst the people that were making the money.

14 Senator Kerry: Well, how was it stored? How would you
15 store that kind of amount of cash?

16 Mr. Ritch: We used to use large Igloo coolers, cedar
17 chests, anything large that you could --

18 Senator Kerry: You would just dump it in the Igloo
19 coolers?

20 Mr. Ritch: Yes, sir.

21 Senator Kerry: And where would you take the coolers?

22 Mr. Ritch: We used to take them on Lear Jets out of the
23 country.

24 Senator Kerry: Where would you fly to?

25 Mr. Ritch: Cayman Islands, Panama.

1 Senator Kerry: And was this not pretty obvious?

2 Mr. Ritch: Well, to the point of leaving, we usually
3 tried to cover when we were leaving the United States with
4 it, you know, and mainly went to the problem of throwing a
5 layer of meat on top of the money, but --

6 Senator Kerry: To protect it.

7 Was there any other way you protected it?

8 Mr. Ritch: As far as shipping it, sir? Just our main
9 thing was the trust amongst ourselves. You know, we dealt,
10 like I said, strictly in school friends or trusted associates.

11 Senator Kerry: Now, how was the marijuana that you
12 originally sold taken out of Colombia, shipped to the boats?

13 Mr. Ritch: It would leave Colombia. You would load
14 marijuana down there, depending on the size load you were
15 dealing in, say in a small sailboat load, they'd just meet
16 you with a small, like a canoe type boat and load you off of
17 that. On a larger load, you could load right at the dock
18 there in certain port cities where the loading would take
19 place, you know, in a city or a pay terminal or whatever.

20 Senator Kerry: Did you have some mother ships that were
21 located somewhere?

22 Mr. Ritch: Say, we were mainly in tugboat and barges is
23 how we were shipping the large amounts, and they would load
24 the barge right in the port down there.

25 Senator Kerry: Were there protected territorial waters

1 that you were able to use in order to do some of these
2 transfers?

3 Mr. Ritch: There is protected waters available to
4 transshipments of marijuana.

5 Senator Kerry: Where are some of those protected waters?

6 Mr. Ritch: You could use some of the keys off of
7 Honduras, Nicaragua, down through there with the right
8 equipment, you know, meaning the right shrimp boats, you
9 know, flying Honduran flag or Nicaraguan flag, where you
10 could blend in to the other fleets that are working the area,
11 and transship.

12 Senator Kerry: Let me just understand the scope of this,
13 now.

14 You began getting big in this about what year?

15 Mr. Ritch: 1975, 1976.

16 Senator Kerry: How much money in an annualized basis do
17 you think you were doing about that time?

18 Mr. Ritch: On the small sailboats, we split the loads,
19 you know, fairly even with everybody that did the work, so
20 I'd say \$1 million.

21 Senator Kerry: But in total.

22 Mr. Ritch: Oh, the whole business totally.

23 Senator Kerry: The operation.

24 Mr. Ritch: Operation, back in those days, \$10 million.

25 Senator Kerry: And at the time you were arrested, when?

1 Mr. Ritch: 1986.

2 Senator Kerry: At the time you were arrested how big was
3 the operation?

4 Mr. Ritch: I had graduated to -- there as a shipment of
5 a million pounds ready to leave Colombia.

6 Senator Kerry: What would a million pounds have been
7 worth here in America?

8 Mr. Ritch: Oh, hundreds of millions of dollars, \$300
9 million, \$400 million.

10 Senator Kerry: \$300 million or \$400 million.

11 Had you done some shipments that were nearly that large
12 during the 1980s?

13 Mr. Ritch: 280,000, 300,000.

14 Senator Kerry: 280,000 pounds, 300,000.

15 Mr. Ritch: Yes, sir.

16 Senator Kerry: Again, those were worth how much in the
17 1980s?

18 Mr. Ritch: \$100 million.

19 Senator Kerry: \$100 million.

20 Now, was there a time -- let me come back to another area
21 first.

22 Did the Colombian dealers have an arrangement with Panama
23 to protect the transfer operations?

24 Mr. Ritch: I would say there is an arrangement there in
25 shipments or dealings where we would leave a vessel in the

1 ports in Panama before they would pick up the load, say, a
2 barge would be left there or a tugboat under protection
3 there, or a transshipment on the way back up, come through
4 there.

5 Senator Kerry: Did the smugglers have access to
6 information about Coast Guard patrols?

7 Mr. Ritch: Not all of them, sir, but our particular
8 group, we had access to Coast Guard knowledge.

9 Senator Kerry: Did they know the law enforcement radio
10 frequencies?

11 Mr. Ritch: Yes, sir.

12 Senator Kerry: When did you live in the Cayman Islands?

13 Mr. Ritch: I have lived down there -- I've been going
14 there all my life. My family is from there, my dad's side,
15 and I began to live back there in 1977.

16 Senator Kerry: While you were living there, did you see
17 lots of Americans arriving with large amounts of cash to put
18 in the Cayman banks?

19 Mr. Ritch: Yes, sir.

20 Senator Kerry: Do you want to describe that at all?

21 Mr. Ritch: Well, you could, usually when the Lear Jets
22 arrived, it was the money arriving. So I used to frequent
23 the airport out there with a charter service, bring in close
24 friends of mine and maintaining my own operation based out of
25 there. I used to keep an eye also on the government

1 airplanes that used to base out of there for surveillance.
2 So you'd see quite often Lear Jets coming in with suitcases
3 full of cash.

4 Senator Kerry: Do you have any way of knowing that it
5 was drug money?

6 Mr. Ritch: No, sir, you wouldn't really know it was,
7 but --

8 Senator Kerry: There was not any question in your mind.

9 Mr. Ritch: No, sir. Rumors on the islands, and you know.

10 Senator Kerry: Were there banks on the island that were
11 set up almost specifically to accept this kind of cash?

12 Mr. Ritch: There were certain banks that we would use
13 there without any problems, sir.

14 Senator Kerry: Do you want to tell us which ones?

15 Mr. Ritch: It varied over the years, they kind of
16 changed. In the early days you could more or less walk into
17 any of them, and then the security tightened up on some of
18 them there. I guess they were receiving pressure from the
19 United States, to where you mainly had to deal through an
20 attorney down there or a known local who could present you
21 into the bank as a known, you know, a good client or
22 respectable client to where there wouldn't be any heat
23 produced on the money you were depositing in the account.

24

25

1 Senator Kerry: Were there banks that were more
2 accessible than others?

3 Mr. Ritch: Yes, sir.

4 Senator Kerry: Do you want to name those?

5 Mr. Ritch: Barclay's was a fairly easy bank. In the
6 early '70s, Bank of Nova Scotia was the easiest, and then it
7 turned to become the very hardest one.

8 Senator Kerry: So in fact, it makes a difference as to
9 how accessible a bank is to you.

10 Mr. Ritch: Yes, oh, yes, sir.

11 Senator Kerry: Now, why did you stop using the islands
12 for your own money transfer operations?

13 Mr. Ritch: I, being from Cayman, knowing more or less
14 what was going on in the island there, I knew there was a lot
15 of pressure from the United States there, there was a lot of
16 U.S. intelligence on the island, watching the airport,
17 watching, you know, the bank transactions there. I felt it
18 was a good idea not to land Lear Jets there with large
19 amounts of cash anymore, plus having knowledge of the
20 attorneys there telling me that they weren't able to deposit
21 in certain banks, and we moved outside.

22 Senator Kerry: Why did you decide to use Panama?

23 Mr. Ritch: Panama was still more or less wide open, and
24 they offered a sense of security there through people in
25 Panama to protect us there with the deposits, protect us

1 while we were there with the cash, security at the airport
2 being a main factor, arriving with that kind of money.

3 Senator Kerry: Who introduced you to the possibility of
4 using Panama for laundering money?

5 Mr. Ritch: It came through several people, actually.
6 There was a Colombian fellow had mentioned it to me years
7 earlier, and I never took him up on the thing, and then like
8 I said, as we kind of burnt out the Cayman Islands, having
9 accumulated large amounts of cash after the 280,000 pound
10 load, we were directed in that direction through people in
11 Miami and the Colombian source that we could do business
12 there.

13 Senator Kerry: Did you go to Panama then, to explore the
14 possibility?

15 Mr. Ritch: Yes, sir, I made a trip to Panama.

16 Senator Kerry: When did you go?

17 Mr. Ritch: That would have been September of 1983, I
18 believe it was, sir, September, October.

19 Senator Kerry: Who was on that trip?

20 Mr. Ritch: We flew, our Lear Jet we flew down to, out of
21 Fort Lauderdale. It was myself --

22 Senator Kerry: Did you own a number of jets?

23 Mr. Ritch: One jet, sir.

24 Senator Kerry: One jet.

25 Mr. Ritch: One Lear 35, sir.

1 Senator Kerry: How old were you then?

2 Mr. Ritch: I was, I believe I was 29 or 30 when we
3 bought the jet, approximately.

4 Senator Kerry: And you bought it in order to be able to
5 carry your money?

6 Mr. Ritch: Yes, we purchased this jet because our
7 expenses in chartering an airplane at all times, flying
8 around the country, picking up money, the fact that I wanted
9 to use the plane and my workers all wanted to use an airplane
10 became, you know, it was a good idea. It was cheaper to buy
11 one.

12 So on the trip to Panama, it was myself, Stephen Kalish,
13 Samuel Fortner, his wife and my girlfriend Teresa Pemberton.

14 Senator Kerry: Who did you meet with in Panama?

15 Mr. Ritch: Upon arrival, Stephen Kalish and myself were
16 taken by a limousine to the top of a bank building there to
17 meet with a Cesar Rodriguez.

18 Senator Kerry: Do you know who Cesar Rodriguez -- did
19 you know who he was then?

20 Mr. Ritch: Upon meeting him I was briefed by Stephen
21 Kalish who had met him prior.

22 Senator Kerry: And who was Cesar Rodriguez?

23 Mr. Ritch: He was representing to us the security we
24 could be allowed to have while we were in Panama and what to
25 look forward to have while we were there.

1 Senator Kerry: Well, who was he that he could provide
2 security and give you this information?

3 Mr. Ritch: My understanding, he was a direct link to the
4 Panamanian government there.

5 Senator Kerry: Can you be more specific? Did you know
6 who he worked with?

7 Who was his partner?

8 Mr. Ritch: I have heard that he was partners with
9 General Noriega, among several other people there.

10 Senator Kerry: Did you know that at that time?

11 Mr. Ritch: That was the reason I was going there, to see
12 where the money was going and how it was secured there.

13 Senator Kerry: Which bank did you meet at? Where was
14 this?

15 Mr. Ritch: The name of the building I couldn't really
16 say, sir. It was a tall building in downtown Panama. It was
17 an office set up on the top of it.

18 Senator Kerry: What transpired at this meeting?

19 Mr. Ritch: We discussed mainly the security that we
20 could figure on having upon arriving there.

21 Senator Kerry: Could you describe that? What did they
22 promise to do for you?

23 This is Cesar Rodriguez?

24 Mr. Ritch: Right sir.

25 Senator Kerry: Okay, what did Cesar Rodriguez promise to

1 go for you?

2 Mr. Ritch: He promised us upon arriving in Panama we
3 could land where we landed on this particular trip, we had
4 cash with us, we landed at the small airport downtown called
5 Patilla.

6 Senator Kerry: How much cash did you bring with you on
7 this trip?

8 Mr. Ritch: It was a minimum of \$2 million.

9 Senator Kerry: Did you give some of that to Cesar
10 Rodriguez?

11 Mr. Ritch: he was receiving a percentage of whatever we
12 brought through the country.

13 Senator Kerry: What percentage?

14 Mr. Ritch: I was under the understanding it was,
15 depending on the amount, sir, it was 1 to 3 percent of the
16 amounts that we were bringing.

17 Senator Kerry: Can you give us a breakdown of the range
18 on the amounts? It was 1 percent when it was how much, and 2
19 percent, or how did the range change?

20 Mr. Ritch: well, dealing in, I'd say over \$5 million, it
21 would drop to 1 percent if I recall right.

22 Senator Kerry: The bigger the amount, the lower the
23 percentage.

24 Mr. Ritch: Correct, sir.

25 Senator Kerry: Now, what protection did Cesar Rodriguez

1 promise you?

2 Mr. Ritch: Cesar Rodriguez promised us and showed us how
3 they could handle us arriving in the airport there with
4 guarded cars, you know, with bodyguards and limousines,
5 direct access from the private Lear to the bank or apartment
6 or home or hotel, wherever we were staying, continuous
7 security while we were in Panama, you know, chauffeur-driven
8 and bodyguard. He offered --

9 Senator Kerry: How would you notify them when you were
10 coming? How would you know to --

11 Mr. Ritch: Well, after that trip we more or less set up
12 a base for our organization down there, being Stephen
13 Kalish. He was residing mainly in Panama. He acquired a
14 home, and we finally took a penthouse apartment there also
15 where we kept our pilots, our personal pilots from our Lear
16 Jet, and Kalish maintained the security down there, you know,
17 calling ahead. He had a secretary, personal secretary, or he
18 would call Cesar Rodriguez personally.

19 Senator Kerry: Can you describe the offer that you met
20 in?

21 Mr. Ritch: As I said, it was on top of a large bank
22 building. It was at one time or was a discotheque like, you
23 know, with glass windows, say. The view was nice, if I
24 remember right. I believe it had a parking garage, I'm not
25 sure of the floor, but I remember we walked into a parking

1 garage at one time.

2 Senator Kerry: Was it a fairly lavish office?

3 Mr. Ritch: I'd say for Panama it was, sure.

4 Senator Kerry: Do you know whose it was?

5 Mr. Ritch: I was led to believe it was Cesar
6 Rodriguez's. He was there with his secretary.

7 Senator Kerry: Now, you say you had Stephen Kalish with
8 you on this. Stephen testified last week. That is the same
9 Stephen Kalish that was with you?

10 Mr. Ritch: Yes, sir.

11 Senator Kerry: And did Stephen Kalish work for you?

12 Mr. Ritch: Yes, sir.

13 Senator Kerry: In what capacity did he work for you?

14 Mr. Ritch: Stephen Kalish, he began with me in a
15 position where he was supplying a shrimp boat and more or
16 less a field operations man, you know. He would -- I more or
17 less laid back in Cayman, to be honest with you, and Kalish
18 would set up the offload site, supply mainly the offloaders
19 along with some of my friends, and just more or less a
20 general run around fellow for the organization. He did, you
21 know, 90 percent of the legwork.

22 Senator Kerry: So Mr. Kalish was your agent to deal with
23 the Panamanians.

24 Mr. Ritch: Absolutely, sir.

25 Senator Kerry: How many times did he go there to launder

1 money for you?

2 Mr. Ritch: Oh, Stephen Kalish, he frequented Panama up
3 and down. I used to always get on him because he was
4 shuttling the Lear up and down to Panama, I would say dozens
5 back and forth.

6 Senator Kerry: How many times did you personally go down
7 there to launder money?

8 Mr. Ritch: I personally made the one trip to oversee how
9 the operation was running. That's the last I went there.

10 Senator Kerry: Did you ever personally meet with Noriega?

11 Mr. Ritch: No, sir.

12 Senator Kerry: But do you have knowledge that Stephen
13 Kalish did?

14 Mr. Ritch: Yes, sir.

15 Senator Kerry: Would you describe that?

16 Mr. Ritch: That was how we were, you know, I wanted to
17 see where we were spending the money. There was a fee we
18 were to pay Noriega for our security in Panama. That's why --

19 Senator Kerry: Was that fee different from the
20 percentage you have described?

21 Mr. Ritch: Yes, sir. This was a one-time security fee.

22 Senator Kerry: What was that one-time security fee?

23 Mr. Ritch: \$300,000.

24 Senator Kerry: Do you know whether or not Mr. Kalish
25 delivered that to him?

1 Mr. Ritch: I trusted him enough and saw that he had the
2 money when he left the United States, he had it.

3 Senator Kerry: You gave him the money to deliver.

4 Mr. Ritch: Yes, sir, he delivered money to Panama, yes.

5 Senator Kerry: And did he indicate to you that he did
6 deliver the money?

7 Mr. Ritch: Yes, sir, he did.

8 Senator Kerry: Specifically for General Noriega.

9 Mr. Ritch: Yes, sir.

10 Senator Kerry: And you knew it was going to General
11 Noriega.

12 Mr. Ritch: Yes, sir.

13 Senator Kerry: What did you know it was going to him for?

14 Mr. Ritch: For Stephen Kalish and myself to have full
15 security in Panama, knowing both of our situations in the
16 United States. Stephen Kalish was a fugitive at the time.

17 Senator Kerry: What year was this?

18 Mr. Ritch: It would have been 1983.

19 Senator Kerry: Did you get that security in Panama?

20 Mr. Ritch: Yes, sir.

21 Senator Kerry: Were you able to fully transfer funds
22 from that day on in Panama?

23 Mr. Ritch: Absolutely.

24 Senator Kerry: Which banks did you deal with in Panama?

25 Excuse me, let me come back for one minute.

1 Incidentally, Senator D'Amato, any time you want to
2 interrupt, you go right ahead.

3 After this first visit in late 1982 to Panama when you
4 went down with Mr. Kalish, did you then fly to Colombia?

5 Mr. Ritch: Sir, on my trip to Panama, that was one of
6 the objectives also, was to maintain security for our
7 personal Lear Jet when we were needed to fly into Colombian
8 airspace to secure a deal or talk a deal with the Colombians,
9 we would leave our airplane in Panama and have the use of
10 their aircraft.

11 Senator Kerry: Okay, now, let's understand this
12 correctly. You flew to Panama to make arrangements to be
13 able to go to Colombia to deal for drugs.

14 Mr. Ritch: Correct, sir.

15 Senator Kerry: And Panama was the connection to Colombia
16 to permit you to do that.

17 Mr. Ritch: Absolutely, sir.

18 Senator Kerry: And was that connection also a connection
19 through General Noriega?

20 Mr. Ritch: Yes, sir, we used their aircraft.

21 Senator Kerry: When you say you used their aircraft, can
22 you describe that?

23 Mr. Ritch: Well, the agreement was we'd purchased a Lear
24 35, which is a very nice aircraft, and they had, at the time,
25 a Cessna Citation. So kind of one of the things was if

1 General Noriega wanted to use our aircraft for his trips or
2 long distance or whatever, we would have the availability of
3 his aircraft being the Citation, and also the availability to
4 secure the tail numbers on our aircraft from not ever going
5 into Colombian airspace.

6 Senator Kerry: Would you in fact bring drugs from
7 Colombia in General Noriega's aircraft?

8 Mr. Ritch: I personally did not ever bring drugs in his
9 aircraft, sir.

10 Senator Kerry: Did drugs get transported in his aircraft
11 through this deal that you arranged?

12 Mr. Ritch: We set up a deal that ended up in a drug
13 shipment, sir.

14 Senator Kerry: Coming in his aircraft.

15 Mr. Ritch: Yes, sir.

16 Senator Kerry: And it was transferred then to your
17 aircraft in Panama.

18 Mr. Ritch: No, you misread me, sir.

19 We were setting up a large shipment of marijuana, not --

20 Senator Kerry: By boat.

21 Mr. Ritch: Yes, sir, dealing with the Colombians.

22 Senator Kerry: All right.

23 You say General Noriega made trips in your aircraft.

24 Mr. Ritch: Yes, sir.

25 Senator Kerry: Where were those trips to, do you know?

1 Mr. Ritch: I'm familiar -- he used it several times
2 within the country of Panama. I am familiar that he'd taken
3 our aircraft to Washington, D.C. on a trip where we didn't
4 have access to the plane. I remember because I had to
5 charter another airplane to use at that time, being in the
6 United States.

7 Senator Kerry: Do you remember when that was that he
8 came to visit Washington?

9 Mr. Ritch: I really couldn't tell you the date, sir.

10 Senator Kerry: The range of dates during which time
11 General Noriega was using your aircraft would be from when to
12 when?

13 Mr. Ritch: It would have been in '83 till the present
14 time when Skip was arrested in I think it was July of '84.

15 Senator Kerry: Skip is --

16 Mr. Ritch: Stephen Kailsh.

17 Senator Kerry: Stephen Kailsh, all right.

18 Now, which banks did you deal with in Panama?

19 Mr. Ritch: We dealt with I believe it is BCCI. It is an
20 initialled bank. And then there's a Bank of Panama, Bank of
21 Panama.

22 Senator Kerry: Were those the only banks you dealt with?

23 Mr. Ritch: That's the only ones I personally dealt with,
24 sir.

25 Senator Kerry: Did Cesar Rodriguez direct you to those

1 banks?

2 Mr. Ritch: Yes, sir, on our trip there we were directed
3 there.

4 Senator Kerry: Did you deal with the Panamanian branch
5 of the Bank of Credit and Commerce International?

6 Mr. Ritch: Yes, sir, that's the BCCI.

7 Senator Kerry: That is the one you dealt with, all
8 right. I am sorry, I did not hear you correctly.

9 Mr. Ritch: BCCI.

10 Senator Kerry: Was this a bank favored by General
11 Noriega?

12 Mr. Ritch: Having been recommended by Cesar Rodriguez, I
13 would say yes, sir.

14 Senator Kerry: Excuse me one second.

15 Do you know a pilot named Michael Palmer?

16 Mr. Ritch: Yes, sir.

17 Senator Kerry: Could you identify him for us?

18 Mr. Ritch: Michael Palmer having been a pilot in the
19 marijuana business that I know of for years and year, going
20 back to having met him in Miami, I'd say in the -- it would
21 have been 1980 approximately, or earlier.

22 Senator Kerry: Did you participate in a smuggling
23 operation with him?

24 Mr. Ritch: It was our overall group, yes, sir.

25 Senator Kerry: He was part of the overall group.

1 Mr. Ritch: Yes, sir.

2 Senator Kerry: Did any of the people in your
3 organization work with him?

4 Mr. Ritch: Absolutely, sir.

5 Senator Kerry: Did there come a time when you were asked
6 to help get him out of jail in Colombia?

7 Mr. Ritch: Yes, sir.

8 Senator Kerry: How did he wind up in jail there?

9 Mr. Ritch: He was on an airplane trip to Colombia,
10 flying a Queenair, having landed in Colombia, I guess the
11 people that were loading his aircraft hadn't paid the right
12 authorities there, and upon trying to leave, the aircraft was
13 shot, you know, to the point where it wouldn't leave the air
14 strip, shot up.

15 Senator Kerry: Who asked you to get him out?

16 Mr. Ritch: I was in Cayman at the time, and his brother
17 came to see me, along with Michael Vogel.

18 Senator Kerry: How much did it cost to get him out?

19 Mr. Ritch: At the time, the Colombians, I believe, we
20 were paying them off on a large load, I believe it was a
21 deduction of approximately \$60,000, as I recall.

22 Senator Kerry: Who was that paid to?

23 Mr. Ritch: I recall he was in a city, Valdepar,
24 Colombia. It was where he was housed in the jail there is
25 where the payments were made, in Valdepar.

1 Senator Kerry: And just took him out.

2 Mr. Ritch: And he was along with another pilot, and at
3 the time I had gone back to Colombia, I had heard he was
4 released, and I just kind of left it. I didn't further it
5 anymore.

