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The CIA and Drugs, Inc.: a Covert History

Drug Trafficking as Strategic Intelligence

by DOUG VALENTINE

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Gary Webb was a good investigator. He linked a drug dealer in Los Angeles, through Contra suppliers, to CIA officers and Republican politicians. His editor let the story rip, and the “Dark Alliance” series made a mighty impact on Black Americans, who saw it as evidence that the ruling class was as racist as ever.

Webb stuck a stake in the evil heart of the national security state and embarrassed the CIA’s contacts in the mainstream media. All of which was unforgiveable. Pressure was applied, history re-written, and Webb, in despair, apparently committed suicide.

The irony, of course, is that Webb had exposed only a small part of the story. The fact of the matter is that the US government has always managed large portions of the illicit, international drug business, and was doing so long before the CIA came into existence.

Documented cases abound, like the Opium Scandal of 1927, in which a “former” US Attorney in Shanghai provided a Chinese warlord with 6500 Mausers in exchange for \$500,000 worth of opium.

Two years later, US Customs inspectors found a huge quantity of opium, heroin, and morphine in the luggage of Mrs. Kao, the wife of a Nationalist Chinese official in San Francisco. At which point Secretary of State Henry L. Stimson hustled Chiang Kai-shek's ring of drug dealing diplomats out of the country.

The State Department likewise protected a ring of drug smugglers in 1934, and thus allowed heroin to pour into New Orleans. Two historians said about the Honduran Drugs-For-Guns case: "the defense of the Western hemisphere against the Axis powers...reduced to insignificance clandestine attempts to link the managerial personnel of a major cargo airline to smuggling." [i]

As it was in the beginning, it is now and ever shall be: the ruling class's power resides in its control of the criminal underworld; and since 1947, it has been the CIA's job to advance and protect the conspiracy.

Consider the Federal Narcotic Bureau's drug conspiracy case on Bugsy Siegel, which included Lucky Luciano and Meyer Lansky, both of whom had provided services to the US government during the war. The conspiracy had its inception in 1939 when, at Lansky's request, sexy Virginia Hill moved to Mexico and seduced a number of Mexico's "top politicians, army officers, diplomats, and police officials." [ii]

Hill came to own a nightclub in Nuevo Laredo and made frequent trips to Mexico City with Dr. Margaret Chung, an alleged prostitute and abortionist, honorary member of the Hip Sing T'ong, and the attending physician to the Flying Tigers – the private airline the US government formed to fly supplies to Chiang Kai-shek's forces in Kunming, a city described as infused with spies and opium. As the FBN was well aware, Dr. Chung was "in the narcotic traffic in San Francisco." [iii]

Chung took large cash payments from Siegel and delivered heroin to Hill in New Orleans, Las Vegas, New York, and Chicago. And yet, despite the fact that West Coast FBN agents kept her under surveillance for years, they could never make a case against her, because she was protected by the American military establishment. Indeed, Siegel's murder in 1947 may have been a government hit designed to protect its sanctioned KMT-Mafia drug operation out of Mexico. As Peter Dale Scott observed, right after Bugsy was squashed, Mexico's intelligence service, the DFS, formed relations with the top Mexican drug lord, at which point the CIA "became enmeshed in the drug intrigues and protection of the DFS." By 1950, Mexican drug lords were receiving narcotics from the Lansky-Luciano connection, which stretched to the Far East.