6 Senator Kerry: Now, how was he able to use large DC-6s
7 for smuggling without becoming too obvious?

8 Mr. Ritch: To my knowledge, on the DC-6 loads that used
9 to come up, these planes were -- it was only on given days
10 that Mike would ever fly, certain days of the week, and he
11 usually had notice, I'd say, I remember sometimes he'd know
12 two weeks in advance when they'd leave, and sometimes it
13 would be a day or two before then they'd be ready. The
14 understanding I had, when the planes would unload in the
15 northern United States, they were to be on their way back
16 down with a supply of fruit or something to Central America.
17 That was what we were being told.

18 Senator Kerry: Do you know from first hand knowledge
19 that Mike Palmer was involved in the drug business?

20 Mr. Ritch: Absolutely.

21 Senator Kerry: No question about that.

22 Mr. Ritch: Yes, sir.

23 Senator Kerry: Now, were you able to get in and out of
24 Colombia without having your passport stamped?

25 Mr. Ritch: Yes, sir.

1 Senator Kerry: How did that come about?

2 Mr. Ritch: I would say through the people I was dealing
3 with in Colombia, we were secured, also the same as Panama,
4 more or less. You know, when we arrived at the airport we
5 would be in a private aircraft. Usually one person would
6 leave the aircraft with everybody's passport, and if we
7 wanted it stamped, we would have it stamped, or usually,
8 sometimes I had my passport, I had -- being a British
9 citizen, I had two British passports, and I would use my old
10 passport which was expired, would still be stapled to the
11 front one, they would just stamp it in the very large page of
12 the old one.

13 Senator Kerry: Was this at any port of entry or a
14 specific port of entry?

15 Mr. Ritch: It could have been done at any, I was
16 understood, but mainly Barranquilla.

17 Senator Kerry: Did you do this -- were they noticed
18 ahead of time that you were coming in?

19 Mr. Ritch: Sometimes I had to -- I had several guests
20 that came down there, guests. At one time we allowed
21 somebody to know that they were coming in on a commercial
22 flight one time, and we walked them right through the
23 immigration and customs there, met them at the airplane.

24 Senator Kerry: There was no doubt in your mind, then,
25 that the smugglers had the ability to control the airport.

1 Mr. Ritch: Yes, sir, they're controlling it.

2 Senator Kerry: They could control it and did control it.

3 Mr. Ritch: Yes, they do control it, yes.

4 Senator Kerry: Were there airstrips in Colombia which
5 you used regularly for your flights?

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1 Mr. Ritch: Being mainly in the shipping end of the
2 smuggling trade, the airports that were offered to me when I
3 was mainly in the air end of the deal, we were landing on the
4 desert in different small towns up on the desert, where you'd
5 land out there.

6 And they'd vary at different times of the year due to the
7 weather, where you would land.

8 Senator Kerry: How would they keep those hidden from
9 police, those airports that were being used for drugs?

10 Mr. Ritch: I never really saw them try to hide them.
11 They knew the days.

12 Senator Kerry: They were out in the open?

13 Mr. Ritch: They were out in the open, sir.

14 Senator Kerry: To your knowledge, were drug dealers in
15 Colombia also in the weapons business?

16 [Counsel confers with witness.]

17 Mr. Ritch: There is some guns being traded amongst the
18 smugglers in the United States and the Colombians, sir.

19 Senator Kerry: Do you know what kind of weapons were for
20 sale?

21 Mr. Ritch: They would accept anything that you would
22 bring, more or less.

23 Senator Kerry: Do you know who they were being sold to?

24 Mr. Ritch: The major suppliers down there.

25 Senator Kerry: Well, who were the major buyers of those

1 weapons?

2 Mr. Ritch: In Colombia it would be the people that were
3 supplying the large amounts of marijuana, so, you know, that
4 controlled the operations down there.

5 Senator Kerry: Were you aware of weapons being sold to
6 any other groups?

7 Mr. Ritch: No, sir. There were certain instances where
8 there was a meeting amongst certain Colombians and government
9 officials there, but the end results I don't know, sir.

10 Senator Kerry: Were you ever asked to deal in cocaine?

11 Mr. Ritch: I have been approached with cocaine several
12 times, sir.

13 Senator Kerry: Is there any particular reason that you
14 didn't do that?

15 Mr. Ritch: I personally as always against dealing in
16 cocaine.

17 Senator Kerry: Over the almost 20 years, I guess 19
18 years, you were dealing drugs, correct? You began in '69.
19 About 17 years, until '85-'86, correct?

20 Mr. Ritch: Correct, sir.

21 Senator Kerry: Over that period of time, have you ever
22 estimated how many millions of dollars the whole operation --
23 I'm not asking how much you personally took in, but the whole
24 operation that you had charge of, have you ever estimated how
25 much you folks exchanged in terms of cash?

1 Mr. Ritch: It was in the hundreds of millions. No, I've
2 never set it down on paper.

3 Senator Kerry: If one shipment you described was worth,
4 what, \$400 million, you said?

5 Mr. Ritch: If it were to arrive safely, yes, sir.

6 Senator Kerry: But the ones that did arrive safely,
7 there were a couple worth \$200 and \$300 million, correct?

8 Mr. Ritch: Yes, sir.

9 Senator Kerry: That's just in one year. You did this
10 over a period of 17 years or so. Are we talking in the
11 billions, over a billion, a billion, two billion?

12 Mr. Ritch: Possibly the entire group. I had access to
13 other groups. I'd say you could go into the billions.

14 Senator Kerry: Help us understand this a little bit.
15 How much money has your group -- there's your group and God
16 knows how many others. How much money are we talking about?
17 How much money is being laundered through Panama?

18 Mr. Ritch: Hundreds of millions of dollars.

19 Senator Kerry: Each year?

20 Mr. Ritch: Each year, sir, depending on the loads that
21 are coming in.

22 Senator Kerry: Was there a lot of competition? Is there
23 competition in this business?

24 Mr. Ritch: You get to a stage where, you know, you're in
25 a set group there. You know, you work with each other, more

1 or less. And like I said, there was branches of our
2 organization that were, like I said, that were involved in
3 airplane smuggling.

4 So we tried to stay on good terms. If they were doing a
5 load and we were doing a load, we kind of went about our
6 ways, did the load, and helped each other sell it. Or say on
7 our large loads, you know, more or less you can flood the
8 market, is what we used to say. You bring in such a large
9 quantity, it's everywhere in the United States then.

10 Senator Kerry: Did you buy officials in this country?

11 [Counsel confers with witness.]

12 Mr. Ritch: I don't really know if I could answer that,
13 sir. I mean, there's officials in this country taking bribes
14 possibly.

15 Senator Kerry: Do you have knowledge of that, that
16 officials are taking bribes?

17 Mr. Ritch: Yes, sir.

18 Senator Kerry: I don't want to get moralistic here or
19 anything, but did you ever stop and think? I mean, here you
20 are sentenced to the next 30 years of your life to spend in
21 jail. Did you ever stop and think about that in this
22 process?

23 Mr. Ritch: Daily.

24 Senator Kerry: But you kept on doing it.

25 Mr. Ritch: Are you talking about prior to my arrest,

1 sir?

2 Senator Kerry: Prior to your arrest. Before you got
3 arrested, did you ever stop and think about it?

4 Mr. Ritch: Sir, I was living in the Cayman Islands. I
5 was actually, to be honest with you, I was unaware of the new
6 charges, this 848 continuing criminal enterprise. I thought
7 I was facing a maximum of 15 years with parole.

8 Senator Kerry: So you basically thought on a risk
9 assessment basis that the money you were dealing with, 15
10 years is not a bad investment?

11 Mr. Ritch: Yeah, I figured I'd have done maybe three
12 years or something.

13 Senator Kerry: Senator Kerry.

14 Senator D'Amato: Thank you, Mr. Chairman.

15 Mr. Ritch, the Chairman asked you when you were
16 approached and if you were approached by people to deal in
17 cocaine in Colombia, and you indicated that you had been on
18 several occasions, but you chose not to. Would you care to
19 expand on your answer?

20 Mr. Ritch: Sir, at the time I pursued the cocaine
21 business or was led to pursue it, I was being pressured by a
22 lot of people due to an investment that had been left
23 outstanding in our organization due to an arrest of a working
24 partner of mine. And I was under heavy pressures, myself and
25 my family, and I had to pursue it.

1 Senator D'Amato: You had to pursue?

2 Mr. Ritch: The cocaine business.

3 Senator D'Amato: So eventually, in pursuance of what the
4 Chairman asked you, there did come a time when you became
5 involved in the cocaine business?

6 Mr. Ritch: To the knowledge of where I saw what I could
7 do in it, yes, sir.

8 Senator D'Amato: Would you care to expand upon it? Did
9 that cocaine business bring you into contact with the
10 Colombian dealers?

11 Mr. Ritch: Yes, sir.

12 Senator D'Amato: Now, for how long a period of time did
13 that dealing take place?

14 Mr. Ritch: Well, on two occasions I had gone to overlook
15 the cocaine business, see what I could benefit, to pass on to
16 these people that were on my back. I personally never did
17 any dealings with the people as actual shipments. I was
18 offered numerous alternatives to the business, you know,
19 carte blanche in the business through my connections in
20 Colombia.

21 But in actual shipments, I never did them.

22 Senator D'Amato: So you became involved, you're saying,
23 only in a peripheral way as it related to dealing with
24 cocaine?

25 Mr. Ritch: Correct, sir.

1 Senator D'Amato: Let me ask you this. I am going over
2 some of the information that you have given to the
3 Committee. You've indicated huge cash payments totaling tens
4 and tens of millions of dollars. Did those dollars flow
5 through the various Panamanian banks that you testified to
6 Senator Kerry?

7 Mr. Ritch: Yes, sir.

8 Senator D'Amato: Did you have to pay anything to anyone
9 other than the moneys that you outlined, I think in the area
10 of about a million dollars or thereabouts, that your
11 associates at various times paid to associates of General
12 Noriega, any moneys for this?

13 Mr. Ritch: No, sir.

14 Senator D'Amato: No percentage was then paid?

15 Mr. Ritch: The banks themselves, such as say Cayman
16 banks, also when you bring in large amounts of cash they'll
17 charge you a one percent fee also just to count the cash, and
18 then they have to ship it back to the United States Federal
19 Reserve.

20 So they're charging you a one percent fee right off the
21 top.

22 Senator D'Amato: So there was a one percent laundering
23 fee?

24 Mr. Ritch: Through the banks themselves.

25 Senator D'Amato: Through the banks, that they took right

1 off the top?

2 Mr. Ritch: Right, sir.

3 Senator D'Amato: Now, would you estimate how much money
4 or could you give this Committee an idea of how much money
5 you put through those Panamanian banks?

6 Mr. Ritch: It would have been \$100 million.

7 Senator D'Amato: \$100 million. What was the fee there?
8 Was it one percent or two percent or two and a half percent?
9 Do you know or do you recall?

10 Mr. Ritch: I couldn't answer that directly.

11 Senator D'Amato: But there was a fee taken off the top?

12 Mr. Ritch: Yes, right off the top, sir.

13 Senator D'Amato: Let me ask you about your dealings with
14 the Colombians. You talked about I don't know how many major
15 loads and that they would take their top off. Would you go
16 through that for us just a minute.

17 Mr. Ritch: They would do what, sir?

18 Senator D'Amato: Well, you would take \$1.5 to \$2 million
19 would be your profit on one of these large loans, is that
20 right?

21 Mr. Ritch: Yes, sir, that would have been, say, a large
22 shrimp boat load.

23 Senator D'Amato: Payment to the Colombians might run as
24 high as \$20 to \$30 million a load, and you were paid anywhere
25 from \$2 to \$5 million a trip to move the money. Did you move

1 money?

2 [Counsel confers with the witness.]

3 Senator D'Amato: I'm now talking, I'm talking about
4 movement of large sums of money, the money laundering
5 itself. Were you ever involved in actually moving large sums
6 of money for the Colombians?

7 Mr. Ritch: Well, you'd have to move it for them, sir,
8 because you'd have to pay them for their load. So certainly
9 you move it to a point where they want to collect the money,
10 whether it be Panama or Miami or Cayman Islands.

11 Senator D'Amato: Did you ever move as much as \$20 to \$30
12 million at one time?

13 Mr. Ritch: In one particular shipment in itself?

14 Senator D'Amato: Yes.

15 Mr. Ritch: No, sir.

16 Senator D'Amato: Well, how much would you move at one
17 time?

18 Mr. Ritch: For security reasons, you try and limit it to
19 \$2 to \$5 million per load.

20 Senator D'Amato: \$2 to \$5 million?

21 Mr. Ritch: Yes, sir.

22 Senator D'Amato: Did you then deposit that money in
23 various banks for them?

24 Mr. Ritch: Yes, sir.

25 Senator D'Amato: Those are the same Panamanian banks?

1 Mr. Ritch: Yes, sir. Our organization, that was where
2 they were mainly banking after Cayman.

3 Senator D'Amato: I think the Senator asked you a
4 question and I think you responded. He asked you the
5 totality of all the money that you handled, and you said,
6 well, over the years it would go into the hundreds and
7 hundreds of millions of dollars.

8 But are you saying that your organization put through in
9 the Panamanian banks -- that's your marijuana that you were
10 selling -- about \$100 million that you knew of?

11 Mr. Ritch: Yes, sir, that's a round figure.

12 Senator D'Amato: I have no further questions, Mr.
13 Chairman.

14 Senator Kerry: I think it's significant, and maybe you
15 can help me out here, Lee, because I'm still learning about
16 this. But how does the marijuana market compare to the
17 cocaine market?

18 Mr. Ritch: The marijuana market, well, it's a very large
19 distribution. You're dealing in large bulk if you're
20 importing the amounts we were. You're talking distributing
21 it across the United States and not one city.

22 Say on a large load, we would send tractor trailers to,
23 say, Detroit, Michigan, New York City.

24 Senator Kerry: You'd just stack it into a tractor
25 trailer and off it goes?

1 Mr. Ritch: Yes, sir.

2 Senator Kerry: A semi, down the road.

3 Mr. Ritch: And we'd have a distribution point set up
4 where the distribution network that we were dealing with,
5 they'd have a city that they worked out of, such as
6 Washington, D.C., or whatever. And we'd just leave the
7 truck.

8 Senator Kerry: Is it more or less lucrative than the
9 cocaine market?

10 Mr. Ritch: I was never really into the cocaine market to
11 see the amounts of dollars. I always heard through all the
12 associates and et cetera that the cocaine market was the way
13 to make the quick dollar, the easiest for the amount of
14 trouble, being easy to conceal, the amount of time.

15 But that was always understood, and you're dealing with a
16 different class of people. The marijuana trade is more of a
17 college, high school friends and people you've grown up with,
18 you know. You know, you're not getting into the organized
19 --

20 Senator Kerry: Did you have occasion to learn of any of
21 the other type of business dealings that General Noriega was
22 involved in?

23 Mr. Ritch: Just in our business, you know, we had dealt
24 down there. We were going to ship a large amount of
25 marijuana through there, being in containers on a cargo ship

1 we had purchased, to ship to New York City, which never came
2 about due to the arrest of Kalish.

3 Senator Kerry: You purchased a cargo ship from who?

4 Mr. Ritch: The ship was purchased out of a corporation
5 in the Cayman Islands.

6 Senator Kerry: Was this a Noriega corporation?

7 Mr. Ritch: The people we purchased it from were in the
8 legit shipping business. They just happened to have a ship
9 for sale and we purchased it and reregistered it. Actually,
10 I think we were going to actually title it as it was for the
11 trip, to keep it discrete.

12 Senator Kerry: Did banks ever compete with each other or
13 just individually come at you to try to get your deposits?

14 Mr. Ritch: Being around Cayman the years that I was
15 around there, I dealt with some of the banking people there
16 in the community, and back in the seventies I used to have
17 them come to me and say: Lee, why don't you come over and
18 deposit with us or whatever.

19 Senator Kerry: Let me just say for the record that there
20 are two things I want to clarify here. Michael Palmer was
21 arrested in the biggest marijuana bust in Michigan history.
22 The charges against Michael Palmer were later dropped. We
23 currently have a subpoena for Mike Palmer. He is unfindable
24 at the moment, a fugitive from justice.

25 But one of the things we want to ask about, and I want to

1 ask you if you know this -- Mike Palmer received a contract
2 with the Nicaraguan Humanitarian Assistance Organization
3 under the corporation Vortex.

4 Are you familiar with that?

5 Mr. Ritch: I was familiar he was flying some sort of aid
6 on these DC-6 loads, like I said. That was his understanding
7 --

8 Senator Kerry: So you know the Michael Palmer who was in
9 business with you in drugs was also flying assistance to the
10 contras, is that accurate?

11 Mr. Ritch: To Central America. The exact stops he was
12 making -- he was definitely flying something.

13 Senator Kerry: He was flying what, do you know?

14 Mr. Ritch: Well, in our understanding it was like
15 produce and clothing.

16 Senator Kerry: Where was he flying out of?

17 Mr. Ritch: Well, the loads were arriving in Michigan.
18 As far as where -- you know, they would refuel the airplane.
19 I'm not sure where he'd pick up the --

20 Senator Kerry: But you are familiar with the fact that
21 he was arrested in that marijuana bust?

22 Mr. Ritch: Oh, yes, I'm familiar with Michael Palmer.

23 Senator Kerry: Are you familiar with that bust?

24 Mr. Ritch: In Michigan, sir?

25 Senator Kerry: Yes.

1 Mr. Ritch: That's part of my organization.

2 Senator Kerry: So it was part of your marijuana proceeds
3 that were part of that bust? That's accurate?

4 Mr. Ritch: Yes, sir. I benefited from some of those
5 DC-6 loads.

6 Senator Kerry: Do you know that the charges were dropped
7 against Michael Palmer?

8 Mr. Ritch: He told me that.

9 Senator Kerry: Do you have any knowledge of how they
10 came to be dropped?

11 Mr. Ritch: No, sir.

12 Senator Kerry: But you do know that they were dropped?

13 Mr. Ritch: He told me that they were going to be
14 dropped.

15 Senator Kerry: Did he say how he knew they were going to
16 be dropped?

17 Mr. Ritch: No, sir.

18 Senator Kerry: Well, Mr. Ritch, do you have anything
19 that you want to add at this point in time?

20 Mr. Ritch: Sir, you said Michael Palmer is on the street
21 free?

22 Senator Kerry: We have a subpoena out for him. We're
23 looking for him. Do you know where he is?

24 Maybe you want to talk to me after. We'll chat after we
25 recess. I have a feeling that I know where he is now, too.

1 Mr. Ritch: It's kind of a shock that I'm here with 30
2 years, no parole, and Michael Palmer is on the street, you
3 know. He was the top man in an organization.

4 Senator Kerry: He was the top man in whose
5 organization?

6 Mr. Ritch: Well, an overall picture of the Detroit end
7 of the group.

8 Senator Kerry: Can you tell me a little bit more about
9 him?

10 Mr. Ritch: There was a little conflict between Michael
11 Palmer and us, one being there was a little bit of jealousy,
12 I think, in some of the loads we were doing being such large
13 amounts. Palmer, having his connections through the U.S.
14 Coast Guard and stuff, he was tipping us certain times for
15 shipments coming up.

16 I lost one of my better friends due to him on a large
17 load coming up, him saying not to do the load, that it was
18 tipped off through the Coast Guard, that he had knowledge of
19 it being overflown, which it was being overflown, but it was
20 successfully unloaded anyway.

21 Senator Kerry: When you say you lost one of your
22 friends, what do you mean?

23 Mr. Ritch: Well, there was a big fight the day before
24 the barge was to be unloaded and there was a big conflict.
25 It took a couple years to get back to normal, due to this

1 fellow pulling back the status he was supposed to represent
2 in the offloading due to Michael Palmer telling him to back
3 away.

4 Senator Kerry: And this is the same Michael Palmer who
5 was paid U.S. citizens' tax dollars to fly assistance to the
6 contras, is that correct?

7 Mr. Ritch: Correct, sir.

8 Senator Kerry: I have a couple of questions, but I
9 think, given the hour, what I am going to do is go into them
10 with you privately afterwards.

11 I want to thank you for cooperating with us. You are
12 obviously paying a serious price, as you ought to be paying,
13 incidentally, for what's gone on. But by the same token,
14 this Committee is appreciative of your help.

15 And if we need further help, I hope we can count on you
16 as we try to unravel this extraordinarily intertwined and
17 rather sordid story. And I can promise you the Committee
18 certainly will be grateful for that cooperation.

19 On that note, let me just inform those wondering,
20 tomorrow morning we will hear from Jose Blandon. And
21 depending on how long that takes, we will see whether or not
22 we will get to the testimony of pilot Floyd Carleton. We are
23 scheduled to start tomorrow morning at 9:00 o'clock in the
24 morning because of the extensive testimony Mr. Blandon has.

25 On that note, these hearings will recess until that

1 time.

2 [Whereupon, at 4:05 p.m., the Subcommittee was recessed,
3 to reconvene at 9:00 a.m. on Tuesday, February 9, 1988.]
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HEARINGS

Before the

Subcommittee on Terrorism, Narcotics and International Operations

of the

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICE: PANAMA

MORNING SESSION

Washington, D.C.

February 9, 1988

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Jose I. Blandon Castillo

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Former Consul General of Panama

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HEARING TO RECEIVE TESTIMONY ON
DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

Tuesday, February 9, 1988

U.S. Senate
Subcommittee on Terrorism,
Narcotics and International
Operations
Committee on Foreign Relations
Washington, D.C.

The Subcommittee met, pursuant to notice, at 9:05 a.m. in Room SH-216, Hart Senate Office Building, the Hon. John F. Kerry [Chairman of the Subcommittee] presiding.

Present: Senators Kerry [presiding] and D'Amato.

Senator Kerry: This hearing of the Subcommittee on Narcotics, Terrorism, and International Operations will come to order.

I would like to ask, please, first of all just as a matter of procedure, could the two interpreters identify themselves for the record.

Ms. Ruckhaus: Karen Ruckhaus.

Senator Kerry: Is there a speaker by which you can do that?

Could I ask you both to rise and state your names for the

1 record?

2 Ms. Ruckhaus: Karen Ruckhaus, R-u-c-k-h-a-u-s.

3 Ms. de la Plaz: Joelle de la Plaz, J-o-e-l-l-e.

4 Senator Kerry: Could you both, could you just come
5 back? We need to swear you in as interpreters, if we may.

6 Could you raise your right hands, please. Do you swear
7 that the interpretation you are about to give will be
8 truthful, complete, and to the best of your ability, so help
9 you God?

10 Ms. Ruckhaus: I do.

11 Ms. de la Plaz: I do.

12 Senator Kerry: Jose, could I ask you to please identify
13 yourself for the record.

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1 TESTIMONY OF JOSE I. BLANDON CASTILLO, FORMER CONSUL
2 GENERAL OF PANAMA

3 Senator Kerry: Do you promise to tell the truth, the
4 whole truth, and nothing but the truth, so help you God?

5 Mr. Bandon: Yes.

6 Senator Kerry: It's my understanding that you wish to
7 deliver an opening statement which you want to give in
8 English, and we appreciate that and we would like you to do
9 it.

10 I would just like to call attention, yesterday district
11 attorney Morgenthau talked about the problems of drugs and
12 the increasing problems which law enforcement are having.
13 Part of the effort of these hearings is to underscore the
14 degree to which decisions we make about Panama, about
15 anywhere, Colombia, Central America, law enforcement with
16 other countries, affects our lives here at home, and that is
17 a central part, obviously, of all of our efforts here.

18 Yesterday we said there had been 43 killings in the city
19 of Washington. Well, we wake up this morning to learn that
20 there have been now 44. The front page of the Washington
21 Post says "Man dies in hail of bullets at busy intersection
22 in Southeast."

23 And indeed, there was a gangland type slaying last night
24 of a drug dealer on the streets of Washington, right in the
25 presence of multiple bystanders. I think nothing could

1 underscore more the importance of what we are trying to get
2 at, both from a foreign policy perspective as well as a
3 domestic perspective.

4 Mr. Blandon, thank you very much for being here. Without
5 further ado, I would like to ask you, if you would, to give
6 your opening statement.

7 Mr. Blandon: Thank you very much, Mr. Chairman. My name
8 is Jose Blandon Castillo. I was born in the Republic of
9 Panama on October 30th, 1943. I am 44 years old. My father
10 is a carpenter and my mother is a country woman. They taught
11 me the moral and ethical tenets which govern my life.

12 I graduated first in my class from high school in Panama
13 and won a full scholarship for university studies. I then
14 attended the University of Mayaguez in Puerto Rico, where I
15 obtained a degree, magna cum laude, in agricultural
16 engineering with a specialty in scientific research. I did
17 graduate studies in economics and finance through various
18 international courses and universities.

19 I have published several essays on the politics, economy,
20 and history of my country and Central America. I have
21 written a comprehensive treatise on the economic history of
22 Panama. I have also attended and participated in
23 international conferences and forums.

24 My professional career began in 1966 as a counterpart
25 researcher in a United Nations irrigation project for the La

1 Villa in Los Santos, in the Republic of Panama. In 1969, I
2 proudly joined the revolutionary government of General Omar
3 Torrijos as programming chief of agrarian reform, which
4 helped to resolve the problem of landless peasants in my
5 country.

6 From that time until the present, I have officially
7 worked in the following areas: '69-'72, planning chief for
8 agrarian reform; '72-'76, planning chief for the farming
9 sector; '76-'78, chief of finance for power company; '78-'82,
10 deputy director of the power company; '82-'86, director
11 general of the power company; '86 until January '88, Consul
12 General of Panama in New York.

13 My political career began in Panama with the struggle to
14 defeat the treaties which the government of then President
15 Marcos Robles tried to impose on our people in 1967. In the
16 judgment of our generation, these so-called three-in-one
17 treaties did not resolve the basic problems and differences
18 which characterized relations between Panama and the United
19 States.

20 During the revolutionary government of Omar Torrijos, I
21 was his political advisor. Especially from 1977 to 1981, the
22 year of his death, I was indeed his closest political
23 advisor.

24 This proximity to Torrijos gave me first-hand knowledge
25 of his most intimate political thinking. As a result of the

1 Sandinista revolution, Torrijos created a specialized
2 political intelligence office under my direction. This
3 office worked directly and exclusively for the commander in
4 chief of the armed forces of Panama and it was given access
5 to all intelligence sources in the country.

6 This allowed me to work very closely with Panama's
7 network of intelligence. The office continued to operate
8 after Torrijos' death and right through to the present. Due
9 to my new job in New York in 1986, I ceased to be its chief,
10 though I continued to coordinate information with it.

11 As a civilian, I am a member of the Revolutionary
12 Democratic Party, PRD. I am a founding member of that party,
13 a member of its political directorate and political
14 commission, and one of its principal leaders. I worked on my
15 party's electoral campaign in 1984 and through my work and
16 that of the rest of our team, we obtained a clear
17 parliamentary majority.

18 I am a firm believer in democracy and the participation
19 of my people in the most important decisions of our country.

20 In my testimony before this Committee of the United
21 States Senate, let me make one point very clear. I am here
22 because I love my country and I want to save it from the
23 grasp of a criminal enterprise. Manuel Noriega says I am a
24 Benedict Arnold, but the real Benedict Arnold is Noriega, who
25 betrayed his own people.

1 My bank accounts are open for the world to see. Will
2 General Noriega do the same? My life has not been made
3 easier by what I am doing. I have put myself and my family
4 at great risk, and I am not able to live in my own country.
5 I appear here with no immunity and no agreement whatsoever.

6 I ask, Mr. Chairman, the United States intelligence
7 agencies to open their records so that the world knows who is
8 on their payroll, Manuel Antonio Noriega or me.

9 I think that Panama deserves a bright future where its
10 citizens can enjoy their rights to the fullest, where there
11 is no fear of repression, abuse of authority, and where the
12 government agencies obey and respect the laws and the
13 constitution.

14 This was the historical promise of Torrijos. All of us
15 worked hard in order to obtain it. General Noriega and a
16 small number of civilians and military personnel who control
17 the Defense Forces have forsaken these ideals.

18 Historically, my country has maintained a struggle,
19 generation after generation, to obtain total independence and
20 to regain our most important geographic resource, the Panama
21 Canal. The vast majority of the Panamanians are also
22 determined to establish a government based on democracy,
23 liberty, and honesty.

24 We began in 1968 a process which culminated in the new
25 treaties of 1977 and which modernized relations between

1 Panama and the United States. Not all Panamanians are happy
2 with that treaty, but a large majority of us accepted them in
3 a national plebiscite.

4 Through these treaties, however, Torrijos and those of us
5 who worked with him made a commitment to the people of
6 Panama, to Latin America people and leaders, and to the
7 people of the United States and its leaders, to establish
8 full democracy in Panama through free elections, and through
9 a government under the leadership and control of the
10 civilians.

11 Panama's armed forces made a commitment also to go back
12 to the barracks and to refrain from involvement in any party
13 politics. This was the historic promise and commitment of
14 Torrijos.

15 Many political figures in the United States, Democrats
16 and Republicans alike, paid a high price for supporting the
17 treaties. I refer to former President Jimmy Carter, Senator
18 Church, Senator Bayh, Senator Howard Baker, and many others,
19 to whom the people of Panama and those of us who worked
20 closely with Torrijos owe a large moral debt.

21 After Torrijos' death, Panama fell victim to a vicious
22 internal struggle within the armed forces, which has resulted
23 in their control by General Manuel Antonio Noriega and a
24 small group of officers. The course set by Torrijos was
25 reversed 180 degrees.

1 Instead of returning to the barracks, the military forces
2 expanded their involvement in government at all levels,
3 including such normally civilian responsibilities as
4 immigration and customs, the ports, railroads, and airports.
5 Carefully selected civilians, acceptable to Noriega and his
6 clique, were placed in key positions in the ministries and
7 the courts.

8 Together, Noriega and his group have turned Panama into a
9 gigantic machine for all sorts of criminal activities and
10 enterprises.

11 Since 1982, we have been struggling to establish a
12 democratic process in our country. But the political
13 interests of our group clashed with the financial interests
14 of Noriega's group.

15 The 1984 elections were a hard test for Panama. While
16 our people were working hard to establish a democracy, the
17 group led by Noriega was busy subverting the electoral
18 process. They were also actively promoting in that year
19 their illicit activities.

20 The 1984 electoral project failed, and with it the
21 government of Nicolas Ardito Barletta. Toward the end of
22 1985, we tried again to reconstruct a democratically viable
23 government with President Eric Arturo Delvalle. We had
24 relative success.

25 Again in 1986, however, Noriega's personal and political

1 interests derailed this attempt and the country began to sink
2 into the deepest political crisis of its history.

3 In 1987, we tried to find a political solution to the
4 growing crisis, but once again the interests of the drug
5 traffic prevailed in Panama. Last year in June, when a close
6 friend of Noriega exposed in public much of the corruption
7 and excesses of the Noriega group, a political revolution
8 exploded in my country.

9 People from all walks of life took to the streets to
10 demand a political housecleaning. Their demands were simple
11 -- freedom, democracy, and justice. But their peaceful
12 protests were ruthlessly repressed on Noriega's orders with
13 rubber hoses, shotguns, and tear gas.

14 Toward the end of the year, Noriega closed down all
15 opposition newspapers and radio stations. Yesterday he
16 closed another radio station. That severed all avenues for
17 dialogue and negotiations, and thus aborted any political
18 solution.

19 Recent events have opened a new chapter in the life of my
20 country. I wish to express, Mr. Chairman, that I shall
21 answer with the truth and nothing but the truth the questions
22 which you and other members of the Subcommittee may wish to
23 pose.

24 I am honored to meet with you and deliver to you copies
25 of the indictments handed down by various grand juries of the

1 United States, in which grave charges are made against the
2 commander of the armed forces of a nation which is a member
3 of the Organization of American States. If these documents
4 could be distributed to the other members of the Permanent
5 Council of that organization, who may consider them to be of
6 great interest, I shall be grateful to you, Mr. Chairman.

7 May I take this opportunity to assure you once again of
8 my highest and most respectful esteem. Thank you.

9 Senator Kerry: Thank you very much, Mr. Blandon. I
10 appreciate your comments and I think that is a very direct
11 and important statement that you have made and a good
12 introduction to where we are going.

13 Let me explain to everybody precisely how this is going
14 to work. It's the first time I have done it and I think the
15 first time the Committee has done it in some time, so bear
16 with us if there are a few glitches. We're going to be doing
17 a simultaneous translation.

18 I am grateful to the State Department for distributing
19 the equipment that makes this possible. I believe that
20 almost all seats here have available headphones. If you
21 don't wear the headphones, what you will be hearing is my
22 question in English, Mr. Blandon's answer in Spanish.

23 If you wear the headphones, you will hear a simultaneous
24 translation of both, and we will do that.

25 Now, Mr. Blandon, if you would like at any time, you feel

1 comfortable and you want to answer something in English,
2 obviously we'd welcome that. But I understand your request
3 to want to be very precise and to feel more comfortable in
4 your ability to be precise with the simultaneous
5 translation.

6 Let me also say that the story we're going to tell, that
7 Mr. Blandon is going to tell to the Committee, and that the
8 Committee is trying to elicit is complicated and detailed. I
9 would like to try to set it up, therefore, in the following
10 way, because of the simultaneous translation and just the
11 time involved.

12 We'll probably go for about two hours, take a 15 minute
13 break, then come back, go until lunch, at which time we'll
14 break for about an hour for lunch, come back, go for a period
15 of two hours, take a 15 minute break, and then see where we
16 are, and probably continue at that point.

17 I have spent with the staff considerable hours with Mr.
18 Blandon, and I believe that there will be details elicited
19 through the course of the day which has not yet been made
20 fully public, and even some items which he has not yet talked
21 about.

22 Is that accurate, Mr. Blandon?

23 Mr. Blandon: Yes.

24 Senator Kerry: So let me suit up here. What I'd like to
25 do, Mr. Blandon, is begin if we can by trying to create a

1 beginning. I wonder if you would share with us a description
2 of how it was that General Noriega came to power and came to
3 control the entities that he now controls.

4 And then I would like to go and look at each of those
5 entities and have you describe by chart what the entities of
6 the criminal enterprise are.

7 But would you begin and tell us, please, how General
8 Noriega came to be where he is now.

9 Mr. Blandon [through translator]: Yes, of course. As I
10 said in my opening statement, in 1968 in Panama General Omar
11 Torrijos Herrera came to power and he began a series of
12 important changes in the life of our country. During that
13 time -- and I won't go into the details of that period, but I
14 would like to mention, a time that was characterized by
15 social reform, agrarian reform, reforms in education. There
16 was development of mass transportation and of the health care
17 system in our country.

18 In addition, there was also development of higher and
19 university education in the country. And this all culminated
20 in the signing of the Torrijos-Carter Treaty. This entailed
21 the political commitment by virtue of which by the year 2000
22 it would have a goal of returning the Canal to our hands, and
23 for this we would need to have a civilian government.

24 Unfortunately, General Torrijos Herrera died in 1981, and
25 it is at that time, Mr. Chairman, that I would like to begin

1 my comments. As of 1981, the Republic of Panama was victim
2 to one of the most severe internal struggles within the
3 defense forces in Panama.

4 With Torrijos' death, three different leaders began to
5 struggle to control the defense forces of our country, and
6 this lasted until 1987 -- General Herrenda Dia Paredes,
7 Colonel Desentonces Diaz Herrera, Manuel Antonio Noriega.

8 In '82, Mr. Chairman --

9 Senator Kerry: Mr. Blandon, if I could just clarify as
10 we go along. General Noriega in 1982, at the time of the
11 struggle, held what position?

12 Mr. Blandon: Since 1981 until 1987, when he became
13 chief, he was in charge of the intelligence services, the
14 chief of intelligence for the Republic of Panama.

15 Senator Kerry: And how long had he been in the
16 intelligence for the Republic of Panama.

17 Mr. Blandon: Since 1971 to 1983, so that is about 13
18 years.

19 Senator Kerry: And during that time, do you know whether
20 or not he had a relationship with the United States?

21 Mr. Blandon: Well, since 1976 General Noriega had very
22 close dealings with the United States. Prior to the
23 revolution, he already had dealings with the United States,
24 especially with the intelligence agencies of this country.
25 After the revolution, his ties became closer and he became in

1 charge of Panamanian intelligence, and then he began to work
2 very closely with all the intelligence agencies of the United
3 States.

4 As I was saying, Mr. Chairman, in March of 1982 this
5 internal struggle culminated in a document which was signed
6 by those involved that sets up the way in which the different
7 commanders of the defense forces are to work together. It
8 determines who is to be the President of the Republic of
9 Panama in 1984.

10 But what was put down on paper was not followed and
11 practiced and the Republic continued to see a struggle
12 between Paredes, Noriega, and Diaz Herrera. And this led in
13 '83 to the loss -- Paredes lost and he left his post and Diaz
14 Herrera and Noriega came to an agreement, in that Noriega
15 would be in charge until June '87 and that after that Diaz
16 Herrera would become the head.

17 In June of '87 --

18 Senator Kerry: Could I interrupt you now. Do you have a
19 copy of this document?

20 Mr. Bandon: A copy right here, which I would like to
21 present to the Committee.

22 Senator Kerry: I know your wife is here, Mr. Bandon.
23 Would you just like to introduce her.

24 Mr. Bandon: Yes, of course. I have my wife Yvonne
25 Bandon with me. She is a student, a graduate student at the

1 Auburn University of Alabama. She's specializing in shrimp
2 breeding.

3 Senator Kerry: Well, we would like to welcome her here
4 also. We are very grateful to you both, because we know you
5 have gone through a considerable disruption in the course of
6 the last weeks and months. And I thank you very much for
7 being here.

8 Now, this document which I have is the official agreement
9 signed by General Paredes, by Manuel Noriega, and by Diaz
10 Herrera, is that correct?

11 Mr. Bandon: Correct, yes.

12 Senator Kerry: This is the agreement between them by
13 which the future of Panama and its presidency was
14 determined?

15 Mr. Bandon: Yes, that is correct.

16 Senator Kerry: And this is the agreement which permitted
17 Noriega to come in after Paredes, is that correct?

18 Mr. Bandon: Yes, it is.

19 Senator Kerry: This will be submitted to the record.

20 [The material referred to follows:]

21 [COMMITTEE INSERT]
22
23
24
25

1 Senator Kerry: Now, as this struggle evolved, Paredes
2 left; Noriega came in. And then what took place to the
3 institutions and the life in Panama?

4 Mr. Blandon: Well, as you can see in that agreement, Mr.
5 Chairman, it clearly states that Paredes was to be in charge
6 of the political arena, as Noriega would be in charge of the
7 military area. Paredes was to lead. In practice Noriega,
8 who was at that time a colonel and was in charge of
9 intelligence forces, in practice was in charge of the area
10 because Paredes was in charge of political activities.

11 And that is where a new stage in the history of Panama
12 began, and this commenced 12 August, 1983, when Noriega took
13 power in Panama. And not only did he come in charge of
14 forces, but by virtue of a new law, he changed what at that
15 time was called the national guard of Panama and it became
16 the Panamanian defense forces, thereby expanding their
17 control over many institutions.

18 And you will see how later on these forces have
19 constituted a sort of empire which can carry out any type of
20 activity within Panama.

21 Senator Kerry: So by virtue of the agreement, General
22 Noriega carved out for himself control of the critical
23 entities of the life of Panama, is that correct?

24 Mr. Blandon: By virtue of the agreement, no, but by
25 virtue of this new law which was approved in September of

1 1983. By virtue of the agreement, the political control in
2 the country went to the hands of General Paredes.

3 What I'm trying to say is that all of this contravenes
4 the agreement, the political agreement which General Torrijos
5 had set up as a result of his agreement with President Carter
6 and other leaders in Latin America.

7 Senator Kerry: I would like to put two charts up here,
8 Mr. Blandon. One is titled "The organization of the criminal
9 empire under Manuel Noriega" and the other is "The
10 international network," which you will come to secondarily.

11 Now, I wonder if you could describe precisely what the
12 chart of the organization of the criminal empire means, each
13 of those categories, and tell us what the areas of control of
14 General Noriega uses to conduct his criminal enterprise.

15 Mr. Blandon: Well, after the Sandinista revolution of
16 1978 and '79, which culminated with the triumph of the
17 Sandinista regime, in Central America and especially in Costa
18 Rica, we saw an infrastructure which would be used by General
19 Noriega and by the head of the security at the time, General
20 Charia, would be used to sell weapons in Central America and
21 smuggle weapons there.

22 There was a network of pilots who were in charge of
23 providing and selling arms in Central America, and this grew
24 in '80, '81.

25 Since that time in Panama we saw the development of an

1 enterprise which was not only in charge of transporting
2 weapons, but also of carrying out other operations. In 1982
3 the United States was able to set up barriers to control arms
4 traffic to Central America and especially to El Salvador.

5 Senator Kerry: Mr. Blandon, let me try to -- I think we
6 are going a lot faster than we went when you and I were
7 talking. I want to try to slow it down, so we can all stay
8 with you here.

9 So if you can just speak a little bit slower, I think
10 we'll have an easier time following.

11 Mr. Blandon: Yes, of course.

12 As I was saying, in 1980 after the Sandinista revolution
13 we saw the beginning of traffic of weapons from Panama and
14 Costa Rica to El Salvador.

15 Senator Kerry: Who were these weapons being sold to in
16 El Salvador?

17 Mr. Blandon: The weapons were being sold to the National
18 Liberation Front, the FNLN of El Salvador, basically. And it
19 was a group which at that time had millions of dollars in
20 their hands because they had obtained those funds through
21 kidnappings which they had carried out during a previous
22 period.

23 As I was saying, the group were providing weapons to the
24 Sandinistas and it was regrouped by Noriega for this new
25 network for the smuggling of weapon and other illegal items

1 to Central America.

2 Senator Kerry: Now, at the time General Noriega had a
3 close relationship with the United States, correct?

4 Mr. Bandon: Yes, of course. At the time General
5 Noriega was chief of military intelligence in Panama.

6 Senator Kerry: And he was working with the CIA,
7 correct?

8 Mr. Bandon: Yes, he worked with the Central
9 Intelligence Agency and with the central intelligence
10 agencies, working in different branches of the U.S. Army
11 stationed in Panama at the various military bases there.

12 Senator Kerry: The policy of the United States at that
13 time was to support the government of El Salvador, was it
14 not?

15 Mr. Bandon: Well, the U.S. policy, yes, was in support
16 of the government of Napoleon Duarte, and they were entering
17 an electoral process in 1982.

18 Senator Kerry: So while General Noriega was working with
19 the CIA and being paid by us and had a close relationship, he
20 was selling arms to the rebels that were fighting the
21 government we were supporting, is that correct?

22 Mr. Bandon: Yes, that is correct.

23 Senator Kerry: Would you please go on.

24 Mr. Bandon: After the changes in these activities to
25 Colombia, we saw the beginning of a new process in Panama

1 which coincided with the struggle for power within the
2 defense forces. And in 1982 we saw the beginning of what I
3 would call the organization of this criminal empire.

4 You can see there on the chart that the empire is
5 directed by Noriega himself, and he had set up different
6 groups. The first group was the pilots who were in charge of
7 all the arms deals and drug traffic activities. That group
8 primarily includes Enrique Pretelt, who is at the time living
9 in Panama, Floyd Carlton, who is awaiting trial in the
10 States, Richard Belonik, the pilot --

11 Senator Kerry: Is that the same Floyd Carlton who will
12 testify here tomorrow?

13 Mr. Bandon: Yes, sir, it is the same Floyd Carlton who
14 will be here tomorrow and who knows all the details of all
15 the operations conducted between 1980 to 1986.

16 Senator Kerry: Do you know Mr. Carlton?

17 Mr. Bandon: Yes, I do.

18 Senator Kerry: I would like, just by way of background
19 in order to put your knowledge of this criminal enterprise
20 into the proper perspective, I would like to ask you to
21 describe your personal relationship to General Noriega.

22 Mr. Bandon: Well, since 1971 when the agrarian reform
23 process was launched -- and as I said, I was in charge of
24 planning it -- Noriega was a major in the province of
25 Chiriqui and was the commander in that area, which was one of

1 the most important agrarian reform areas. Well, that is when
2 I met him.

3 At the time, as I said, he was a major. But my political
4 rapport with him, who was later lieutenant colonel, actually
5 began with General Torrijos decided to set up a political
6 team to act as advisors to him and I was included in the
7 group.

8 And as of 1977, when the political intelligence group was
9 set up by General Torrijos, is when I began to work closely
10 with Colonel Noriega.

11 But after an incident which occurred in 1980, when Cesar
12 Rodriguez was taking weapons to El Salvador in an airplane
13 owned by the defense forces of Panama which had been seized
14 and used for drug trafficking and was under Noriega's
15 custody, after that incident, when Floyd Carlton rescued
16 Cesar Rodriguez, Torrijos began an investigative process
17 around Noriega.

18 And he entrusted me with the task of discussing with
19 Rodriguez the reasons behind the traffic of weapons to El
20 Salvador. And Rodriguez told me that he had been authorized
21 by Colonel Noriega to undertake that activity.

22 When I told Torrijos this, he held a meeting with
23 Noriega, and as of then in 1980 and up to 1981 Noriega was
24 the object of investigation by General Torrijos, who asked me
25 to go with Noriega to all international events where he would

1 go.

2 Senator Kerry: You want to try to keep it slow still, so
3 we can all follow.

4 All right, at that time you started working very closely
5 with him, is that correct?

6 Mr. Bandon: Yes.

7 Senator Kerry: How often would you meet with General
8 Noriega?

9 Mr. Bandon: When Torrijos was alive, for any local or
10 international mission it was two or three times a week. And
11 after Torrijos' death, I would say that on a daily basis,
12 either in personal meetings or through telephone calls. In
13 other words, I had access to General Noriega any time I
14 wanted, as often as I wanted to, in terms of the activities
15 that I carried out.

16 Senator Kerry: You became very familiar, then, with
17 General Noriega's lifestyle, didn't you?

18 Mr. Bandon: Quite well, yes.

19 Senator Kerry: Do you know how much General Noriega's
20 salary is?

21 Mr. Bandon: The formal salary as the commander of the
22 armed forces is between 3500 to 4,000 balboas, which is
23 around \$1500 as a basic salary, and \$2,000 to \$2500 paid in
24 what we call per diem, that is an additional salary for other
25 activities.