The CIA's involvement in the Far East drug trade began with its predecessor organization, the Office of Strategic Services, which supplied Iranian opium to Burmese guerrillas fighting the Japanese. This is no secret: General William Peers, commander of OSS Detachment 101 in Burma, confessed in his autobiography: "If opium could be useful in achieving victory, the pattern was clear. We would use opium." [iv]

OSS chief William Donovan and Chiang's intelligence chief, General Tai Li, tried hard to control drug trafficking in China during the war. To ensure security for KMT smuggling

operations, the Americans sent a team to Chungking to train Chiang's secret political police force. The head of the team, Charles Johnston, was described as previously having spent fifteen years "in the narcotics game." [v]

Johnston's team and Tai Li's agents worked closely with Chiang's designated drug smuggler Du Yue-sheng. Tai Li's agents escorted Du's opium caravans from Yunnan to Saigon, where the Kuomintang used Red Cross operations as a front for selling opium to the Japanese. In so far as national security always trumps drug law enforcement, this operation was afforded the same immunity as OSS Detachment 101.

After the war, the Americans did nothing to stop the French from importing tons of opium from Laos, and selling it on the black market to finance their colonial war against the Vietnamese. During a visit to Saigon in 1948, an FBN agent reported that opium was "the greatest single source of revenue" for the French.[vi]

CIA drug ops took a great leap forward in 1949, when Mao chased Chiang to Taiwan, where KMT gangsters slaughtered thousands of people and set up a worldwide drug ring. To facilitate this particular criminal conspiracy in the name of freedom and democracy, US officials exempted a subsidiary of William Donovan's World Commerce Corporation from the Foreign Agents Registration Act, so it could supply the KMT with everything from gas masks to airplanes. This subsidiary was accused of smuggling "contraband" to America.

Some of the "contraband" no doubt emanated from the KMT's 93rd Division, which had fled from Yunnan into Burma in 1949. In exchange for launching covert raids into China, these enterprising KMT forces were allowed to grow and export opium onto the black-market in Bangkok and Hong Kong. In the same way the Israeli Lobby blackmails and bribes Congress to achieve its criminal ends, the US China Lobby attacked KMT critics and launched a massive propaganda campaign citing the People's Republic as the source of all the illicit dope that reached San Francisco.

To facilitate the drug trade emanating from its KMT army in Burma, the China Lobby raised five million dollars of private money, which the CIA used to create its drug smuggling airline Civil Air Transport (CAT). The aforementioned General William Peers, as CIA station chief in Taipei, arranged for CAT to support KMT incursions from Burma into Yunnan – and thus enabled the KMT to bring to market "a third of the world's illicit opium supply." [vii]

When Burma charged the KMT with opium smuggling in 1953, the CIA requested "a rapid evacuation in order to prevent the leakage of information about the KMT's opium business." The State Department announced that KMT troops were being airlifted by the CAT to Taiwan, but most remained in Burma or were relocated to northern Thailand with the consent of Thailand's top policeman and drug lord. US Ambassador William J. Sebald wasn't fooled by this chicanery, and rhetorically asked if the CIA had deliberately left the KMT troops behind in Burma to continue "the opium smuggling racket." [viii]

Suborning the Police

The story of the CIA's drug empire is the biggest cover-up in American history – even though the basic facts are available in books like Al McCoy's *The Politics of Heroin in Southeast Asia* and Richard M. Gibson's *The Secret Army*.

Organizing the cover-up initially depended on the CIA's ability to suborn the Federal Bureau of Narcotics, which, as the conflict in Vietnam heated up, was forced to investigate the flow drugs from the Far East to America. Thus, in 1963, FBN headquarters sent Agent Sal Vizzini to Thailand to open an office in Bangkok. As Vizzini told me, "Customs was already in Vietnam, but only under the aegis of helping the soldiers. Apart from that, no one's making cases in Vietnam, because the CIA is escorting dope to its warlords."

Vizzini's assertion was validated on 30 August 1964, when Major Stanley C. Hobbs was caught smuggling 57 pounds of opium from Bangkok to a clique of South Vietnamese officers in Saigon. Hobbs had flown into Saigon on the CIA's new drug smuggling airline, Air America. Hobbs's court martial was conducted in secret and the defense witnesses were all US army and South Vietnamese intelligence officers. The records of the trial were dutifully lost and Hobbs was fined a mere three thousand dollars and suspended from promotion for five years. As a protected CIA drug courier, he served no time.