1 There is no other official in the Republic of Panama that
2 has a salary by law over 5,000 balboas. That's the official
3 salary.

4 Senator Kerry: So annual dollars salary is how much,
5 annual dollars?

6 Mr. Blandon: \$60,000 as a maximum. As an average, it
7 could be between \$50,000 and \$55,000 per year. That's the
8 salary as commander of the defense forces of Panama.

9 Senator Kerry: General Noriega has been in the military
10 all his life, correct?

11 Mr. Blandon: Yes, that's so.

12 Senator Kerry: Did he come from a family of any personal
13 wealth?

14 Mr. Blandon: No, on the contrary, General Noriega comes
15 from a very humble, poor family.

16 Senator Kerry: Would you describe for us General
17 Noriega's lifestyle as you knew it when you left Panama in
18 1986, '87.

19 Mr. Blandon: General Noriega at this point right now,
20 his lifestyle is what we would call in Panama a foreign-like
21 lifestyle. By that what I mean is that in the Republic of
22 Panama he has approximately twelve houses in which to live.
23 He has BMW cars, several of them. He has got three
24 specialized cars. These are vans, actually.

25 he has got a number of planes, helicopters, jets,

1 executive jets. He has as far as I know homes in France.
2 His homes are full of luxury type furnishings brought from
3 Asia, countries in Asia.

4 His military dress is bought exclusively for him outside
5 of Panama. He has got shelves full of over 200 military
6 caps. He has got canes that are engraved.

7 Senator Kerry: Caps are to Noriega what shoes were to
8 Imelda Marcos, I take it?

9 Mr. Bandon: Possibly.

10 Senator Kerry: You mean shoes are important, too?

11 I'm sorry to interrupt.

12 Mr. Bandon: As you can see, the way he dresses, his
13 military boots are golden and also silver. But as you can
14 see, so that you know what we mean by foreign-like style, in
15 December '87 he decorated himself with a decoration or medal
16 called the Eagle Medal.

17 This is a typical eagle of the mountain regions of
18 Panama, and this medal or the cost of this medal was over
19 \$85,000. It is made of gold and precious stones. And on
20 December 16th it was given to Noriega for no victory or no
21 battle at all.

22 This can give you an idea of how he lives. But also, it
23 is interesting to see how these new fortunes of these
24 military men are spent. You can see it in the way in which
25 their children are spending the money. I'll give you just

1 one example.

2 One of the daughters of General Noriega was in New York
3 and in one day she spent over \$50,000 in purchases in New
4 York stores.

5 Senator Kerry: Mr. Blandon, not that I doubt you, but
6 how do you know that?

7 Mr. Blandon: Because I was the New York consul and
8 people who work with the consul go and help these people.

9 Colonel Purcell's son in the political crisis of '87 in
10 Panama bought a Porsche worth \$87,000, paid in cash, in the
11 Republic of Panama in the midst of the 1987 political
12 crisis.

13 What I'm trying to say by all of this is that this empire
14 produces so many resources that this new wealth, well, they
15 don't even know how to spend it. And these people's homes,
16 specifically people like Noriega and Purcell, people who are
17 in the army chief of staff, they have luxury articles, but
18 show little class.

19 Senator Kerry: Do you know where General Noriega keeps
20 his personal fortune, in what countries, in what banks?

21 Mr. Blandon: The question is very interesting, and as a
22 matter of fact, Mr. Chairman, yesterday under an order sent
23 by General Noriega to Panama's attorney general, because
24 there is an investment of securities in my country, and based
25 on that we have made a number of charges against General

1 Noriega, and so General Noriega decided to investigate in
2 Panama those who are charging him.

3 And I was telling the attorney general of the Republic of
4 Panama that it was important for him to begin investigation,
5 not because Noriega would ask him to do it, but because it
6 was necessary for our country; and that I would put at his
7 disposal, that is the attorney general's disposal, all the
8 information I have, which is not much, but what I have, just
9 as Manuel Antonio Noriega should put at the Panamanian
10 authorities' disposal information on his accounts, his homes,
11 et cetera.

12 Because the system used by General Noriega to develop his
13 empire can be seen in this chart, where we speak of private
14 banks. There are different banks in which he carries out his
15 operations.

16 One of them is the ICCB Bank, the International Commerce
17 and Credit Bank, which operates in Panama and has branches in
18 the rest of the world. It would be interesting to find out
19 from these banks and the international banking system how
20 much General Noriega has.

21 Senator Kerry: Do you have any knowledge personally as
22 to General Noriega's worth, as to how much he is worth?

23

24

25

1 Mr. Blandon: Well, there are various speculations in
2 this area. You could find that anywhere from 200, 600 to
3 even \$1 billion. General Noriega has more sources of
4 resources and more productive sources than Estasa Somoza had
5 in Nicaragua.

6 This is due to the fact that the Republic of Panama,
7 because of its nature and its level of development, is a
8 country which is much more developed than the Republic of
9 Nicaragua, and it has an infrastructure which makes it
10 possible for these businesses to operate in a multi-million
11 dollar level.

12 Senator Kerry: Do military officers have the right to
13 write checks to pay for unvouchered expenses?

14 Mr. Blandon: No one in the Republic of Panama is
15 entitled to sign checks unless it is authorized by the
16 auditors; that is, in theory but not in practice.

17 Senator Kerry: Did General Noriega use Panamanian
18 Defense Force money for his own purposes?

19 Mr. Blandon: Not once. It's one of the standard
20 practices which Noriega uses to get what could be called in
21 financial terms petty cash, and this would range from using
22 funds from La Contraria, the National Bank of Panama, to the
23 tune of \$3 million per year, and this is what he calls his
24 personal petty cash which he carries in his own briefcase.

25 Senator Kerry: Did United States aid before we cut it

1 off go through the PDF, too?

2 Mr. Bandon: Could you repeat the question, please?

3 Senator Kerry: Did United States military aid also get
4 distributed to the PDF in some form?

5 Mr. Bandon: I'm not sure I understand the question.

6 Senator Kerry: Regarding the military assistance which
7 the United States gave to Panama, was some of that
8 distributed to the PDF?

9 Mr. Bandon: Well, it is for the Defense Forces.

10 Senator Kerry: So U.S. military assistance would, in
11 fact, be directly diverted by General Noriega to his own
12 uses. Is that accurate?

13 Mr. Bandon: No. I don't have no proof confirming that
14 military assistance from the United States to the Defense
15 Forces were used by General Noriega. I have not said that.
16 I have no proof saying that that is the case.

17 What I can say is that the funds of the Republic of
18 Panama, the revenues of our country, are used by Noriega for
19 his own personal use.

20 Senator Kerry: Thank you.

21 Now, Mr. Bandon, let's go back to this chart now that we
22 have described the money and some of the personal lifestyle.

23 Would you describe each of the divisions of this chart?

24 Mr. Bandon: Yes, of course.

25 In the first group, which is the private group, that is

1 the group in charge of all illegal activities conducted by
2 the empire; that is, the traffic of weapons, drugs and cash
3 which is brought in from Colombia to Panama or from the
4 United States to Panama and then introduced into our banking
5 system.

6 As I was saying, here you have the pilots, and each pilot
7 had his own team of pilots; for example, Enrique Pretelt, who
8 lives in Panama; Floyd Carlton, as I mentioned before.

9 Senator Kerry: Enrique Pretelt is one of those who was
10 indicted recently; correct?

11 Mr. Blandon: Yes. He is one of the closest associates
12 which Noriega has in his money laundering and drug traffic
13 activities. In a few minutes I will explain one of my own
14 personal experiences with that person.

15 Richard Bilonick, who was also accused by the grand jury
16 in Miami; John Krupnick, who is a Jewish man born in
17 Argentina and lives in Panama; Carlos Wittgreen, who together
18 with Pretelt is in charge of clandestine operations and who
19 works behind the front of a company called Ceda Dinaves, who
20 is used by the fishing fleet in Cuba; John Novi, who is a
21 pilot having a fleet of airplanes used for drug traffic
22 activities; and Cesar Rodriguez, who was assassinated.

23 If you look at that group of pilots --

24 Senator Kerry: It says Rodriguez was a partner of
25 General Noriega, was he not?

1 Mr. Blandon: That's correct. Yes, indeed, and he was
2 assassinated in Colombia in a very mysterious way in March of
3 1986. He was assassinated through a party who is now in jail.

4 And there is one pilot who does not appear on the chart
5 who was also mysteriously -- or who disappeared. His name is
6 Phillip Watson, and he died after a load of cocaine did not
7 arrive at its destiny, and he was assassinated subsequently.
8 Richard Bilonick is also pending investigation.

9 So of that group, most are either dead or in jail.

10 So to coordinate this operation with a civilian group, he
11 has a group of military officers who work very closely with
12 drug trafficking and other illegal operations of Noriega.

13 If you look at this list, you will see that the officers
14 appearing there, Nivaldo Madrinon; Luis Del Cid, who is
15 pending trial also in Miami; Luis Cordoba, who was in charge
16 of the assassination of Luis Spatafora; Hilario Trujillo; Luis
17 Quiel --

18 Senator Kerry: Let me just come back.

19 You sort of brushed by something. You said Luis Cordoba
20 was in charge of the assassination of Dr. Spatafora. All
21 right, we will come back to that afterwards.

22 Who was the next name.

23 Mr. Blandon: Hilario Trujillo; Luis Quiel, who was in
24 charge of what in Panama is called the Drug Traffic Control
25 Unit, and he works under Madrinon; Clito Hernandez, whom

1 General Parerez in the past accused of being the perpetrator
2 of his son's assassination and of Cesar Rodriguez also in
3 Colombia. Another son of Parerez is also involved in the
4 Miami trial.

5 So these officers whom I have mentioned were all part of
6 the intelligence apparatus of General Noriega since 1971.
7 The first five, Mr. Chairman, the first five are now in
8 different areas of the Defense Forces and have total control
9 over said forces. That is the true Noriega command. The
10 other, both are pilots and they work very closely with the
11 Panama Air Forces.

12 The air force of our country is one of the most important
13 instruments in drug and weapons trafficking because their
14 airplanes are used to take cash to Panama; they land at the
15 international airport, the Americo Hijos Airport, and go to
16 the Air Force terminal there.

17 You will also see Jaime Beniquez, who is an officer who
18 is currently in Washington. He studied in Washington, and he
19 was not expelled but he was transferred from the Cologne area
20 because of his ties to drug trafficking and smuggling in the
21 free area.

22 And you have Mario Gustines, who is one of the closest
23 Noriega associates. He is a very, very wealthy man, a
24 millionaire, and he has many assets in Panama.

25 In addition to these groups -- that is, the pilots, the

1 officers and the civilians who are in charge of the money
2 laundering and trafficking activities -- there is an absolute
3 control over all of these by Noriega. He controls all the
4 officers involved in these operations, and he does this
5 through the Customs, Immigration, Passport Services, Civil
6 Aeronautics, the National Bank of Panama, the Attorney
7 General's Office.

8 And for your information, Mr. Chairman, the Attorney
9 General in Panama just six months ago bought a residence from
10 a friend of mine costing \$125,000, and he paid it cash, and
11 that is the Attorney General of our country.

12 You can see that Customs is needed to control smuggling
13 operations; immigration, which controls movements of citizens
14 in and out of Panama; and Passports is also important because
15 that is a business that I will go into a bit later, a
16 business generating more than \$80 million for General
17 Noriega; Civil Aeronautics is in charge of all airports in
18 Panama; the National Bank, which is key in money laundering
19 operations in Panama; and the Attorney General, who oversees
20 and is in charge of cases involving drug traffickers, drug
21 dealers who, when are not charged, are simply sent back to
22 their country of origin, mainly to Colombia. I will later on
23 describe one of the operations, one of the most important
24 operations in 1984.

25 And Contrador Jenidad, who is the person who provides the

1 funds. He is the treasurer of the country, and he is the one
2 who allows Noriega to have this \$3 million in petty cash for
3 his operations and allows government funds to be used for
4 activities that are not directly tied to government
5 activities.

6 But, furthermore, that network also needs private banks,
7 private banks who are in charge of circulating money
8 generated through money laundering operations.

9 Panama's banking system has more than 152 banks that have
10 been legally set up in the country and which allow money to
11 come in and leave the country without any type of control.
12 This is part --

13 Senator Kerry: About six or seven years ago, how many
14 banks were there in Panama; maybe 10 years ago?

15 Mr. Blandon: Well, the development of the banking system
16 over the past 10 years is what has made it possible for us to
17 have more than 132 banks now. Maybe back then we had between
18 25 or 30 banks.

19 Then we had different types of incentives and laws
20 created for the development of the banking system in Panama.
21 This project was studied and developed jointly with the
22 United States. It is not a money laundering operation. It
23 was intended to develop our financial system to properly and
24 fully take advantage of Panama's geographic position.

25 I will later on describe, Mr. Chairman, how it is that

1 international drug trafficking has transformed Panama and
2 Colombia and Costa Rica, as well as Honduras and Nicaragua,
3 how they have made this an International venture which not
4 only contravenes the interest of Panama but also the
5 political interest of the United States. And I will speak
6 about this later on.

7 Coming back to the banking system, this --

8 Senator Kerry: Mr. Blandon, again let me ask you. You
9 are doing very well, and we are following with great
10 interest, but I just want to make sure we can follow
11 everything.

12 So if we could keep going a little slower, that would be
13 helpful. Thank you.

14 Let me ask you. I know you want to come back to the
15 banking system, but I want to just quickly ascertain is there
16 a firm in Panama which is controlled by the Cubans which they
17 use for the importation of high technology equipment from the
18 United States?

19 Mr. Blandon: There are several firms in Panama that are
20 controlled by the Cubans; especially the Reciclaje S.A. is
21 one used by the Cubans to import high technology to their
22 country, and they take it from Panama to Cuba --

23 Senator Kerry: Would you spell the name, please?

24 Mr. Blandon: Reciclaje is -- let me see if I can write
25 it, first.

1 R-e-c-i-c-l-a-j-e S.A. So it's Reciclaje S.A. It is
2 controlled by a Mr. Brown, who is the manager, and he is a
3 Cuban.

4 There is another company which is called Simone, and
5 there is also a system set up by the Cuban government and
6 Noriega allowing Cubans to export shrimp and lobster to the
7 U.S. The shrimp and lobster are fished by the Cuban ships.
8 They are sent to Lacamonte, which is a port in Panama, and
9 then they are sent to the United States as if they were
10 shrimp fished in Panama. So that is another part of the
11 business.

12 Senator Kerry: Who controls that?

13 Mr. Blandon: Also, tobacco is a similar product.

14 Senator Kerry: Who controls that firm?

15 Mr. Blandon: All operations under this area are
16 controlled by Carlos Wittgreen. He is a Noriega associate.

17 Senator Kerry: Is it true that the shrimp and lobster
18 are then labeled "product of Panama"?

19 Mr. Blandon: Yes, that is true.

20 Panama exports the shrimp because we also produce our own
21 shrimp, and we're developing shrimp breeding; but we include,
22 that in our own figures.

23 If you look at shrimp exporting figures for recent use,
24 you will see that the graph has peaked, and that is not
25 because we have a larger fleet in Panama but simply because

1 we are now also including the Cuban shrimp which I have
2 referred to. The statistics reflect this very clearly.

3 As I was saying, Mr. Chairman, these four groups produce
4 a flow of moneys which then needs to be channeled to banks
5 abroad or to investors who have "legal dealings" with
6 Noriega. These are Carlos Duque; not Duque as it says in the
7 chart but Duque.

8 Ildefonso Riani also is misspelled.

9 Mike Harari, who is a very interesting character in
10 Panamanian politics. He is a very former general. He
11 retired. He is an Israeli general who retired and worked for
12 10 years with the Israel Intelligence Forces Services, and he
13 now works for Noriega. He trains and directs his own
14 personal guards and negotiates with Noriega in weapons
15 trafficking operations.

16 Senator Kerry: He trains Noriega's personal guards; is
17 that accurate?

18 Mr. Blandon: Yes. But more than training Noriega's
19 personal guards, he has very important dealings with Noriega
20 in the area of weapons trafficking, because he uses what is
21 called the end user certificate.

22 This means that when you buy weapons in a given country,
23 you have to say what those weapons are going to be used for
24 ultimately so that they will not be sent to a country which
25 is an enemy of the country issuing the weapons. So the name

1 of Panama is usually used, and his signature on those
2 certificates produces millions of dollars.

3 Senator Kerry: Just so we stay in context here, later
4 that question of end user certificates is important with
5 respect to the Pia Vesta shipment, is it not?

6 Mr. Blandon: Yes, that is correct.

7 And there is also a Japanese group, AOKI. They own the
8 AOKI Company in Japan, and they're also friends of Noriega
9 and have made investments in Panama.

10 And Ramon Sietro, who is Noriega's brother-in-law. He's
11 married to Noriega's sister, and he controls all shipbuilding
12 and shipping industries in Panama, and they have revenues of
13 more than \$20 million for that one single company.

14 So what we have in practice is an empire which since 1972
15 has grown, and that development or that growth is in turn
16 tied to another important event, Mr. Chairman, another event
17 which was taking place in all our countries.

18 Starting in 1983 when the government of Bedancour took
19 over the presidency in Colombia and in keeping with policy
20 developed by the then U.S. ambassador in Colombia, Ambassador
21 Tamms, who was then later transferred to Costa Rica, we began
22 a very strong fight against the Medellin Cartel.

23 You may recall that in 1983 the Medellin was severely
24 attacked, and since that time the cartel decided to diversity
25 its activities throughout Central America, and it began to

1 set up new processing plants in Panama, in Nicaragua, and
2 began to use other countries for illegal drug traffic.

3 So this new thread in drug traffic activities coincided
4 with Noriega's coming to power. As I said, on 12 August 83
5 Noriega came to power not only as commander but also at the
6 time he passed this new law giving himself more power to
7 control Customs, Immigrations and Passport Services. This
8 occurred at the same time as the drug trafficking activities
9 developed.

10 Senator Kerry: Do the proceeds of Customs go to
11 Noriega? What happens to the proceeds of Customs?

12 Mr. Bandon: The proceeds go in directly to Noriega, and
13 these are different types of minor revenues that go directly
14 to the hands of Customs officers.

15 And we have large shipments that are smuggled. The
16 smugglers have to pay the Customs officer something.

17 So we have two types of dealings: the small dealings,
18 and this would be under \$1 million; and then you have the
19 million dollar dealings, which go directly to the Commander's
20 hands.

21 Senator Kerry: Looking at the maritime trade, you have
22 mentioned that he had some control of the maritime trade.

23 Does he profit from the fact that so many vessels fly the
24 Panamanian flag?

25 Mr. Bandon: Of course. The Merchant Marine of the

1 Republic of Panama is a force in the world, and it competes
2 with Liberia. It has over 15,000 ships.

3 The company controlled by Ramon Siero called Marlnac, of
4 which Noriega has control, is the company in charge of
5 producing identity passes for the crews of the 15,000 ships.
6 These passes or the crew has to pay Marlnac \$100 per pass,
7 and they are valid for two years, and the crew works \$80 per
8 pass. It is the officers \$100 and the rest of the crew \$80.
9 This certificate has to be renewed every two years.

10 If you multiply the 15,000 ships of the Panamanian
11 Merchant Marine by an average --

12 Senator Kerry: 50 or 15?

13 Mr. Blandon: 15, 1-5.

14 If you multiply it by an average of 50 crewmembers and
15 \$100, you can see the size. Official estimates show that
16 every year this company, which invests absolutely nothing
17 because it is the Panamanian consulates who have to make
18 these passes and send the checks to this company -- they
19 don't do anything, and I know that because I was a consul for
20 a year and I know now how this operates.

21 So this produces net proceeds of \$20 million. That's
22 their business.

23 As I said Ramon Siero is the brother of the General's
24 sister -- I mean of the General's wife, excuse me.

25 Senator Kerry: Is being a Panamanian diplomat a

1 profitable business?

2 Mr. Blandon: It depends on how close you are to Noriega.

3 Senator Kerry: Now, assuming --

4 Mr. Blandon: For instance, the general consul in Miami
5 is consul in Miami or of Miami as well as of other consulates
6 in the Far East. So his income is around \$1.5 to \$2 million
7 a year.

8 Senator Kerry: Is the consulate in the Far East
9 particularly profitable?

10 Mr. Blandon: Yes, because most ships of the Panamanian
11 Merchant Marine come from that area, in Japan, Taiwan, South
12 Korea, Hong Kong, Singapore. So that's where there's the
13 greatest commercial and trading activity of Panamanian
14 Merchant Marine.

15 Senator Kerry: Now, before I turn to some of the
16 specific businesses which we want to look at, let me just ask
17 you a question.

18 Yesterday Mr. Leigh Ritch, who ran a marijuana smuggling
19 business and who is currently incarcerated in the United
20 States, testified here. Mr. Kalish, who works with him,
21 testified previously. Both of them talked about the BCCI.

22 Can you tell us a little bit about the BCCI? The BCCI is
23 the bank at which they talked about laundering their money.
24 It was the bank that they were directed to by Cesar Rodriguez.

25 Do you know anything about the BCCI?

1 Mr. Blandon: ICCB?

2 Senator Kerry: Well, he may have in English changed the
3 letters around, but that is accurate.

4 Mr. Blandon: The English name is International Commerce
5 and Trade Bank. It is the same bank.

6 Senator Kerry: Yes.

7 Mr. Blandon: That is the very same bank in Panama.

8 It is a very famous bank in Panama. It is led or headed
9 by someone called Feron, and that bank has branches all over
10 the world. Its headquarters is in Europe, and that's a bank
11 that was used by Cesar Rodriguez and is used by Pretelt for
12 money laundering. It's one of the banks used by them.

13 It is a bank where normally Noriega carries out his
14 international operations, so it is a very -- it's a bank that
15 would be very interesting to study.

16 Senator Kerry: You say it is one of the banks. Could
17 you name some of the others?

18 Mr. Blandon: Here in the chart we see the Swiss bank,
19 the Bank of Cafetero, Interbank and other banks.

20 In each one of these banks, you will see that there are
21 personal friends of Noriega's. These are the managers.

22 Senator Kerry: Now, turning to the other businesses
23 which General Noriega owns, you have told us about the
24 Cubans.

25 Can you tell us about the visa business?

1 Mr. Blandon: The visa business has actually two sources
2 of income. On the one hand, the visa is granted to Cuban
3 citizens who wanted to leave Cuba for the U.S., and I'll
4 explain that in a moment.

5 And then the other is visas sold to Asian citizens,
6 especially from Hong Kong, who want to settle in Panama.
7 That's a more profitable business.

8 The first one that I mentioned, from 1982 to 1986 over
9 20,000 Cubans left Cuba through the system.

10 As a Cuban or his relatives in the United States,
11 basically in Miami, has to pay \$4,000 per person, and the
12 Republic of Panama officially charges \$10 to grant a visa.
13 So out of these 20,000 Cubans, the Republic of Panama
14 received 20,000 times 10; that is, \$200,000, which is the
15 official rate, \$10 a visa.

16 But there was as business with Cuba, and the list would
17 first arrive in Panama, and then Noriega would send an
18 officer of the Defense Forces into Cuba with a list, and
19 Fidel would have this list.

20 And during that period we have this number that went to
21 Panama but from Cuban citizens living in the United States,
22 \$80 million went to Panama that were distributed mainly
23 between Noriega and Diaz Herrera.

24 You may remember that in one of the statements made by
25 Diaz Herrera in Panama, he said that there were three parts

1 that were distributed. One was for him, and he earned
2 millions of dollars from this. And he, himself, said that he
3 was able to build his home that he said cost \$500,000 but
4 because of its location and its size that house is worth more.

5 But let's assume that that is the price, \$500,000. So he
6 had one share, and the other share was for Herrera.

7 But this business has to be carried out in coordination
8 with Cuba. You cannot go to Cuba and ask for visas, for
9 instance, if you don't have an authorization of the Cuban
10 immigration authorities.

11 That was one of the ways used by Castro to have a certain
12 control over Panamanian officers. He bought this service by
13 the Panamanian defense authorities for the activities carried
14 out which are not only of a commercial nature but of a
15 political nature, too, as we will explain later on. So that
16 was part of the business.

17 In Panama presently -- and, by the way, American
18 authorities, no doubt the U.S. Immigration authorities knew
19 about this business.

20 At a meeting in which I participated, they complained
21 about the situation, and they suspended visas toward the
22 United States after over 16,000 Cubans had already come in.
23 In other words, in Panama right now there are about 6,000
24 Cubans who are there and who are being claimed by their
25 relatives in Miami because the U.S. closed down that

1 activity, even though they knew that this was a deal that
2 Noriega had and they knew its cost because there had been
3 many complaints by Cubans who had claimed relatives.
4 Sometimes they paid the money and then the relative didn't
5 show up.

6 So this deal, this business, I would call it a business
7 in which Fidel gave payments to the Panamanian Defense
8 Forces, and American authorities decided to ignore this for a
9 certain time period.

10 Senator D'Amato: Mr. Chairman, on the question of the
11 dealings with the Cubans, I would like to ask Mr. Bandon if
12 he might go into some detail as it related to another
13 transaction or series of transactions which he had personally
14 with General Noriega and with Fidel Castro.

15 Mr. Bandon last month, in speaking to my staff and in
16 speaking to me, recounted a rather chilling tale that goes
17 right to the essence of the power of the drug cartel from
18 Colombia in which Mr. Bandon was dispensed as an emissary on
19 the part of General Noriega, and a whole subject area came up
20 dealing with this area.

21 I am wondering, Mr. Bandon, if you might touch on this.
22 That was in about 1984, is that true?

23 Mr. Bandon: That is right.

24 Senator Kerry: I was just going to ask, Senator, if he
25 did not mind, and if he has a time problem I am happy to go

1 into that at this point.

2 What I was trying to do, we are almost at the completion
3 of the businesses, and then we were going to try to do the
4 gun running in one piece, the drug smuggling, and that would
5 bring us into the Cuban contact.

6 If you want to do it now, I am happy to do it, but I
7 think it would be easier for everybody to follow because
8 there is a context to the whole development of the cartel
9 piece.

10 We will do whatever the Senator wants, but I think it
11 would be easier to do it the other way.

12 Senator D'Amato: Fine. I just think, really, when we
13 talk about this whole area that that is an indispensable
14 ingredient so that one gets the flavor of just how involved
15 Castro, the Colombians, the drug dealing, and Noriega really
16 are.

17 Senator Kerry: I tell you what we will do. Let us do it
18 this way. If we just finish up quickly with a few
19 businesses, we can come back to some of the descriptions,
20 because I think it is very important to show the scope and
21 the detail of this witness' knowledge.

22 Then we will go into the drug running ahead of the guns,
23 and that way we can jump to it pretty quickly.

24 Senator D'Amato: Thank you, Mr. Chairman.

25 Senator Kerry: Maybe we can do it a little faster on the

1 businesses and get a scope. I do not mean faster speaking.
2 I mean we will go to the areas faster.

3 In addition to what you just described, was there a
4 company in the free zone that had to pay a tax to Noriega?

5 Mr. Blandon: Transit S.A. That is a company. Transit
6 S.A. It is a company that Carlos Duque is the general
7 manager.

8 Senator Kerry: That company would specifically do what?
9 Where would the tax come from?

10 Mr. Blandon: From the other companies that work in the
11 free zone. They have to pay this company, and this money
12 Carlos Duque returned to Noriega. This is the money that
13 Noriega used to pay all the Panamanian officers.

14 Senator Kerry: Was there a lover of Noriega who
15 controlled all of government advertising?

16 Mr. Blandon: Yes. They control through a company named
17 Arwell.

18 Senator Kerry: Can you spell that?

19 Mr. Blandon: I'm not sure about the company. Let me
20 think about the company, where there's a company who has the
21 control of all the government advertising. That's more than
22 -- they pay 50 percent of all the costs.

23 Senator Kerry: 50 percent to?

24 Mr. Blandon: To this lady.

25 Senator Kerry: In addition, was there a company which

1 controlled the export of leather?

2 Mr. Blandon: Yes.

3 Senator Kerry: That was controlled by whom?

4 Mr. Blandon: I don't know the person who controlled, but
5 this is a business that Noriega had.

6 Senator Kerry: Control of all the duty-free airports of
7 Panama?

8 Mr. Blandon: Yes, they have a company.

9 Senator Kerry: Also Noriega?

10 Mr. Blandon: Yes. There are two companies, Equipaje
11 Acompañado and Licores de Tocuman.

12 Senator Kerry: Could you spell those for us, please?

13 Mr. Blandon: Equipaje Acompañado and Licores de Tocuman.

14 Senator Kerry: Was he the owner of TV-2, a television
15 station?

16 Mr. Blandon: Yes. The owner has the shares, but the
17 general manager again is Carlos Duque. And all the business
18 that he has in the airports is duty free, as Bolimo De Castro
19 and Dellano Marlano that work for Noriega, is an employee of
20 Noriega. He paid for him, and the money is returned to him.

21 Senator Kerry: Investments in real estate?

22 Mr. Blandon: Well, you have to -- in Panama since 1983,
23 the investment in real estate made by the drug dealers and by
24 Noriega is very high. Now, you have house building where the
25 drug dealers are the owners. In Panama, we call it

1 underground economy. A lot of money that goes into the
2 system is illegal.

3 Senator Kerry: What about interest in Banco Cafetero?

4 Mr. Bandon: Noriega is the owner of the bank through
5 other companies, through other persons. You'll never find
6 Noriega in front of any of the companies. Always you'll find
7 different persons, and when you have a problem with tat
8 person, that person will disappear or appear killed.

9 So you will see that nobody will try to change that.

10 Senator Kerry: And the company with Herrera?

11 Mr. Bandon: What company?

12 Senator Kerry: Is there a company with Herrera?

13 Mr. Bandon: Herrera is the owner of the company. He
14 works with Herrera, and Herrera has many investments in
15 Panama, in real estate. Remember that he bought by illegal
16 methods more than 40 -- more than 80 acres in area of Panama
17 City by \$2 million.

18 It is a very commercial relation with Noriega.

19 Senator Kerry: Does he own Ersä, the government
20 newspaper chain?

21 Mr. Bandon: He controls Ersä. Ersä is a company that
22 this company does not produce any revenue but has a control
23 of the information of the papers and only publish when
24 Noriega say.

25 Also, they prepare campaign against people that work in

1 this Senate, and later on I will make some statement about
2 that.

3 Senator Kerry: We will come back to that. What I want
4 to do is try to do, because they get very complicated, I want
5 to go through each area, and then this afternoon we will go
6 into some of the intelligence connections, some of your
7 dealings with Oliver North, the Southern Front and those
8 portions of it. But I would like to just stay on the first
9 track first if we can.

10 Explonsa, an explosive manufacturing company?

11 Mr. Bandon: Explonsa is a state company. It is
12 different from the other companies. It is a company that is
13 created by all and is a company that belongs to the Defense
14 Force as an Institution. It produces explosives.

15 Senator Kerry: Would a portion of the income go to
16 Noriega?

17 Mr. Bandon: That company, they also don't produce any
18 revenue, so you have only the -- the Defense Forces have the
19 control of that company. That is not a private company. It
20 is principally regulated by law. You cannot say that is a
21 business of Noriega, and also it doesn't produce any revenue
22 so he is not interested in it.

23 Senator Kerry: Banco Patria?

24 Mr. Bandon: Banco Patria is a bank that Noriega
25 announced just to have the support of the truths. You have

1 to remember that all of these problems that Noriega has also
2 has influence in the member of the Defense Forces, and he
3 announced the creation of these banks to have money for the
4 development house for the soil of Panama.

5 Because one of the problems Noriega has is with the life
6 that he has with too many houses. The luxury life that he
7 has in relation with the life that the soldier has is a great
8 difference. So he tried to have this bank to sell some
9 public houses. But this bank he announced just three months
10 ago.

11 Senator Kerry: I think it would be helpful if we went
12 back into the simultaneous translation, and I think we will
13 have a little bit of an easier time and be a little more
14 precise as we go on here.

15 What I would like to do, Mr. Bandon, now, in response to
16 Senator D'Amato's area of inquiry, is move into the question
17 of drug smuggling, and then we can revisit some of these
18 other details later.

19 When did General Noriega first go into the business of
20 protecting and assisting drug smugglers?

21 Mr. Bandon: Well, there are two different operations.
22 He first -- he first began working with drug trafficking and
23 later on began to protect drug traffickers. It's two
24 different dealings at two different times.

25 As I said, after the gun running operations starting in

1 1982, they began using Floyd Carlton, and you will tomorrow
2 be able to hear about this. So they used Floyd Carlton,
3 Cesar Rodriguez and Enrique Pretelt as their channels or
4 avenues to have access at the same time to the Medellin
5 Cartel.

6 Senator Kerry: Before he made this connection to the
7 Medellin Cartel, General Noriega had been involved with drugs
8 back in the 1970s, had he not?

9 Mr. Blandon: Well, he was accused of that, but there was
10 insufficient evidence at the time.

11 From 1970 to '80, the Republic of Panama saw a fairly
12 normal number of cases, and I say normal because Panama is
13 one of the countries that is used for drug operations and,
14 therefore, there was a substantial number of cases.

15 But the relationship between drug trafficking and the
16 political life in Panama began in 1982 and culminated in '84,
17 when they came to control the political life of Panama
18 totally.

19 So during that time from '82 onwards, there was a
20 beginning of these rights that were granted, the rights to
21 land, for example, in Panama, this right that was granted to
22 the drug dealers, and this developed up to 1983 when the
23 Medellin Cartel decided to diversify its center of operations.

24 And this began the process whereby they set up processing
25 plants in Panama and particularly in the province of El

1 Darien in La Palma. This is a province that is very close to
2 the border with Colombia.

3 And that marked the beginning of the process through
4 which I learned that this new relationship not only with drug
5 dealers but also with international relations existed with
6 drug traffickers over the years.

7 Senator Kerry: Was General Noriega paid in order to go
8 into that relationship?

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1 Mr. Blandon: I would like to refer to this document. I
2 will ask you to please take this copy.

3 Senator Kerry: Are these photographs?

4 Mr. Blandon: Yes.

5 I should like to refer to the incident at the processing
6 plant in Darien.

7 Senator Kerry: Before you do that, let me ask for an
8 answer to the question I asked you about the relationship
9 between the relationship between the cartel and Noriega. Was
10 there a payment by the cartel to Noriega to give them this
11 safe haven in Panama?

12 Mr. Blandon: Well, you're referring -- well, two things
13 happened at the same time. On the 6th of May, the same day
14 that they were holding the 1984 elections in Panama, the
15 Medellin cartel came to a meeting in Panama, a meeting with
16 former President Lopez Michelsen. And that meeting was
17 called after the assassination of Minister of Justice of
18 Colombia, Lara Bonilla, who was assassinated on May the 1st.

19 After the meeting, the group of drug traffickers,
20 including Pablo Escobar Garilla, Jorje Vasquez, Favio Ochoa,
21 stayed in Panama and they were protected by the defense
22 forces of the Republic of Panama for a time ranging between
23 30 days or seven months. That would depend on the drug
24 trafficking operations.

25 So that time during which they were given protection,

1 Noriega -- and here there are different versions. According
2 to the version which I have, which is the version which was
3 related to me by Noriega, though he did not give me the exact
4 figures, he said that they were paying a high price. So the
5 price ranged between \$4 and \$7 million paid by the cartel in
6 order to be given protection.

7 Senator Kerry: Now let me understand this correctly.
8 General Noriega personally told you of this relationship and
9 that they were paying a high price, he personally said that
10 to you?

11 Mr. Blandon: Yes. I will explain exactly when --

12 Senator Kerry: No, let me ask the staff here if they
13 would get the pictures and bring them up here so that we can
14 -- now, these pictures are pictures that you had in your
15 possession?

16 Mr. Blandon: Yes, those photographs were given to me by
17 the Cuban intelligence services three months after that
18 meeting took place. I had them in my custody.

19 Well, you can see that the photographs were copied from
20 originals, which in turn had been touched up by the FBI
21 because the originals were given by me to the grand jury in
22 Miami. So what you have in your hand is simply a copy that
23 the FBI made from the originals because they had to prove
24 that they were authentic.

25 Senator Kerry: These are photographs of you, of General

1 Noriega with Fidel Castro, and pictures of you meeting with
2 Fidel Castro and General Noriega. And this took place as a
3 result of what happened with the Medellin cartel, is that
4 correct?

5 Mr. Blandon: Well, that was the result of the operation
6 which led to the closing down of the Darien processing plant
7 by the defense forces. And the cartel, which had paid \$5
8 million to set up the plant, saw that Noriega had betrayed
9 the cartel.

10 So on that basis, the Medellin cartel and Colonel Barbua
11 planned to assassinate Noriega during one of his trips to
12 Israel. When he returned from Israel, he called me to Panama
13 and said that I should go to La Rina to meet with him there,
14 and that in Havana --

15 Senator Kerry: Now, wait. Now, wait. We need to go
16 through here a little bit more slowly and carefully. The
17 processing plant at Darien was closed down in a raid,
18 correct?

19 Mr. Blandon: That is correct, the 29th of May 1984.

20 Senator Kerry: And in that raid some 23 or 24 people
21 were arrested, is that accurate?

22 Mr. Blandon: Correct.

23 Senator Kerry: One of the people arrested was a
24 Lieutenant Melo?

25 Mr. Blandon: No. The colonel who was in charge of the

1 operation, the link between the defense forces and the cartel
2 in this specific case, was Lieutenant Colonel of the defense
3 forces of Panama, and his name is Julian Melo Borbua. He was
4 in charge of the deal and he received the money.

5 He was not captured there. He was captured in Paris when
6 Noriega discovered -- not Noriega, really. The person who
7 discovered that there was this plot was the Israeli
8 intelligence service.

9 You may ask why is the Israeli intelligence service
10 involved? Well, because they assist Noriega when he goes to
11 Europe. That is one of the services which Mike Herrare to
12 Noriega.

13 They discovered this plot and Melo was sent back to
14 Panama. Noriega goes on to Israel, he stays there five
15 days. When he returns, he stops in London and he then calls
16 me to Panama and had me go from Panama to Havana to discuss
17 this problem.

18 At that time the information which we had in our hands in
19 Panama was fairly incomplete. We did not know the reason
20 behind this plot. So I traveled to Havana on the 21st or
21 22nd of June of 1984, so 21 or 22 days after the processing
22 plant had been raided.

23 In Havana there was a meeting, a meeting which, you can
24 see in the photograph, involving Fidel Castro, the President
25 of Cuba, and the Panamanian delegation, including me and

1 Admiral Camargo.

2 At that meeting, Fidel Castro told us what he knew about
3 the case, and he told us -- these are the words of Fidel
4 Castro. He said that Melo had received \$5 million from the
5 Medellin cartel, especially from the Escobar group, and that
6 of those \$5 million -- and this is Fidel Castro's version,
7 what he told us -- Melo had given Noriega \$2 million, kept
8 one million for himself, and \$2 million were given to
9 different officers or individuals involved in the operation.

10 And when the plant was raided, Melo informed the cartel
11 that General Noriega had reneged on the deal and that,
12 because of the pressures arising from the Lara Bonilla
13 assassination -- and remember what is happening in the
14 political arena -- Noriega decided to go and raid the plant
15 because he knew where it was.

16 And the cartel felt it had been betrayed, and they
17 planned this. So Fidel recommends that we, or that Noriega,
18 enter into a deal with the Medellin cartel. So we asked him
19 what type of deal would this be, and Fidel proposed that it
20 should be a deal acceptable to the cartel, along the
21 following lines:

22 That is, returning the \$5 million, returning the
23 machinery, because the plant was not destroyed, it was simply
24 seized. And when I say the machinery, I mean that, well, you
25 had an electric or a power plant of 40 megawatt, there were

1 other facilities. There was raw material, and by this I mean
2 there was cocaine which was being processed and also ether,
3 ether which is used to process and refine cocaine.

4 And in addition, he proposed that Colombia be given 23
5 prisoners detained in Panama at the time, as well as the
6 helicopters and the planes which had been seized. So you can
7 imagine the size of this operation.

8 And he proposed that we use someone who was in Havana at
9 that time, who would be authorized to conduct this
10 operation. In the meantime, Noriega is still in London, on
11 his way to New York.

12 Subsequently, I met with this emissary, who was a
13 Colombian. Well, he never told me his name. And he
14 explained to us, as Castro had, what the problem was, and he
15 offers the same solution which had been put forth by Castro.
16 His explanation was that they wanted no problems in Panama,
17 they were businessmen; and that if Panama did not allow them
18 to have the plant there, they would not create any problems
19 because they had other operations in Panama.

20 Senator Kerry: Let me just interrupt you here very
21 quickly for two things. One, these two photographs are
22 photographs of your first meeting with Fidel Castro, is that
23 correct, when you went as an intermediary? Is that
24 accurate?

25 Mr. Blandon: Correct.

1 Senator Kerry: And who is this? This is you here?

2 Mr. Bandon: Correct.

3 Senator Kerry: Who is this beside you?

4 Mr. Bandon: Captain Camargo. He is a member of the
5 defense forces of Panama.

6 Senator Kerry: And this second picture is you shaking
7 hands with Fidel Castro. And who is to the left of you here,
8 do you remember?

9 Mr. Bandon: Captain Camargo.

10 Senator Kerry: Again. And this gentleman is who?

11 Mr. Bandon: That is Commander Pineiro, in charge of the
12 Latin American department and all the operations concerning
13 Latin America.

14 Senator Kerry: Now, why would Fidel -- what was in it
15 for Fidel Castro to mediate a deal between the Medellin
16 cartel and General Noriega? What was his interest?

17 Mr. Bandon: well, there were several reasons. First,
18 you may recall that at that very same time we were
19 negotiating in Cuba members of the cartel were present in
20 Panama. There were more than 100 cartel members there,
21 including bodyguards and other associates.

22 Secondly, Noriega was afraid of going back to Panama.
23 That is why he sent me to Havana. He was afraid because the
24 members of the cartel were there.

25 And as this was happening, the elections in Panama had

1 just taken place and there was political unrest in the
2 country. And that was the first time that a high-ranking
3 officer was tied to the drug trafficking, and by this I'm
4 referring to Colonel Melo.

5 Furthermore, the cartel was just beginning its
6 operations, and if you look at their records you will see
7 that as this operation was being conducted in Panama, that is
8 the laboratory or processing plant for cocaine, at the same
9 time they were beginning an operation in Nicaragua.

10 I think that there are several witnesses whom you could
11 hear from. One is Carlton because he was his personal pilot
12 when Escobar was in Panama, because he won Escobar's trust.

13 So Fidel did have the comprehensive view of the problem,
14 and at the same time you had the situation in Central America
15 whereby the U.S. Administration was developing its policy,
16 and Fidel feared that Noriega would be replaced in Panama.
17 In Fidel's head, and I think he was right in this, he
18 believed that if Noriega and the group of officers working
19 with him were to be eliminated from the defense forces, the
20 illegal dealings he had with Panama would come to an end.

21 So he was interested because his own interests in Panama
22 were threatened. So his interests were political, they were
23 economic, and they were interests linked to a war which was
24 being waged with the United States.

25 Senator Kerry: Now, you made an arrangement then with

1 Fidel and the cartel, is that accurate?

2 Mr. Blandon: I listened to the proposal, and Fidel
3 suggested that I hold a private meeting with Noriega. That
4 is why when Noriega arrived in Havana two days after I had
5 arrived, Fidel was not there to greet him personally.
6 Rather, he arranged that General Noriega be received by Raoul
7 Castro and by us.

8 And he told Raoul Castro to wait for a sign from me and
9 that he should then withdraw from the house so that I could
10 speak personally with Noriega, and that is what happened. I
11 discussed the problem with Noriega not only as presented by
12 Fidel Castro, but also the entire political situation in
13 Panama.

14 And it is then that I explained to him the problem
15 entailed by the presence of the Medellin cartel in Panama. I
16 explained why this would give problems for us. And he said:
17 Well, they are paying a price.

18 And it is then that there was a meeting between Noriega
19 and Castro, after I had explained to Noriega the situation.
20 There was a meeting lasting five to six hours, and after it
21 concluded Noriega told me aside and Castro, before leaving
22 the house -- it was three or four in the morning of the 27th
23 or 28th of June of 1984 -- that everything had been arranged
24 and that they were going to proceed according to Castro's
25 proposal.

1 But I forgot to mention an important fact. In my
2 discussions with the intermediary from Colombia, he said that
3 the 23 prisoners detained in Panama, well, that they were
4 personally interested in one of them. It seems that it was
5 someone who had accidentally been supervising the plant and
6 was captured.

7 These 23 individuals, when the deal was made, as you look
8 at all the background around the case, you will see that
9 after we went back to Panama and Noriega made the final
10 arrangements with the cartel, the cartel was given all the
11 machinery, the helicopters, the airplanes, the prisoners, and
12 23 men having committed a crime in the Republic of Panama
13 were not charged at all, and they were sent to Colombia.

14 And Colombia's legal excuse was that, since they had not
15 been charged, they were Colombian nationals who were deported
16 because they did not have any type of identification or
17 documents, so Colombia could not try them and Panama did not
18 make any charges.

19 And these were individuals captured in a cocaine
20 processing plant, which is a crime in Panama or in any other
21 country of the world. It is an illegal operation. And they
22 were simply sent out of Panama, and Colonel Melo Barbuza was
23 set free.

24 So the case was closed. And if you look at the reports
25 of the Drug Enforcement Agency of the United States, you will

1 see that that case was explained by the DEA as a case which
2 showed General Noriega's cooperation with the fight against
3 drug trafficking. That is how it is labeled in DEA
4 documents.

5 So Mr. Chairman, that is why I decided to go before the
6 grand jury in Miami. I said and I now state it publicly, it
7 is that I am personally concerned, because I was never
8 questioned by any DEA agent. And I spoke at the time with
9 the prosecutor Gregory, whom I believe is a very good person,
10 and I told him that I had information, written information
11 about something which I thought showed that there was
12 complicity on the part of Noriega with this operation, and
13 that the DEA had certified that this same case was an example
14 of Noriega's cooperation with the DEA.

15 Senator Kerry: If I can, I want to hold it up just a
16 little here. The operation which was part of the seizure of
17 the Darien processing plant was Operation Pisces, is that
18 right? Was it part of that? Or that was at a different
19 time?