The FBN Commissioner wrote a letter to Senator Thomas J. Dodd asking for help obtaining information about Hobbs. But Dodd was stonewalled too, proving that the CIA is able to subvert drug law enforcement at the highest legislative level in the nation.

Later in 1963, FBN Agent Bowman Taylor replaced Sal Vizzini in Bangkok. Taylor was famous for slipping into Laos and making a case on General Vang Pao, commander of the CIA's private army of indigenous, opium-growing tribesmen. Taylor didn't know the identity of the person he was buying from: he simply set up an undercover buy, got a flash roll together, and went to "the meet" covered by the Vientiane police. But when the seller stepped out of his car and opened the trunk, and the police saw who it was, they ran away, leaving Taylor to bust the felonious general alone.

"Yep, I made a case on Vang Pao and was thrown out of the country as a result," Taylor acknowledged. "The prime minister gave him back his Mercedes Benz and morphine base, and the CIA sent him to Miami for six months to cool his heels. I wrote a report to the Commissioner, but when he confronted the CIA, they said the incident never happened."

"The station chiefs ran things in Southeast Asia," Taylor stressed, adding that the first secretary at the Vietnamese Embassy in Bangkok had a private airline for smuggling drugs to Saigon, as the CIA was well aware. "I tried to catch him, but there was no assistance. In fact, the CIA actively supported the Thai Border Police, who were involved in trafficking."

Taylor shrugged. "The CIA would do anything to achieve its goals."

The 118A Strategic Intelligence Network

Not only was the CIA protecting Vietnamese warlords, their Corsican accomplices, and its private armies of opium growers in Laos, Burma and Thailand, it was managing the caravan that moved opium to the world's biggest market in Houei Sai, Laos.

In 1991, in Chiang Mai, Thailand, I interviewed William Young, the CIA officer who set the operation up.

The son of an American missionary in Burma, Young had learned the local dialects before he mastered English. During World War II, his family was forced to move to Chiang Mai in northern Thailand, where Young's father taught William Donovan the intricacies of the region's opium business.

Following a tour of duty with the US Army in Germany, Young was recruited into the CIA and in 1958, posted to Bangkok then Chiang Mai. From Chiang Mai, Young led a succession of CIA officers to the strategically placed Laotian and Burmese villages that would eventually serve as Agency bases.

It was Young who introduced General Vang Pao to his first official CIA case officer.

From his headquarters at the CIA airbase at Long Tieng, on the south side of the opium-rich Plain Of Jars, Vang Pao conscripted 30,000 tribesmen, many as young as 13, into a secret army to fight the Pathet Lao and its Vietnamese allies. In exchange for selling his people as cannon fodder, he was allowed to make a fortune selling opium. Much of the brokering was done at the village of Houei Sai in western Laos. Pao's front man was the chieftain of the local Yao tribe, but behind the scenes Young set up deals between Pao, the top Laotian generals and politicians, and the KMT generals inside Burma. The Burmese generals operated clandestine CIA radio listening posts inside Burma, and in return were allowed to move 90% of the opium that reached Houei Sai. 1

It was a happy arrangement until October 1964, when the Chinese detonated an atomic bomb at Lop Nor. That seminal event signaled a need for better intelligence inside China, and resulted in the CIA directing Young to set up a strategic intelligence network at Nam Yu (aka Base 118), a few miles north of Houei Sai. The purpose of the 118A Strategic Intelligence Network was to use a KMT opium caravan to insert agents inside China. The agents placed by Young in the caravan were his childhood friends, Lahu tribesmen Moody Taw and Isaac Lee. Young equipped them with cameras, and while in China they photographed Chinese engineers building a road toward the Thai border, as well as Chinese soldiers massing along it. Knowing the number and location of these Chinese troops helped the CIA plot a strategy for fighting the Vietnam War.