20 Mr. Blandon: No. Excuse me, the Pisces Operation was an
21 operation that ended in May 1987. It was an operation that
22 happened three years later to this problem that I am
23 describing regarding the Darien processing plant.

24 Senator Kerry: We will come back to Pisces afterwards.
25 With respect to the Darien raid, there was a letter

1 written, was there not, commending General Noriega for
2 participation? Do you remember seeing that?

3 Mr. Bandon: No. In the reports I have read, in the DEA
4 reports, that is mentioned. This case is mentioned as an
5 example of cooperation.

6 So what I am saying is, if that's an example of
7 cooperation then this world is upside down.

8 Senator D'Amato: Mr. Chairman, if Mr. Bandon would go
9 back to the meetings that he personally attended with General
10 Noriega and Fidel Castro, because I found it quite chilling.
11 And as a matter of fact, it was after Mr. Bandon recounted
12 that that we suggested to the Justice Department they provide
13 him with the protection that he now has.

14 Did there come a time that Noriega met with Fidel?
15 Indeed, was the money paid back, the \$5 million? You have
16 mentioned that the prisoners were released. And what did
17 Castro do?

18 Didn't Castro provide a bodyguard or a unit to go back to
19 Panama with Noriega, to be certain that he would be
20 protected? I think if you can explain what happened, that
21 would be very interesting.

22 Mr. Bandon: During the negotiation, we included the
23 return of the \$5 million that the Medellin cartel had paid
24 Panama. That was part of the deal.

25 Two weeks later, in speaking with Noriega on everything

1 that had happened, he said to me that everything had been
2 returned. He didn't say how much money, but I assume that it
3 was the \$5 million because that was part of the deal. These
4 people are very careful when it comes to these kind of
5 deals.

6 When we returned to Panama, as I said, the country's
7 political situation was quite difficult and delicate, because
8 that was happening only one month after the elections. The
9 opposition was in political upheaval because they alleged
10 that the results of the elections were false, that is there
11 was fraud, and in addition, a high military officer of the
12 defense forces had been involved in drug trafficking.

13 So when we went back, there was an Electroplane. There
14 were only eight or ten of us. The Cubans provided a unit for
15 personal protection in the plane, that was coming in the
16 plane to protect us when we arrived in Panama. But when we
17 arrived there was no problem.

18 And Noriega held a press conference to the Panamanian
19 armed forces and invented by saying that there was a woman
20 from Rotterdam who had been trafficking in ether, and the
21 only woman from Rotterdam who was trafficking with ether is
22 Major Marian, who is not a woman, he's a man.

23 Senator D'Amato: Were there some 40 troops that
24 accompanied you back, an elite guard that Castro maintained?

25 Mr. Blandon: There were less. I think there were about

1 25 expert people in protection.

2 Senator D'Amato: Mr. Blandon, when you were speaking to
3 me you related also a conversation that you had with Castro
4 and Noriega as it related to drug dealing. And Castro went
5 into an oration as to why he was involved. You at first were
6 rather taken back by this whole thing about the drugs and the
7 payment of the \$5 million and Fidel Castro's intervention,
8 because as I recall you did not even initially want to carry
9 that message.

10 But it was Mr. Castro himself that insisted that you
11 carry this message back to Noriega. Would you, for the
12 public and the Committee, give us what Castro -- how he
13 justified the drug trafficking and the support of it, and
14 what he, as he related it to you, what he was doing, his
15 activities?

16 I know there is a liaison with the Medellin cartel.
17 There's a certain ambassador to Colombia who is the key
18 contact. Would you touch on some of those things?
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1 Mr. Blandon: If you look at the chart which says
2 International Network, you will see that in 1984 there were
3 operations that were being carried out simultaneously in
4 Panama, Nicaragua and Colombia.

5 I suggest that when you speak to Carlton tomorrow that
6 you ask him about his trips to Nicaragua and Richard
7 Bilonick's trips to Nicaragua when he took money in cash to
8 pay in Nicaragua to Nicaraguan leaders who were never
9 specified.

10 But the fact is that Cuba had an Ambassador Ravelo in
11 Colombia who was the contact between the guerrilla movement,
12 the M-19 and the drug movement.

13 Fidel Castro's theory with regard to this aspect is that
14 Colombia's political world, that if you want to have an
15 influence on Colombia's political world, you have to have an
16 influence on the drug trafficking world, too.

17 Unfortunately for Colombia and for us, they are power
18 that is much greater than we who are sitting here can
19 imagine. They have exactly that type of relationship.

20 Part of the surprise that through Panama we are going to
21 the M-19 movement, we are part of the operation that is known
22 in Colombia as drug trafficking and terrorism; that is, that
23 there is a relationship between terrorist groups and drug
24 trafficking.

25 And these are two groups, then, that act simultaneously

1 from an operational point of view. This is different from
2 the national liberation movement that are not connected to
3 drug trafficking, such as the movement in El Salvador, for
4 instance. There is no evidence, at least that we have, that
5 the Salvadoran guerrilla has anything to do with drug
6 traffic, and there is no evidence of that.

7 But in the case of Colombia there is a link between drug
8 trafficking and the guerrilla movement, and part of their
9 coordination movement is done by the Latin American
10 Department of the Communist Party of Cuba led by Piniero.

11 Gentlemen, in the pictures I gave you you will see that
12 one of the people showing up in the meetings is Piniero, the
13 one who is next to Fidel. And if you look at the Panamanian
14 delegation which was with Noriega, in addition to --

15 Senator Kerry: I wanted to identify them. This is the
16 second meeting, correct, with Fidel Castro?

17 Mr. Bandon: Correct. The one on the left is Noriega.

18 Senator Kerry: General Noriega is here standing beside
19 and talking to Castro; is that correct?

20 Mr. Bandon: Yes.

21 Senator Kerry: This is, who, the gentleman with the
22 beard?

23 Mr. Bandon: That is Piniero, who is called Barba Roja,
24 the red-bearded one.

25 Senator Kerry: And the man over here with the dark

1 glasses?

2 Mr. Bandon: That is the ambassador at that time to Cuba
3 and Panama, and the one next to him is Major Luis Del Cid,
4 who was responsible for the operation between --

5 Senator Kerry: That is Major Luis Del Cid, who was
6 indicated in the Miami indictments the other day?

7 Mr. Bandon: Correct. If you look at the other picture
8 where we have --

9 Senator Kerry: The other picture is at the same house;
10 correct? This is at the same time, and this is you present
11 at this meeting?

12 Mr. Bandon: Correct.

13 Senator Kerry: Talking to Fidel, and the other people
14 are identified as who?

15 Mr. Bandon: Yes, that is what I wanted to show you.
16 The one you are showing with a pencil is Pretelt, that one.

17 Senator Kerry: Who is Pretelt?

18 Mr. Bandon: He is in charge of the Air Force.

19 If you look in the middle between Captain Camargo, the
20 tall one, there's Pretelt.

21 Senator Kerry: That is Pretelt.

22 Mr. Bandon: No, the tall one is Camargo, Pretelt is
23 the short one who is between the two tall ones.

24 Pretelt, yes, that one, is the key man of Noriega that is
25 linked to drug trafficking and money laundering. You will

1 remember that intelligence statements, he said that it was
2 Pretelt and Cesar Rodriguez who received them at the
3 airport. See the coincidence?

4 Those were two at that point with Noriega, who was coming
5 back from Israel, was the team linked to Noriega regarding
6 the drug trafficking problem.

7 Senator Kerry: This gentleman here that you identified
8 in the first picture.

9 Mr. Bandon: Is Piniero.

10 Senator Kerry: Was he at the second meeting, also?

11 Mr. Bandon: That is Manuel Piniero. He is the head --

12 Senator D'Amato: He is the head link, is that right, in
13 the South American trafficking for the Communist Party and
14 the movement of Fidel set up down there?

15 Mr. Bandon: Well, he is the head of coordination for
16 all subversive movements in Latin America. That is his job,
17 and he controls Ravelo, who is the link in Colombia.

18 And Ravelo travels to Panama very often, and that is the
19 group which deals with Noriega as officers who are in charge
20 of those operations and, in turn, the group which works with
21 a group in Nicaragua with the same types of dealings and with
22 Colombia.

23 Senator D'Amato: Are you saying that as the operation in
24 Colombia goes, as it relates to the revolution, you indicated
25 the movement of the drugs and the money, that substantial

1 segments of that money then goes to finance that guerrilla
2 operation?

3 Mr. Blandon: Yes, that is correct.

4 Senator D'Amato: Did you have a conversation with Fidel
5 Castro, wherein he indicated to you in addition to what you
6 have outlined in these charts what he was doing and how he
7 felt justified in actually being part and parcel of the drug
8 operation as it related to the United States and to these
9 other countries?

10 Mr. Blandon: Well, Fidel's view of the situation at the
11 time was that the war in Central America waged by the United
12 States made it easier or at least gave him the moral
13 justification to do anything against the United States,
14 anything that was necessary.

15 But there is a fact that I wish to point out as regards
16 this international network and Panama. As you may see, the
17 Republic of Panama was converted into a huge empire in order
18 to commit certain crimes, and it was part of a general
19 project in the hands of Colombia drug traffickers.

20 This project aims to penetrates other countries like
21 Nicaragua and other armed forces such as those as in
22 Honduras, and I draw your attention to this; Senators,
23 because Ortuja was captured in Colombia in a vehicle of one
24 of the high-ranking officers of the Nicaraguan army.

25 And only two or three months ago there was a large

1 shipment which was hidden in lumber exported from Honduras to
2 the United States was seized in Miami.

3 This International network has been able to penetrate the
4 Central American armed forces, and, because of this, security
5 problems and problems affecting the democracies in Latin
6 America, especially in Central America, are jeopardized.

7 In saying this, I'm trying to say very clearly that for
8 us Panamanians, as I said in my opening statement, the
9 dismantling of this criminal empire, which is not going to be
10 easy for the people of Panama, a people which has no weapons
11 that is paralyzed in the face of this criminal empire which
12 is going to do everything possible to stay in power.

13 So we don't think that this responsibility should rest
14 entirely on us. I think the United States and the countries
15 of Latin America should share this responsibility.

16 I mentioned that we Panamanians are requesting that a
17 meeting be held with the President of Colombia, President
18 Barco, so that with his ministers in the areas of
19 intelligence and defense we can sit down to discuss the facts
20 of this problem in both Panama and Colombia.

21 We think the President of Colombia should be deeply
22 concerned by the fact that this international network exists,
23 and it makes it possible for moneys to flow from Colombia to
24 Panama and vice-versa, something which has deeply changed the
25 institutional life in Panama.

1 You know what happened with the Medellin Cartel and Mr.
2 Ordo, who was assassinated recently, and there have been many
3 assassinations, even those of the magistrates of Colombia and
4 the Port of Justice.

5 Drug traffickers working together with the guerrillas
6 were able to take hold and destroy all the records of drug
7 traffickers who had been charged in Colombia.

8 So the Republic of Panama is facing a very deep problem,
9 and the United States should also face the same problem.
10 Perhaps because of a political mistake, the United States
11 concentrated its rapport with Panama exclusively with General
12 Noriega, and many U.S. agencies have drafted reports
13 commending Noriega.

14 The problem which has arisen from this is that in Panama
15 we have the impression that the United States supports
16 Noriega and his operations.

17 So for those of us who have a strategic resource in the
18 Panama Canal, a resource which is of interest to the United
19 States and to the rest of the world because you can imagine
20 the repercussions which Noriega's indictment has had on the
21 world market.

22 All investments, all possible investments in Panama have
23 been paralyzed. Furthermore, countries which use the Canal
24 regularly are now concerned with its future.

25 So to solve the problems affecting the democracies in the

1 region and returning the Canal to the Panamanians, this
2 problem needs to be addressed. In order for the Canal to
3 come back to Panama, we have to destroy this incredible
4 empire and this international network.

5 One last point. Panama in the forthcoming months must
6 submit to the U.S. Senate the name and background of future
7 manager of the Panama Canal.

8 My question is this. Will the U.S. Senate, will the U.S.
9 Government support a Panamanian who is part of the government
10 which is controlled by this international network? That is a
11 very, very deep problem, and we Panamanians are addressing
12 this problem because we have made significant efforts to
13 address it and redress it.

14 That is one of the reasons why I am here before you today.

15 Senator Kerry: Mr. Blandon, thank you. That carries us
16 further in a sense than we wanted to go at this moment, but
17 we are going to break in a second.

18 I would like to enter into the record the first two
19 pictures of the first trip as one set of exhibits. I think
20 we are at Exhibit 6 or 7, and then the second two pictures of
21 the subsequent visit with General Noriega as the seventh or
22 eighth exhibit.

23 [The information referred to follows:]
24
25

1 Senator Kerry: In addition, let me just clarify so that
2 we summarize what you said.

3 Fidel Castro needed Panama as a window or as an
4 opportunity for business in order to get Western technology
5 and in order to export some of his goods from Cuba, and that
6 is one of the reasons it was critical to him to have a
7 relationship.

8 Is that accurate?

9 Mr. Blandon: Yes, it is one of the reasons. The other
10 reason is also political.

11 Senator Kerry: Agreed, the other is political.

12 Now, this happened at the same time in 1984 when he cut a
13 deal with Castro with the Medellin Cartel at the same time as
14 he is working for the CIA.

15 Is that accurate?

16 Mr. Blandon: Yes, and later on I will explain how
17 Noriega was working with the counter-revolution and how he
18 was meeting with Salvadorean officials and was giving
19 information to the guerrilla and then back to the Salvadorean
20 officers.

21 Senator Kerry: Agreed. We are going to come to that
22 later.

23 It is almost exactly 11:15 a.m. We said we would take a
24 break now. We will do so for 15 minutes and reconvene at
25 11:30 a.m..

1 We stand in recess until 11:30 a.m.

2 [Recess.]

3 Senator Kerry: Mr. Blandon, we were talking. You were
4 telling us about the nature of the Medellin Cartel's
5 relationship with General Noriega. You were telling us of
6 your meeting in Cuba in 1984. I would just like to tie
7 together some details if I can.

8 You mentioned that the Colombians again sought protection
9 in Panama after the assassination of the Justice Minister and
10 that they paid for that protection.

11 While they were in Panama, did they make other
12 arrangements for the shipment of drugs themselves? Was there
13 an agreement as to how drugs would move through Panama?

14 Mr. Blandon: In May of '84 when the Cartel was present
15 in Panama, arrangements were made to transport cocaine to the
16 United States. They were going to use Richard Bilonick.

17 Mr. Blandon: Richard Bilonick is a pilot who at the time
18 owned a company, an air transport company called Inner Ear.

19 You may recall that around the 15th of June of '84 a
20 shipment of more than 1.2 kilos, 1,200 kilos of cocaine was
21 captured by Miami authorities. The cocaine was contained in
22 containers in an Inner Ear plane.

23 Those arrangements to transport the drugs at that time
24 were made in Panama, and Carlton could also provide you with
25 more detailed information on this.

1 I would also like to point out that as a result of the
2 operations being conducted in Panama under this group of both
3 civilians and military officers, other operations began that
4 were outside of Noriega's control. They were specially
5 headed by Cesar Rodriguez, one of the people who created
6 problems for Noriega because of his lifestyle.

7 Rodriguez is a man who likes to flaunt his wealth, and he
8 purchased homes right next door to Noriega, a home that was
9 worth \$1.2 million. He owns limosines that are very
10 expensive. He has jets. He also has private clubs.

11 Senator Kerry: Well, he used to have, correct?

12 Mr. Bandon: Yes. He used to have, because he is now
13 dead.

14 Senator Kerry: Those are in the possession of who, now?
15 All those possessions he had, the airplanes, the cars, et
16 cetera, who has those now?

17 Mr. Bandon: General Noriega. General Noriega.

18 Senator Kerry: What I would like to do is try to see if
19 we can shorten the answer a little bit and move through a few
20 of the questions more rapidly.

21 Were you present with General Noriega at his house when
22 he expressed embarrassment about Cesar Rodriguez having this
23 home next door?

24 Mr. Bandon: Yes, that is true. We had a meeting in his
25 home to discuss the political situation in Panama, and one of

1 the things --

2 Senator Kerry: When was this meeting?

3 Mr. Blandon: In 1985.

4 One of the things that concerned him the most was the fact
5 that Rodriguez had purchased that home one block away from
6 Noriega's house. And in my presence, Noriega called Cesar
7 Rodriguez and told him to sell the house, and Rodriguez did
8 so because Noriega had told him that he would like to run for
9 president in the '89 elections and said that as general and
10 future president of the country, he had to care for his image
11 and insist that Rodriguez's presence, someone known in Panama
12 as a drug trafficker, it was no secret even up to his death.

13 It was known that he was involved in drug trafficking.
14 General Noriega requested that he do so, and he did, and when
15 he made -- when Noriega made that phone call -- this came
16 after Spadafora was assassinated, but during rather the call
17 he -- or rather he told Major Luis Del Cid that if Cesar
18 Rodriguez continued to flaunt his wealth and that if he
19 continued to try to openly show that he had millions of
20 dollars in his hand that he would end up just as Spadafora
21 did. He would be beheaded.

22 This was in October of 1985, and in March of '86 Cesar
23 Rodriguez and Rubin Dario Pararez, Jr. were found
24 assassinated in Colombia.

25 Senator Kerry: Now, before we go too far afield, I want

1 to come back to the question of the arrangements with the
2 Cartel. You said there was a special arrangement made for
3 the transport of cocaine through Panama; is that accurate?

4 Mr. Bandon: Yes.

5 Senator Kerry: Noriega made this agreement with the
6 Cartel?

7 Mr. Bandon: Yes. Working through several pilots. He
8 had different arrangements.

9 Senator Kerry: He did this even at the time that he was
10 being both congratulated as well as pushed by American
11 authorities to do something about the drug situation? Is that
12 accurate?

13 Mr. Bandon: Well, I don't know of any type of pressures
14 by the U.S. authorities on Noriega. I know they did comment
15 him in letters.

16 Senator Kerry: Would you clarify, then, for us why the
17 processing plant in Darien was raided in the first place?
18 Why did that raid take place?

19 Mr. Bandon: Well, that is the key point. When the raid
20 occurred, the pressure was the result of the assassination of
21 a Colombian Minister of Justice. That was what led to this
22 situation in Panama and Colombia, became publicly known that
23 the Cartel was present in Panama and this forced Noriega to
24 take measures.

25 It was not pressure from the U.S. authorities. It was

1 pressures resulting from the political situation in Colombia
2 and the political situation in Panama.

3 You must note on the very same day that --

4 Senator Kerry: This was at the time of the elections in
5 1984 with Nicky Barletta, correct?

6 Mr. Blandon: The very same day elections were held, the
7 Mafia held its meeting, or the Cartel held its meeting. On
8 the same Sunday that Panamanian citizens were going to the
9 polls, the Medellin Cartel was meeting, protected by the
10 Defense Forces of Panama, the very same day; Sunday, the 6th
11 of May, 1984.

12 Senator Kerry: Now, yesterday we heard some evidence
13 about Eastern Airlines and the airport. I would just like to
14 inquire quickly.

15 Are you familiar with drug operations that went on at the
16 airport in Panama City?

17 Mr. Blandon: Throughout this period, Mr. Chairman, the
18 money laundering operations grew. So it is said that the
19 network of pilots working under Noriega were used by the
20 airlines such as the one which you have mentioned, and the
21 airplanes owned by the Defense Forces of Panama were also
22 used.

23 You may recall Kalish's statement in which he said how a
24 plane was procured from the Defense Forces to be used for
25 this very same purpose.

1 In 1983, on a trip to Managua Cesar Rodriguez was pilot
2 of the plane, and the co-pilot was Pretelt, and they left me
3 and another officer in Nicaragua, whom the other officer I
4 will not mention because this could endanger his life, but I
5 did mention his name during private meetings, and I did
6 mention him also to the grand jury.

7 So they left is in Managua, and Cesar Rodriguez continued
8 on to Miami. The next day he picked us up on his way back to
9 Panama, and on the plane on the way to Panama -- the plane
10 was a Lear Jet which was registered in the States because all
11 the planes that Noriega and Rodriguez have are registered in
12 the States.

13 So on the airplane, Cesar Rodriguez was talking to us,
14 telling us that they had had a great operation, and he showed
15 us suitcases full of money. He said that the money was a
16 result of an operation which was in Miami and that they were
17 bringing more than \$2 billion, and he said that the old man
18 knew about it. he called Noriega the old man.

19 When we arrived in Panama at the Pitiga Airport, there
20 were armored cars, and this, by the way, is a new activity in
21 Panama which started in 1983. Given the movement of cash
22 from one airport to another, one of the services which
23 Rodriguez and Pretelt began to sell to the money launderers
24 was that of providing an armored car to pick them up.

25 No one looked at our luggage, although we were coming

1 from an international trip.

2 I explained to Noriega the seriousness of the problem,
3 and his answer was that is part of Cesar Rodriguez's madness.

4 So all this process not only was using the airlines as
5 mentioned, and this led to a scandal in Panama, the fact that
6 that same airline was being used, and it led to the fact that
7 in the future years, subsequent years, that airline was
8 scrutinized more carefully.

9 So these commercial airlines were being used to bring
10 cash into Panama.

11 Senator Kerry: Was the Eastern Station Chief in Panama
12 on Noriega's payroll?

13 Mr. Bandon: I cannot answer that question, Senator. I
14 do not have information to that effect.

15 Senator Kerry: Now, can you identify George Novey, III,
16 for us?

17 Mr. Bandon: George Novey is a Panamanian pilot who owns
18 an airline which operated in Panama, in Contadora and now is
19 in Costa Rica and is tied to money laundering and drug
20 trafficking with the Pretelt group.

21 Senator Kerry: Does he own an island?

22 Mr. Bandon: I have heard it said, but I don't know.

23 Senator D'Amato: Thank you, Mr. Chairman.

24 Along the lines of the money laundering, et cetera, Mr.
25 Bandon, you mentioned that on this one occasion there was

1 some \$2 billion that was being laundered? Is that right, on
2 this one occasion?

3 Mr. Bandon: No, \$2 million. Correct, Senator.

4 Senator D'Amato: Let me ask you this. Are you aware of
5 what the fee arrangement is for the money laundering? Did
6 you ever gain any information as to what percentage they took
7 from the billions of dollars that were laundered?

8 Mr. Bandon: I don't have specific information, but I
9 have talked to people about it, and the range -- really, it
10 depends on the amount being laundered. The larger the
11 amount, the higher the -- the smaller the percentage. Sorry.

12 Senator D'Amato: Let me ask you this. One of the
13 reasons that the drug enforcement agency gives to explain how
14 Noriega cooperated with the United States is Operation Pisces.

15 What is your opinion of that Operation Pisces and, to
16 your knowledge, were any Panamanians arrested? If they were
17 arrested, were they prosecuted? What was the outcome?

18 Mr. Bandon: The Republic of Panama, as far as I can
19 recall, has never tried anyone on drug charges.

20 The Pisces Operation as a whole as I know it is an
21 operation which, given the magnitude of the problem in
22 Panama, could seem to be a joke.

23 During the operation itself when we looked at the -- or
24 the accounts of certain banks were examined, funds were
25 frozen to the tune of \$18 million in certain accounts.

1 If you think that this is a multi-million dollar
2 operation, \$18 million are simply pennies. But on top of
3 that, those \$18 million have not been tied directly to any
4 type of criminal activity.