Once the 118A network was up and running, Young turned it over to CIA officer Lou Ojibwe, and after Ojibwe was killed in the summer of 1965, Anthony Poshepny took charge. A Marine veteran who served with the CIA in the Indonesia and Tibet, "Tony Poe" was the balding, robust model for Marlon Brando's Colonel Kurtz in *Apocalypse Now*! Poe also served as a father figure to the junior CIA officers (including Terry Burke, a future acting chief of the DEA) he commanded in the jungles of Laos.

When I interviewed Poe in Udorn, Thailand in 1991, he said he “hated” Vang Pao because he was selling guns to the Communists. But Poe was a company man, and he made sure the CIA’s share of opium was delivered from Nam Yu to the airfield at Houei Sai. The opium was packed in oil drums, loaded on C-47s, and flown by KMT mercenaries to the Gulf of Siam. The oil drums were dropped into the sea and picked up by accomplices in sampans waiting at specified coordinates. The opium was ferried to Hong Kong, where it was cooked into heroin by KMT chemists and sold to the Mafia and Corsicans.

FBN Agent Albert Habib, in a Memorandum Report dated 27 January 1966, cited CIA officer Don Wittaker as confirming that opium drums were dropped from planes, originating in Laos, to boats in the Gulf of Siam. Wittaker identified the chemist in Houei Sai, and fingered the local Yao leaders as the opium suppliers.

By 1966, when FBN Agent Douglas Chandler arrived in Bangkok, the existence of the CIA’s 118A opium caravan was a known fact. As Chandler recalled, “An interpreter took me to meet a Burmese warlord in Chiang Mai. Speaking perfect English, the warlord said he was a Michigan State graduate and the grandson of the king of Burma. Then he invited me to travel with the caravan that brought opium back from Burma.” Chandler paused for effect. “When I sent the information to the CIA, they looked away, and when I told the embassy, they flipped out. We had agents in the caravan who knew where the Kuomintang heroin labs were located, but the Kuomintang was a uniformed army equipped with modern weapons, so the Thai government left them alone.”

As described by Young and Poe, the 118A Strategic Intelligence Network was the CIA’s private drug channel to its Mafia partners in Hong Kong – people like Santo Trafficante, the Mafia boss the CIA hired to kill Fidel Castro, and protected ever thereafter. The same thing is happening today in Afghanistan, with the DEA providing cover for the CIA and military, just as the FBN did in the 1960s.

Which brings me back to Gary Webb. The CIA wasn’t happy that Poe and Young were talking. Poe was told to shut up after his chat with me, and he did. But Young sold his story to a major Hollywood studio for \$100,000. And that was unforgivable.

On April Fool’s Day, 2011, Thai police found Bill Young’s corpse. It had been perfectly arranged with a pistol in his one hand and a crucifix in the other.

Maybe he was depressed too?

And it is seriously depressing, the fact our utterly corrupt government, aided by its criminal co-conspirators in the mainstream media, pretends as if the CIA doesn’t deal drugs.

Notes.

[i] Douglas Clark Kinder and William O. Walker III, “Stable Force In a Storm: Harry J. Anslinger and United States Narcotic Policy, 1930-1962,” *The Journal of American History*, Volume 72, No 4, March 1986, p. 919, note.

[ii] Ed Reid, **The Mistress and the Mafia**, p. 42.

[iii] Reid, **Mistress**, p. 90.

[iv] William Peers and Dean Brellis, **Behind The Burma Road**, Boston: Little Brown, 1963 p. 64.

[v] Milton Miles, **A Different Kind of War**, New York: Doubleday, 1967.

[vi] William O. Walker, **Opium and Foreign Policy**, University of North Carolina Press, 1991, p. 177.

[vii] Burton Hersh, **The Old Boys: The American Elite And The Origins Of The CIA**, New York: Charles Scribner's Sons, 1992 p. 300

[viii] Walker, **Opium**, p. 210.