5 The problem was that towards the end of '86, Panama
6 presented a law to reform the banking system and provide
7 access, and this is another thing which has been viewed as
8 cooperation against drug trafficking and which, in my view,
9 doesn't provide a solution to the problem. It doesn't stop
10 money laundering.

11 I think that there are better ways to solve the problem;
12 but, in any event, the law was passed. But the operation
13 that was called for May and which led to the capturing of
14 several drug dealers in the States did not affect anyone in
15 Panama.

16 So the Pisces Operation did lead to the capture in Miami
17 and L.A. of several individuals, but, in my view, the
18 operation was too premature, and I have a political
19 explanation for this.

20 I think that Attorney General Meese needed to have one
21 success in the fight against drug trafficking. You may
22 recall that at the time there were accusations in the
23 States. Be they true or false, that is not for me to say.
24 But the operation was termed a great operation in Panama.

25 And the Attorney General came to Panama and found that no

1 one had been detained in Panama. And we wonder, well, why
2 wasn't Pretelt investigated and why wasn't Krupnick
3 investigated and why wasn't Wittgreen investigated and why
4 wasn't Novey investigated and why was the ICCB Bank not
5 investigated?

6 If the operation was targeted to stopping money
7 laundering, there were sources that could have been stomped.

8 Senator D'Amato: Did there come a time when you spoke to
9 an American law enforcement agent, a drug agent, and he
10 characterized the operation as a joke?

11 Mr. Blandon: In Miami. When I gave my testimony, a D.A.
12 agent told me -- well, first, he asked my opinion, and then
13 he said I agree with you that it was, indeed, a joke.

14 Senator D'Amato: Thank you, Mr. Chairman.

15 I just think it is important that we get out on the
16 record that the one supposed success that we had had rather
17 limited impact, a very, very limited impact on the
18 international drug dealing; that, indeed, it could be used as
19 a cover so that it could be cited by both the Panamanian law
20 enforcement officials and Noriega, who cites it today as an
21 example of cooperation.

22 It was kind of an insurance policy and, if anything,
23 those who did not cooperate with him helped pay the premium.
24 But he certainly should not be known as someone fighting the
25 drug problem when he is at the core of it.

1 Senator Kerry: Senator, I agree completely, and I thank
2 you for bringing that up.

3 Since it is up now, let me just ask that a letter to
4 General Noriega from Jack Lawn, the Administrative D.A., will
5 be made a part of the record. I believe it is Exhibit Number
6 8. This is a letter of congratulations for his participation
7 in Pisces.

8 [The information referred to follows:]
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1 Senator Kerry: There is also a press release from the
2 Attorney General of the United States dated May 5, 1987 in
3 which he says about the Panamanian action, "Their actions
4 send a clear signal to drug traffickers that under its new
5 anti-money laundering statute, Panama will not tolerate these
6 activities by drug traffickers."

7 Is that accurate, Mr. Bandon? Were drug laundering
8 activities at all affected by Pisces?

9 Mr. Bandon: I don't think so.

10 Senator Kerry: That will be made a part of the record,
11 also.

12 [The information referred to follows:]
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1 Senator Kerry: We are going to come back to drug
2 laundering in a second because I want to go through the
3 process of how it has actually been carried out and how much
4 money we are dealing with, but I just want to finish a couple
5 of things on the drug smuggling, if I can.

6 Did General Noriega meet personally with members of the
7 Medellin Cartel, specifically Ochoa and Escobar?

8 Mr. Bandon: I could not answer yes to that question,
9 because I have never been present at a meeting involving
10 Ochoa or Escobar with Noriega. So I do not have information
11 to that effect.

12 The way Noriega usually operates with the Cartel is
13 through intermediaries or middlemen.

14 Senator Kerry: Was there a time when he traveled to Peru
15 on an official visit and then he dropped out of sight for a
16 period?

17 Mr. Bandon: In August of '85, General Noriega went to
18 Peru on an official visit. He met with President Alan
19 Garcia, and as part of the official agenda -- there were six
20 hours during which General Noriega disappeared.

21 Senator Kerry: That was August of 1985? Is that
22 accurate.

23 Mr. Bandon: Correct.

24 He returned to Panama on a Thursday, because on that day
25 we met with former President Nikolaus Radimeka, and on

1 Saturday of that same week he left for Paris.

2 According to him, he was traveling to care for his
3 personal health, and on the 13th of September Dr. Spadafora
4 was assassinated.

5 Senator Kerry: Now, let me come back for a moment.

6 Norman Bailey, a former NSC staff member, said publicly
7 that Noriega attended a meeting of major drug traffickers in
8 Peru.

9 Do you know of that meeting?

10 Mr. Bandon: No, I don't know of a meeting. I only know
11 that while he was in Peru, there were six hours during which
12 he was not available for official matters, but I cannot say
13 whether he met --

14 Senator Kerry: Or where he met or anything.

15 Now, Dr. Hugo Spadafora, who was Dr. Spadafora?

16 Mr. Bandon: Hugo Spadafora was a professional doctor in
17 Panama. He and I grew up together in the same town.

18 Senator Kerry: Did he serve as Vice Minister of Health
19 at some time?

20 Mr. Bandon: He was Vice Minister of Health under
21 General Dorijs, and he left that position because he went to
22 fight in Nicaragua for the Sandinista revolution.

23 After the revolution he returned, not because he had
24 disagreements with the Sandinistas but because he felt that
25 he had done his duty and he came back to Panama.

1 And he left a communications network with a group of
2 pilots supporting the provision of weapons to Nicaragua for
3 the Sandinistas; and that is Floyd Carlton, Cesar Rodriguez
4 and a group of Panamanian pilots also working in that
5 connection. Watson was one of them. Esprua was another.

6 So he had a very personal relationship with these people,
7 and this is how this later became a business of drug running.

8 Spadafora became a very close friend of Floyd Carlton,
9 and I should tell you about one incident which occurred
10 precisely a few months before Spadafora was assassinated.

11 In 1985 there came a time when Carlton made a deal with
12 the Cale Cartel, not the Medellin Cartel --

13 Senator Kerry: This is a competitive cartel; correct?

14 Mr. Blandon: -- for cocaine trafficking.

15 I don't know if it is a competitive cartel, but it does
16 -- It's not the same one. It's one of several cartels.

17 And the drug being transported was lost, and the Cale
18 Cartel held Carlton accountable for that operation and sent a
19 killer to Panama.

20 Senator Kerry: Now, this is where we get very
21 complicated, because now you've brought up something I wasn't
22 going to get into this afternoon.

23 Floyd Carlton made a deal with the Cale Cartel, correct,
24 his own operation? Is that accurate.

25 Mr. Blandon: Correct.

1 Senator Kerry: There was a shipment of drugs which got
2 "lost". Is that accurate?

3 Mr. Blandon: Correct.

4 Senator Kerry: That shipment of drugs went to John
5 Hull's ranch in Costa Rica. Is that accurate?

6 Mr. Blandon: Yes. Yes.

7 Senator Kerry: The Cale Cartel kidnapped John Hull's
8 daughter in order to try to get back at the dislocation of
9 this shipment of drugs? Accurate?

10 Mr. Blandon: Yes, that is the information which we
11 have. Yes, it is true. She was kidnapped.

12 Senator Kerry: The Cartel then sent a hired killer to
13 come after Floyd Carlton. Is that accurate?

14 Mr. Blandon: Yes, and his name is Alberto Aldimar.

15 Senator Kerry: Why not continue from there.

16 Mr. Blandon: Alberto Aldimar --

17 Senator Kerry: Let me come back just one second.

18 You know who John Hull is? Who is John Hull?

19 Mr. Blandon: John Hull is a U.S. citizen who owns a
20 ranch of more than 10,00 hectares on the border between Costa
21 Rica and Nicaragua, and, as he, himself, said, he was
22 involved in the fight against Nicaragua. he, himself, has
23 called himself the liaison or the link in providing supplies
24 to the Contras.

25 All types of operations against the Republic of Nicaragua

1 were organized from his ranch, and he personally has
2 described himself as one of the individuals who helped to set
3 up the Contra movement in Nicaragua.

4 And he is involved in any illegal activity you could
5 dream of in Costa Rica.

6 Senator Kerry: Now, let me just stop you there for a
7 minute.

8 You have personally met with John Hull. Is that accurate?

9 Mr. Blancon: Correct.

10 Senator Kerry: You met with him in San Jose?

11 Mr. Blandon: Correct.

12 Senator Kerry: For what purpose did you go meet with
13 him, and when did you meet with him?

14 Mr. Blandon: John Hull is a key individual if you
15 address any problem connected with a situation in Nicaragua
16 and the Contras in Costa Rica.

17 At the time the U.S. administration was trying to give
18 instructions to the Contras and Colonel North had thought
19 that a single command could be established, and his intention
20 was that Pastora be a part of that single command. But
21 Pastora would not let anybody tell him what to do, and North
22 and the CIA were having problems with Pastora because of that.

23 We personally, those who were involved in this area in
24 Panama, opposed the Contra operations in general. Now, we'll
25 later on explain why.

1 Our view was that an internal policy was needed in
2 Nicaragua, and we intended to have Pastora go into Nicaragua
3 as a political leader, agreed upon with the Sandinistas, so
4 there would be an internal struggle within Nicaragua.

5 John Hull had a different idea. He felt the only way --

6 Senator Kerry: Who did John Hull work for? How did he
7 come to be involved in this?

8 Mr. Bandon: While he was a member of the private
9 network that Secord, General Secord, had.

10 The entire problem involving the Contras --

11 Senator Kerry: Did he ever tell you that he was working
12 for an agency of the United States?

13 Mr. Bandon: Never.

14 Senator Kerry: Did you know him to be?

15 Mr. Bandon: Well, the Contra operation in Central
16 America is headed by the CIA and, therefore, I believe that
17 he worked for the CIA. But I can explain later on my views
18 on this point.

19 The fact was that when Alberto Aldimar came to Panama,
20 coming back to Carlton, there was, let us say, a small war
21 which began in Chiriqui, and Aldimar began to threaten and to
22 attack citizens who were tied to Carlton. And under the
23 protection of a major in charge of that area, Major Cordoba,
24 they were using mechanical paddles, shovels rather,
25 mechanical shovels, and they dug up Carlton's ranch, and this

1 was something never seen before. They were looking for the
2 cocaine in this manner.

3 And when Carlton left for Costa Rica -- rather, he left
4 Costa Rica and came to the United States for the first time
5 -- well, then he came back and was captured in '86, but at
6 that time Carlton spoke with Dr. Spadafora, and part of the
7 operations which Carlton discussed with the U.S. authorities,
8 and I had a chance to see these on the television very
9 briefly. Others I know of because of my own personal
10 knowledge of Cesar Rodriguez.

11 He explained to Spadafora the situation, and Spadafora,
12 who was preparing a dossier against Noriega since 1980 when he
13 was under Dorijos and then took note of the operations, and
14 when Carlton went to the United States Spadafora called him
15 on several occasions to ask him for specific dates of the
16 trips that were being taken.

17 Spadafora made the mistake of publicly announcing that he
18 was going back to Panama and that he was taking with him
19 proof against Noriega, and he met with a member of the Tika
20 intelligence and informed him about this.

21 Senator Kerry: He met with a member of the Costa Rican
22 intelligence?

23 Mr. Blandon: Correct.

24 Senator Kerry: Had Dr. Spadafora previously been public
25 in his criticism of General Noriega?

1 Mr. Blandon: On numerous occasions, and he was coming to
2 Panama to publicly state -- to publicly denounce what he knew
3 about Noriega. He lived in Costa Rica, and the drug
4 smuggling operations were based in Costa Rica. He knew of
5 the activities in Chiriqui.

6 He also knew of Carlton's activities and Cesar Rodriguez'
7 activities. So there was a common thread linking all of
8 these to Noriega.

9 Once he announced all of this, he was arrested in
10 Chiriqui and was then assassinated. But on the 26th of
11 September, when Noriega, who was returning from France,
12 arrived in New York, he asked me to meet him there. And I
13 spoke with him in New York and I asked him directly, who
14 killed Espanafora?

15 General Noriega's answer at the time was: I didn't do
16 it, but Mayor Cordoba did it. On my trip back to Panama,
17 Noriega began to tell me about Espanafora.

18 Senator Kerry: Let me just be clear here again, so we
19 clarify it. You were flying back in a private airplane from
20 New York, correct? A private airplane?

21 Mr. Blandon: I was in Panama.

22 Senator Kerry: But you met with General Noriega in New
23 York?

24 Mr. Blandon: Correct.

25 Senator Kerry: You then got onto a private aircraft in

1 New York to fly back to Panama, correct?

2 Mr. Blandon: I returned on a private plane from Panama
3 to New York and returned on the same airplane to Panama.

4 Senator Kerry: That's what I'm saying. That aircraft
5 was a U.S. Learjet, was it not?

6 Mr. Blandon: All the Learjets which we use are
7 registered in the States, yes, that is correct.

8 Senator Kerry: Was it a private jet or a military jet?

9 Mr. Blandon: Private.

10 Senator Kerry: And it was just you and General Noriega
11 flying back together?

12 Mr. Blandon: No. On that trip from Panama to New York
13 and then back from New York to Panama with Noriega, Mayor
14 Garcia, who is Noriega's private physician was present, also
15 Captain Camargo, who is an officer, and a barber, someone who
16 shaves Noriega, who was taken from Panama to New York.

17 So there were four of us and the pilots.

18 Senator Kerry: And you had a discussion in the aircraft
19 during the seven hours, is that correct?

20 Mr. Blandon: First I had a private conversation with
21 Noriega at the Henley Palace Hotel in New York. He had a
22 suite there, a very large suite. And he and I met privately
23 to discuss this problem.

24 And then afterwards on the aircraft, we detailed the
25 situation in Panama.

1 Senator Kerry: Please describe the conversation in the
2 aircraft.

3 Mr. Blandon: On the aircraft Noriega wanted to know what
4 was happening in Panama, and especially he was interested in
5 the developments regarding a witness whose name is Hoffman, a
6 witness of German origin who appeared on Panamanian
7 television saying that he knew who had killed Espanafora and
8 publicly said that Espanafora had been killed by the FNLN of
9 El Salvador.

10 But what had really happened, according to Noriega and
11 Marien in conversations we had in Panama, Hoffman was a
12 witness who was created by Noriega, and he was obtained
13 through the CIA operating in Costa Rica.

14 Senator Kerry: Let me just clarify something. Is that
15 the same Mr. Hoffman who worked with Joe Fernandez in San
16 Jose?

17 Mr. Blandon: Yes, he is a specialist in electronics and
18 he worked for the CIA in some cases. Don't forget that at
19 the time there was a clandestine operation against Nicaragua,
20 and Hoffman came to Panama. But before coming to Panama,
21 Marien had sent Domitilo Cordoba to Costa Rica, and he is the
22 head of criminal investigation of the national investigation
23 department of Panama.

24 And Domitilo Cordoba prepared the witness for his
25 statements to be made in Panama, and he then introduced him

1 to Colonal Diaz. And this was the beginning of an absurd
2 farce, because it was clear that Hoffman had no idea of what
3 had happened.

4 And when this concluded and the blame was laid on Diaz
5 Herrera, Hoffman was taken by Marien himself outside of
6 Panama, and the attorney general in Panama did not order to
7 detain a witness or keep a witness who had all this
8 information. So he left Panama and disappeared from Panama's
9 history. Nobody knows Hoffman's whereabouts.

10 So Noriega was interested in this and he wanted to know
11 what had been the reaction in Panama after his testimony and
12 wanted to know what the political situation was like at the
13 time. He wanted to know what had happened with the national
14 movement that had arisen after Espanafora's assassination.
15 That was our topic of conversation during the flight.

16 Senator Kerry: Did Noriega say anything else to you
17 during that flight about the murder of Dr. Espanafora?

18 Mr. Blandon: During the flight, or actually during the
19 trip from the hotel to La Guardia Airport, which is where our
20 plane was parked, he said that in any case Espanafora
21 deserved to be dead.

22 What I just wanted to say was that the situation with
23 Alberto -- all of the situation that arose with Carlton was
24 known by Dr. Espanafora.

25 Senator Kerry: Just one second.

1 Senator D'Amato: Mr. Chairman.

2 Senator Kerry: Senator D'Amato.

3 Senator D'Amato: In connection with this, the Espanafora
4 situation, let me ask you, Mr. Blandon. The Panamanian
5 people did not really accept this contrived account given by
6 Hoffman, did they?

7 Mr. Blandon: No.

8 Senator D'Amato: And you advised Mr. Noriega of that, is
9 that correct?

10 Mr. Blandon: I told him nobody believed that story.

11 Senator D'Amato: Let me ask you this. Shortly
12 thereafter, about I guess in the same month of the murder of
13 Dr. Espanafora, another incident took place, one which we
14 have given very little weight to or account publicly in this
15 country.

16 And that was the resignation of Nicholas Barletta. In
17 your opinion, was Nicholas Barletta forced to resign by
18 Noriega? Was he fearful for his own personal wellbeing? And
19 would you give to us an account of how the President was
20 forced from office or why he did resign?

21 Mr. Blandon: President Barletta, who at that time had
22 been already challenged by the country regardless and in
23 addition to the Espanafora case, so his presidency was at
24 peril, due mainly to his very little political ability. But
25 when Espanafora was killed, Colonel Diaz Herrera began a

1 conspiracy to try to get Noriega out of power.

2 And he mixed in Barletta. He made him be somewhat
3 involved, because Barletta is really not someone who is very
4 politically skilled. So he was somewhat, halfway involved in
5 the conspiracy. And in politics, as in life, nobody can be
6 halfway involved. Either you're in it or you're not in it.

7 As General Noriega used to say, a woman can't be slightly
8 pregnant. Either she is or she isn't.

9 And since this project by Diaz Herrera failed, Diaz
10 Herrera began an operation to overthrow Barletta. Diaz
11 Herrera also tried to cover up this conspiracy, because in
12 addition Diaz Herrera knew because of the information he had
13 received how the murder had occurred.

14 And Diaz Herrera's statements, of which I have a copy,
15 those that are closest to reality are the statements he made
16 with regard to Espanafora's murder and what happened
17 subsequent to that.

18 And when we arrived in Panama on Wednesday at 11:00 p.m.,
19 a meeting had been organized by Diaz Herrera and the main
20 leaders of the political parties where already a decision had
21 been made that Barletta would have to leave. So the pressure
22 to ask Barletta was exerted by Diaz Herrera as a curtain to
23 protect himself.

24 But Barletta as the President was practically
25 discredited. His level of popularity in the country was

1 absolutely nil because of how he had led the country in the
2 previous eleven months. That's the real reason. Barletta
3 did not resign because he wanted to. He was made to resign,
4 and not because he had set up this investigation commission
5 or not, because Barletta as a matter of fact had several and
6 different positions during the last six days of his
7 presidency.

8 He was overthrown as part of the coverup that Diaz
9 Herrera was making in his plot against Noriega.

10 Senator D'Amato: Have the Panamanian defense forces
11 removed other Panamanian presidents?

12 Mr. Bandon: In the last three years we have had five
13 presidents.

14 Senator D'Amato: You are really in essence saying that
15 the Panamanian defense force determines who will be the
16 figurehead president.

17 Mr. Bandon: During the last few years, civil crises and
18 changes of presidents have occurred in order to hide certain
19 internal problems of the defense forces. Every time there
20 has been a change in the presidency in the middle of a
21 crisis, you know that something is happening internally.

22 For instance, in 1986 with the Delvalle government, when
23 there was Noriega's pressure to change Delvalle's cabinet,
24 already in '86 the New York Times published statements
25 against Noriega, its statements against Noriega, and Noriega

1 wanted to weaken Delvalle's position and did so to the point
2 that he made him want to renounce his presidency, by
3 preventing him to develop his powers in the presidency,
4 because there was this group that arose within the defense
5 forces that tried to have the formal control of the defense
6 forces.

7 Senator Kerry: You gave me time to think, Senator, and I
8 appreciate that because I want to come back just to complete
9 one of the stories that we didn't quite complete previously.

10 The assassin who was sent after Floyd Carlton; what was
11 the end of the Floyd Carlton assassin story?

12 Mr. Blandon: This is actually a very interesting case.
13 Alberto Lemar, after having done his small war in Chiriqui,
14 was captured by the major of that area, who at that time was
15 Major Cordoba, and was sent without any kind of legal
16 procedure, he was extradited to the U.S. for a payment that
17 he received, which was of \$60,000.

18 And he was extradited to the U.S., and Alberto Lemar
19 died.

20 Senator Kerry: Was he convicted? Was he imprisoned here
21 in the United States?

22 Mr. Blandon: I don't know what happened. I just know
23 how it happened -- he died trying to escape from a prison,
24 and he died violently. You may know more than that than I
25 do.

1 He was deported illegally from Panama, then he died.

2 Senator Kerry: But when he died he was in a prison in
3 Texas, wasn't he?

4 Mr. Bandon: Yes, as far as I know.

5 Senator Kerry: And he was trying to escape and he was
6 killed?

7 Mr. Bandon: Yes, he was killed.

8 He was a very violent man.

9 Senator Kerry: That's something we're going to try to
10 follow up on.

11 Sebastian Gonzalez, do you know who he is?

12 Mr. Bandon: Sebastian Gonzalez was a member of the
13 National Liberation Front of the Sandinistas, called at the
14 time of the front the southern front. Then he deserted
15 together with Eden Pastora from the Sandinista front. He
16 organized together with Eden Pastora and the contras against
17 the Sandinistas.

18 He worked and then divided or left Eden Pastora, then
19 decided to work with drug trafficking. He was arrested in
20 Costa Rica in a place called Riverieri for smuggling cocaine
21 for about \$200,000, and then mysteriously he was released and
22 he is presently in the Republic of Panama working for the
23 President of the Republic of Panama.

24 Senator Kerry: So Gonzalez was originally part of the
25 southern front, became involved in drug smuggling in Costa

1 Rica, is that accurate, when he left?

2 Mr. Bandon: That's correct.

3 Senator Kerry: And then received protection. Isn't he
4 currently working for General Noriega, keeping General
5 Noriega's horses?

6 Mr. Bandon: No, he works with the horses of the
7 President. But his political work is for General Noriega.

8 Senator Kerry: Thank you.

9 Senator D'Amato: Mr. Chairman, I would like to get two
10 quick things on the record because I think it's rather
11 important.

12 Mr. Bandon, how many traffickers important to the
13 Colombian cartel has Panama prosecuted and convicted, either
14 Panamanians or Colombians?

15 Mr. Bandon: None.

16 Senator D'Amato: I think that is the test of whether or
17 not this Pisces and the other kinds of things and the
18 propaganda and the smokescreen that the cartel was involved
19 in in putting forth, and that we took and that unfortunately
20 our Administrator just signed off on as the test -- there
21 were absolutely no Colombians of any importance or Panamanian
22 drug dealers of any importance who had ever been convicted or
23 imprisoned as a result of these operations, Pisces or
24 others.

25 Let me ask you something else --

1 Mr. Bandon: I would like to explain what is the
2 mechanism that they use. When an Colombian trafficker is
3 detained, when it is tied to the cartel, they are retained,
4 they appear in the papers, on television as prisoners. They
5 are incarcerated and then when they are supposed to stand
6 trial they have disappeared, because they have been freed.

7 That is the procedure.

8 In the case by the DEA, then they are extradicted. And
9 in the case of Baltimore, without going through the
10 Panamanian legal procedures they are deported. That is the
11 procedure used.

12 So if you look at the cases in Panama, I cannot recall a
13 single case of a Panamanian or Colombian who has stood
14 trial.

15 After my statement, what Noriega has done is to
16 investigate an investigation on me, when I have nothing to do
17 with drug trafficking. Panamanian justice works in a strange
18 way.

19 Senator D'Amato: Mr. Bandon, I think this really is an
20 area that we should get out on the table. The Drug
21 Enforcement or DEA liaison, the person that we contact with
22 Noriega, is someone by the name of Luis Quiel, Q-u-i-e-l, is
23 that right?

24 Mr. Bandon: That is right.

25 Senator D'Amato: He is the liaison. He is the fellow

1 who the Drug Enforcement Agency deals with, who actually is
2 very close to Noriega, is that correct?

3 Mr. Blandon: Correct.

4 Senator D'Amato: He is Noriega's personal representative
5 as it relates to these dealings with the law enforcement,
6 with the Drug Enforcement Agency of the United States, is
7 that right?

8 Mr. Blandon: That's correct.

9 Senator D'Amato: I just wanted to get that out on the
10 record.

11 Now, let me ask you, is he involved in drug dealing and
12 what kind of drug dealing is this DEA liaison, the official
13 representative of Noriega, involved in?

14 Mr. Blandon: Well, he's part of the group that deals
15 with the Medellin cartel. You will find him in that group
16 right there. Luis Quiel, is is under Madrinan. He is not a
17 career officer, in other words he has -- It's called a
18 captain. He began as an agent and, because of his dealings
19 with drug trafficking, he is now in charge of controlling
20 entry and exit of cartel members in Panama.

21 When they have a problem with someone who hasn't paid,
22 then they turn them over to the DEA. So their work is to
23 keep the DEA happy, giving those people that they do not
24 want.

25 And they usually turn in U.S. citizens involved in drug

1 trafficking in the U.S., those that the DEA has an interest
2 in. For example, Reed is one case. Several cases were of
3 interest to the DEA and they just turn these individuals in.

4 I think what the DEA wants is for Noriega to let them
5 operate in Panama freely, violating the sovereignty of the
6 country of Panama, because the fight against traffic does not
7 imply working outside the national legal framework. That is
8 what has allowed this network to be set up, the fact that
9 allowance is made for an illegal network to operate.

10 Senator Kerry: Mr. Blandon, it appears, if I could just
11 interrupt you a minute, it appears that the cartel and
12 General Noriega seem to know very, very well how to feed our
13 criminal justice system just little bits to keep it happy,
14 but nothing real.

15 Would you say that's a fair statement?

16 Mr. Blandon: I would say that it goes even further than
17 that, Senator. If you look at the control which the Medellin
18 cartel exercises over our defense forces and everything they
19 know about the psychology, aspirations and interests of the
20 officers in Panama, they know much more than what the U.S.
21 knows about Panama's defense forces or any of the defense
22 forces in Latin America.

23 We have a phenomenon here whereby there is a
24 multinational force being created, one that is headed by drug
25 traffickers and which controls power over Central American

1 states.

2 Senator Kerry: Well, that's certainly at the center of
3 what these hearings are all about. It's something we're
4 going to discuss further this afternoon. But I think it's
5 very important in terms of some of the relationships that
6 have occurred with terrorist groups and other groups. But I
7 do want to hold some of that if we can, simply because I
8 think it's critical to this process to have each enterprise
9 and each entity that is involved thoroughly described and
10 have this network thoroughly described, so that when somebody
11 says threat or somebody talks about the extent that this is a
12 problem, it's real and we have a foundation for it. And I
13 think that's very important.

14 Senator D'Amato: Mr. Chairman.

15 Senator Kerry: Yes.

16 Senator D'Amato: If I might, and I think you made the
17 point. I congratulate you because it's important that we let
18 the American people know, the Congress know, the
19 Administration, exactly what's been taking place. This is a
20 charade, a giant charade.

21 And as you've indicated and Mr. Bandon has expanded
22 upon, this cartel understands the psychology of dealing, not
23 only with the Panamanian defense forces, but certainly the
24 political forces here in the United States. And they do, as
25 you mentioned, just feed, when they have to, some crumbs, and

1 most of them are people who haven't cooperated in their drug
2 dealings.

3 I think, Mr. Chairman, one of the things I would hope
4 that you and the ranking member would consider is calling the
5 DEA in, if not during the scheduled proceedings that you have
6 already set up, but certainly in the future. I think it's
7 important.

8 I think that they should be asked to make an accounting
9 and respond. And if indeed the situation has deteriorated to
10 the extent that I believe it has, let's fess up, let's get it
11 on the record.

12 And I would hope that they would be forthcoming. After
13 all, it's rather difficult -- I think Mr. Blandon would admit
14 that himself -- being a DEA agent in an environment where, my
15 gosh, the army itself and those with the power are your
16 enemy.

17 Who would want to be a DEA agent risking his life? And
18 we have seen what's happened in certain areas down there.

19 But let's at least get it on the record. Let's at least
20 recognize what the situation is. And I would hope you would
21 consider that.

22 Senator Kerry: Well, I think more than consider it. I
23 think you're right on target, Senator. We're going to do
24 it.

25 For a long time, people haven't had a sense, really, of

1 what's out there. The purpose of these first three and a
2 half days of hearings is to paint the picture and to lay the
3 factual foundation for the future inquiry. There is no
4 question that DEA, Defense, State, our intelligence network,
5 ought to be here.

6 They will be asked to be here. As the Foreign Relations
7 Committee staff knows, we are sandwiching these hearings in
8 between the INF hearings. We have caught this week because
9 it's a week we're not in session.

10 We have three days scheduled in March, we have three days
11 scheduled in April. Part of the March hearings is geared to
12 look at the relationship, particularly in Central America, of
13 some of the private aid network and early allegations
14 regarding contras.

15 You weren't here yesterday when I said it. This inquiry
16 began because of the initial information that we were
17 learning about allegations about some contras being
18 involved. And we looked at that.

19 What we found, at first frankly not even believing it, at
20 first saying, no, this is too incredible, I don't believe
21 that -- and then someone in another part of the country, in
22 another place somewhere, would corroborate it, detail for
23 detail.

24 And then suddenly we found the extent of what Mr. Blandon
25 has said to us, the extent of what General Gorman said to us

1 yesterday. It is a whole new force that has been created,
2 the power of the narcodollar, that is buying countries,
3 buying law enforcement agencies.

4 Senator D'Amato: Both sides of a revolution, too.

5 Senator Kerry: On both sides of revolutions, and
6 altering the geopolitics in ways that we really have never
7 had to deal with. I mean, this is new.

8 And it's happening not just in Central America, it's
9 happening in the Far East, it's happening in the Bekaa
10 Valley. I've seen pictures, photographs of whole fields of
11 poppies in the Bekaa Valley. And we don't have to ask a lot
12 of questions about who draws their support from those
13 proceeds.

14 We will hear testimony later today, Mr. Bandon will
15 confirm it and others have already, that the M-19 terrorist
16 organization, taking their profits -- in fact, Mr. Bandon,
17 you've made the comment to me. I'll ask you right now. Is
18 it true or isn't it true that almost every political group,
19 revolutionary or otherwise, has used the profits of narcotics
20 to buy weapons and fund their operations? Is that true?

21 Mr. Bandon: In the case of Colombia, yes.

22 Senator Kerry: What about in the other parts of Central
23 America? You said to me that this is normal, this is part of
24 the business, drugs, guns, war. It's automatic, you're going
25 to find these things. And you described some of the

1 businesses that grew up around it.

2 Do you remember?

3 Mr. Blandon: Yes, in the case of Central America there
4 are groups that do work with drugs also; groups operating in
5 the armed movements and who also get their income from
6 drugs.

7 Narcoterrorism is part of that same operation, both on
8 the right and the left.

9 Senator Kerry: Is it not accurate that even in the days
10 of Somoza, when people were operating out of those airstrips
11 and running aircraft with clandestine weapons, that drugs
12 found their way onto those aircraft? Is that accurate? This
13 isn't new, in other words?

14 Mr. Blandon: The entire environment which is created by
15 a process of insurrection using illegal means does allow for
16 the setting up of other illegal activities, like drugs,
17 prostitution, corruption, because there is cash money in
18 circulation and there is no controls on it.

19 What the revolutionary process has been using is the
20 narcodollar, the drug dollar, and that is how the drug
21 traffickers have been able to penetrate those movements and
22 penetrate those governments.

23 Senator Kerry: Let me go back, if I can, to try to
24 complete. Well, I want to ask one other area that is a
25 short, small area, and a very disturbing one. I almost find

1 it hard to believe and I want to come at you with it,
2 reminding you that you're under oath. We're here to tell the
3 truth. You said you're going to tell the truth, and I know
4 you have.

5 But I say that because this really -- I think people are
6 going to find this disturbing, and I'm not sure why or how it
7 happens. You told me yesterday when we were talking that the
8 CIA gave information to the Noriega government, the
9 Panamanian government officials, on U.S. Senators. Is that
10 accurate? Is that true?

11 Mr. Bandon: As part of the political intelligence team
12 in Panama, documents which were drafted in the area of
13 political intelligence on individuals coming to Panama came
14 to my hands, and the CIA did prepare reports.

15 Senator Kerry: Did the NSC also prepare reports?

16 Mr. Bandon: Yes.

17 Senator Kerry: Which you would receive?

18 Mr. Bandon: Yes, of course. Noriega got them and he
19 would pass them on to us.

20 I recall, for example, a mission by Ms. Deborah DeMoss to
21 Panama, and we received complete information --

22 Senator Kerry: Deborah DeMoss, for the record, is the
23 staff member sitting beside me of Senator Helms.

24 Mr. Bandon: We had information on what the mission
25 involved, the members that were coming, what their positions

1 were, what their attitude was towards Noriega. In the case
2 of Ms. DeMoss, it was clearly said that she, according to the
3 report, hated General Noriega.

4 We also had information from Senator Helms, of his
5 activities.

6 Senator Kerry: About Senator Helms? You had information
7 about Senator Helms.

8 Did you also have information about Senator Kennedy?

9 Mr. Blandon: Yes, also.

10 Senator Kerry: Can you describe that?

11 Mr. Blandon: We had information to the effect, stating
12 his political position and his own personal problems. We had
13 all types of information on him.

14 Senator Kerry: And who provided you that information?

15 Mr. Blandon: The information came to my hands through
16 Panamanian Intelligence. It was classified information
17 coming from the U.S.

18 Senator Kerry: Were the documents U.S. documents?

19 Mr. Blandon: Yes, clearly.

20 Senator Kerry: Were they marked "classified"?

21 Mr. Blandon: Yes, they were marked "classified."

22 Senator Kerry: Did you receive documents on any staff
23 people of Senator Kennedy?

24 Mr. Blandon: Yes.

25 Senator Kerry: On who?

1 Mr. Bandon: Mr. Craig. I can't recall his exact name.

2 Senator Kerry: Mr. Gregg Craig?

3 Mr. Bandon: Yes.

4 Senator Kerry: And do you recall any other documents
5 besides those?

6 Mr. Bandon: Yes, we also received information prepared
7 by the La Rouche group, information on U.S. Senators.

8 Senator Kerry: Prepared by the Lyndon La Rouche group.
9 Now, was this a special arrangement that Noriega had with Mr.
10 La Rouche?

11 Mr. Bandon: Mr. La Rouche works for Mr. Noriega. You
12 may recall that there are books which describe the
13 background. I have read a document on Mr. La Rouche which
14 describes how Espanafora died and who could have killed him,
15 and that is the G-2 official version.

16 And if you read that document, you will also find attacks
17 on U.S. Senators.

18 I could not tell you what level of intelligence services
19 prepared the documents, but I could tell you, and perhaps Ms.
20 DeMoss could -- when they arrived in Panama, we had the
21 information and published in the papers before they arrived.

22 Senator Kerry: That's what I was about to get to. Well,
23 before I ask that, did the information which you received
24 sometimes include information on the personal lives of some
25 of the individuals that you have named?

1 Mr. Bandon: Yes.

2 Senator Kerry: I don't think it even needs words or
3 explanation or anything else. I think it's something we
4 ought to inquire about further. It's about as disturbing a
5 revelation as I have heard in the course of a lot of
6 disturbing revelations over the course of the last year and a
7 half. And -- well, we will see where it goes.

8 Mr. Bandon: I can also give you something even more
9 alarming, in our view.

10 Senator Kerry: I'm glad I asked the question.

11 Mr. Bandon: I'm going to tell you this as we see it.
12 As you know, we prepared a document on a political solution
13 to the situation in Panama. One version of that document, a
14 partial version, came to General Noriega's hands, and his
15 public version of that was that it was given to him by
16 somebody working for the U.S. Defense Department.

17 The problem, Senator, is that we are seeing that in the
18 process which is this one there is no uniform policy within
19 the U.S. government, policy towards the problems which we in
20 Central America face.

21 You will find that, whereas one U.S. agency is willing to
22 behave in a certain fashion in one place, a different agency
23 is working in exactly the opposite way. So our experience
24 has been that we're getting mixed signals that are governing
25 the relationship between our countries.

1 There are people in the U.S. Administration who still
2 believe and still feel that the Manuel Antonio Noriega
3 problem and his leaving the country is more damaging to the
4 U.S. than his remaining in power. And there are people in
5 the States who are personal friends of Noriega, such as Mr.
6 Nestor Sanchez and other people, who work for Noriega --

7 Senator D'Amato: Could you explain who Mr. Sanchez is
8 for the record? I think that's rather important.

9 Mr. Bandon: Nestor Sanchez is a U.S. public official
10 who worked for the CIA and who was also a staff member of the
11 Defense Department in the section for Latin American
12 affairs.

13 Senator Kerry: Who worked through the 1970's and
14 eighties?

15 Mr. Bandon: That's right.

16 Senator Kerry: He began a relationship with General
17 Noriega in the seventies?

18 Mr. Bandon: Yes, that is correct.

19 Senator D'Amato: And his present position? Would you
20 mention his present position again?

21 Mr. Bandon: He is presently an advisor to the
22 Department of Defense and also works for the Panama Canal
23 Commission. And he can say that he is an expert on the
24 Panama defense forces, and he is one who says that anything
25 done against the Panama defense forces is an act against the

1 U.S. government.

2 I'm saying this because all of these contradictions and
3 all of these different power plays affect both the leaders in
4 the U.S. and in Panama. So in each country, there is the
5 impression that we're working with two types of government.

6 If you want to hear the opinion of the United States as a
7 government, you need to speak to different agencies, and the
8 summary is that there is no position.

9 Senator Kerry: Let's come back to Mr. Sanchez for a
10 minute. Mr. Sanchez was working with the CIA and has a very
11 close relationship with General Noriega, is that accurate?

12 Mr. Bandon: Yes.

13 Senator Kerry: How close? Would you describe that?
14 Beginning when?

15 Mr. Bandon: I would say that it is a very close
16 friendship.

17 Senator D'Amato: Is he a business partner?

18 Mr. Bandon: I have no evidence to that effect.

19 Senator D'Amato: Have you heard that he is a business
20 partner? Because when you talk about evidence as such,
21 Mr. Noriega doesn't have written agreements with most of his
22 partners, as you have indicated.

23 Has there been talk over a period of time that he has had
24 business interests with Mr. Noriega, or does he have any
25 businesses in Panama that you know of?

1 Mr. Bandon: Well, yes, there are rumors.

2 Senator Kerry: Let me see if I can go beyond the rumor
3 issue here. When we talked previously, you told me that you
4 were at an intelligence briefing and that an intelligence
5 officer asserted that there was a real estate business
6 relationship between Mr. Sanchez and General Noriega. Is
7 that accurate?

8 Mr. Bandon: Yes, it is.

9 Senator Kerry: And this was Panamanian intelligence, is
10 that correct?

11 Mr. Bandon: Yes. But for the record, I would like to
12 say, I did not say that he had those business relationships.

13 Senator Kerry: I understand. You did not say it and you
14 have no physical evidence here, and you have no personal
15 knowledge other than the Panamanian intelligence briefing
16 which you attended, at which you were told that relationship
17 existed by the intelligence.

18 Is that accurate?

19 Mr. Bandon: Yes.

20 Senator Kerry: But in any extent, with respect to
21 knowledge of Noriega and his activities, Mr. Sanchez is very,
22 very close, correct?

23 Mr. Bandon: Yes, it is.

24 Senator Kerry: While working for the CIA?

25 Mr. Bandon: Who works for the CIA?

1 Senator Kerry: Mr. Sanchez.

2 Mr. Blandon: Both of them work for the CIA.

3 Senator Kerry: I was just talking about Sanchez, but
4 we'll take them hand in hand.

5 And that relationship began in the early 1970's, did it
6 not?

7 Mr. Blandon: Correct, I would say in 1975, towards the
8 middle of the year of the seventies and up until now.

9 Senator Kerry: Now, let me come back if I can. Senator,
10 are you finished?

11 Senator D'Amato: Again, I think it -- for the record,
12 Mr. Sanchez' position at the present time is one of rather
13 critical importance, in that he is one of the leading experts
14 and who is looked upon as it relates to our Defense
15 Department and its posture and its treatment, certainly as
16 related to Noriega and Panama.

17 And it might very well explain why they have had to be
18 dragged kicking and screaming to the altar of at least
19 neutrality, without embracing Noriega every day and
20 indicating to the Panamanian people and to the Panamanian
21 defense forces, which they have, sending out these mixed
22 signals that Noriega somehow is some wonderful person and the
23 big bad United States is still supporting him.

24 And so what we're doing is hurting the American cause.
25 And then eventually, if this continues -- and I hope it

1 ceases -- we will get the Panamanian people rallied up
2 against the United States and Noriega.

3 And so I think Mr. Blandon makes a point. But this is an
4 incredible situation, where we have got this fellow Sanchez,
5 who is ready to embrace anybody who, in this case, is being
6 held up as being anticommunist. And my gosh, he will make a
7 deal with anybody.

8 But that's why Sanchez is there, embracing his old
9 buddy. And it's a very distressing situation.

10 Senator Kerry: Mr. Blandon, before we break, we haven't
11 touched the money laundering yet, and I want to do that. We
12 haven't touched the gun running. I want to do that. We also
13 want to explore further your relationship with a number of
14 American interests. "Your relationship," I mean General
15 Noriega's and Panama's relationship with a number of American
16 interests.

17 I think it's very important to the full telling of the
18 story. We have about ten minutes and we want to try to stay
19 on schedule if we can, so I'd like you to complete some of
20 the story that you were relating with respect to John Hull
21 and the southern front, although I originally thought that
22 would be later.

23 Let me come back to that for a minute. You originally
24 met with John Hull in order to discuss Panamanian assistance
25 of the contras, is that accurate?

1 Mr. Bandon: No.

2 Senator Kerry: Would you tell me why it was you
3 originally met with him?

4 Mr. Bandon: Because we wanted to discuss with him the
5 role played by Pastora in the internal struggle within the
6 country.

7 Senator Kerry: Who suggested that you go meet with John
8 Hull? How did you pick him out?

9 Mr. Bandon: Danielle Huber. He is vice president or
10 former vice president of Costa Rica. He was also interested,
11 as we were, in finding a political solution in Nicaragua, and
12 he believed he could play a very important role.

13 Senator Kerry: When did this meeting with John Hull take
14 place?

15 Mr. Bandon: In 1983.

16 Senator Kerry: Where did it take place?

17 Mr. Bandon: In San Jose.

18 Senator Kerry: What was the substance of that
19 discussion?

20 Mr. Bandon: Well, we dealt with the political and
21 military situation in Nicaragua and the way in which we
22 viewed it. At the time, Hull was part of the operation for
23 the establishment of the southern front, and his view was
24 that we had to overthrow the Sandinistas militarily. So that
25 is what we discussed.

1 That was the gist of our discussions.

2 Senator Kerry: Did you meet with Mr. Bob Owen, Rob Owen,
3 at that time, sometime thereabouts?

4 Mr. Blandon: No, I never met with him. I saw him in
5 1984. On the 30th of May of '84, there was an attempt in La
6 Penca against Pastora, and I saw him two or three days before
7 that in San Jose.

8 Senator Kerry: There was an attempt on his life. That
9 was the La Penca bombing?

10 Mr. Blandon: Correct.

11 Senator Kerry: You saw Rob Owen where?

12 Mr. Blandon: In San Jose.

13 Senator Kerry: Did you know what he was doing at that
14 time? How did you happen to notice him? How did you know
15 who he was?

16 Mr. Blandon: Everybody knows who he is in Central
17 America. This, Senator, was an operation which was a
18 secretly open operation.

19 Senator Kerry: How did you happen to know who Rob Owen
20 was in particular?

21 Mr. Blandon: I think I had received -- let me think
22 about that so that I can give you -- well, let me write it
23 down and I will answer it later, if possible.

24 Senator Kerry: Did you at that time have occasion to
25 meet with a Wesley Jones?

1 Mr. Bandon: I don't know anyone named Wesley Jones.

2 Senator Kerry: Was there any meeting with somebody in
3 connection with the Lyndon La Rouche story, a person?

4 Mr. Bandon: No. In New York, I was visited by Mario
5 Panter, who is a member of a political group in Panama which
6 came to the States to speak in favor of Lyndon La Rouche.
7 And he spoke to me of La Rouche's role in connection with
8 Panama, and said that he, Panter, met with La Rouche in
9 Boston and then spoke to me in New York.

10 And that was last year. And it is that same young man --
11 he is the same age I am -- the same young man who was used by
12 Noriega as a witness in a staff meeting which dealt with my
13 activities in the United States. So he is one of Noriega's
14 links with Lyndon La Rouche. His name is Mario Panter.

15 Senator Kerry: Now, coming back to the meeting with John
16 Hull, you said earlier that John Hull was involved in illegal
17 activities. Can you provide further comment with respect to
18 that?

19 Mr. Bandon: Well, in my view the war against Nicaragua
20 as waged by Costa Rica was an illegal activity. But on top
21 of that, he also had communications, he had landing strips.
22 All of these are illegal activities in a country that has
23 declared itself neutral. These are all illegal activities.

24 Now, as far as his ideological thinking was concerned, it
25 was not illegal. But from a legal standpoint, they are.

of my political concern as a leader of my country
an expert on Central American problems is that the
development of the process as it has been conducted has given
to conditions that allow drug trafficking to penetrate
these organizations and to use all the infrastructure
that has been set up to corrupt the leaders of our
countries.

This is the point which which I would like to address in
greater detail this afternoon, so that seeing this
international network and seeing how all of this has evolved,
you will be able, you the United States and its political
leaders, be able to understand how serious the situation is,
given your and our strategic interest in the region.

Senator Kerry: Let me tell you what we're going to do.
I think that's a good note to break on. We are going to come
back to the money laundering specifically. We're coming back
to the drug running, the Pia Vesta incident, your meetings
with Colonel North, and some of the other efforts that link
us.

And then finally, we'll discuss more some of the
international network.

We stand in recess until 2:00 o'clock.

[Whereupon, at 12:55 p.m., the Subcommittee was recessed,
to reconvene at 2:00 p.m. the same day.]