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# IRAN-CONTRA'S UNTOLD STORY

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by Robert Parry and Peter Kornbluh

**P**resident Ronald Reagan's 8-year crusade to stop the spread of leftist revolution in Central America was always a two-front war. The president and his men realized from the start that to carry out their aggressive plans to defeat Marxist rebels in El Salvador and to oust the Sandinista government in Nicaragua they would need to neutralize the post-Vietnam public opposition to U.S. intervention in the Third World. To win this war at home, the White House created a sophisticated apparatus that mixed propaganda with intimidation, consciously misleading the American people and at times trampling on the right to dissent. In short, the administration set out to reshape American perceptions of Central America; and the Orwellian methods employed could be one of the most troubling legacies of Reagan's presidency.

The congressional committees investigating the U.S. arms sales to Iran and the subsequent diversion of profits to the anti-Sandinista Nicaraguan rebels known as *contras*, as well as other congressional investigations, elicited thousands of pages of documents and testimony about different parts of this White House domestic campaign; but it has never been understood in its totality. Congressional investigators did draft a chapter about the domestic side of the scandal for the *Iran-contra* report, but it was blocked by House and Senate Republicans. Kept from the public domain, therefore, was the draft chapter's explosive conclusion: that, according to one congressional investigator, senior CIA covert opera-

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## FOREIGN POLICY

tives were assigned to the White House to establish and manage a covert domestic operation designed to manipulate the Congress and the American public.

An in-depth analysis of the little-examined investigative documents released by the *Iran-contra* committees, as well as interviews with dozens of participants and investigators, shows that the administration was indeed running a set of domestic political operations comparable to what the CIA conducts against hostile forces abroad. Only this time they were turned against the three key institutions of American democracy: Congress, the press, and an informed electorate.

The similarities to a CIA covert operation were no coincidence. *Iran-contra* documents show that its chief architects were the late CIA director William Casey and a veteran of the CIA's clandestine overseas media operations, Walter Raymond, Jr., who, with Casey's authorization, was detailed to the National Security Council (NSC) staff in 1982 to set up a "public diplomacy" program. Described by one U.S. government source as the CIA's leading propaganda expert, Raymond was recommended for the NSC staff by another CIA veteran, Donald Gregg, the national security adviser to Vice President George Bush. Raymond engineered the creation of a key propaganda arm, the State Department's Office of Public Diplomacy for Latin America and the Caribbean (S/LPD), which was under the guidance of a restricted interagency group (RIG) dominated by then NSC aide Lieutenant Colonel Oliver North, CIA Central American Task Force chief Alan Fiers, and Assistant Secretary of State for Inter-American Affairs Elliott Abrams. Indeed, congressional investigators discovered that many of the scandal's key players—Casey, North, and national security advisers Robert McFarlane and John Poindexter—also were deeply enmeshed in the domestic operation.

One NSC official who worked closely with North and Raymond acknowledged that the public diplomacy apparatus was modeled after CIA covert operations overseas. "They were trying to manipulate [U.S.] public opinion . . . using the tools of Walt Raymond's trade craft

which he learned from his career in the CIA covert operation shop," said the official, who spoke on condition he not be identified. In an interview reported in the October 13, 1986, *Miami Herald*, another public diplomacy official termed the effort a "vast psychological warfare operation." By running the operation from the NSC, the administration apparently sought to sidestep restrictions on the CIA. The spy agency is prohibited by the 1947 National Security Act from domestic operations and by Reagan's executive order 12333 from activities "intended to influence United States political processes, public opinion . . . or media."

Although previous administrations have routinely attempted, in former Secretary of State Dean Acheson's words, to "spin a story clearer than truth," Reagan created what appears to be America's first peacetime propaganda ministry. The Central America operation went far beyond simply spreading domestic propaganda to an attempt at shaping public debate through what one internal NSC memorandum candidly called a "political action" program. The public diplomacy office pressured journalists and news executives into compliance. The White House deployed secretly funded private-sector surrogates to attack anti-*contra* lawmakers through television and newspaper advertisements and to promote the *contra* cause through organizations with hidden funding ties to the administration. The FBI mounted intrusive and intimidating investigations of groups opposed to Reagan's Central America policies. The congressional Iran-*contra* report cites seven cases in which North and other administration officials sought to manipulate criminal probes to protect their operations from exposure.

On the public relations front, the White House painted the *contras* as "the moral equivalent of the Founding Fathers" and Nicaragua as a totalitarian dungeon. This was not merely Reagan's fondness for simplistic explanations; it was propaganda strategy. In a July 1986 memorandum that could be a credo for the campaign, Raymond, then the NSC's director of international communications, declared, "In the specific case of Nica[ragua], concentrate on gluing black hats on the Sandinistas

## FOREIGN POLICY

and white hats on UNO [the *contras*' United Nicaraguan Opposition]."

In a war actually fought by "gray hats" on both sides, the administration's strategy required distorting the factual record by exaggerating Sandinista offenses and hiding those of the *contras*. Those journalists, human rights investigators, law-enforcement officials, and members of Congress who uncovered the facts thus threatened the desired public relations image. To defuse that threat the administration sought to discredit or intimidate its critics.

A deception campaign on Central America was evident from the start. Seeking to play down the government-sponsored slaughter in El Salvador, the Reagan administration found itself repeatedly at odds with human rights investigators and honest journalists. Its response was to accuse the human rights groups of bias and to pressure critical reporters to leave. U.S. embassy officials boasted in 1982 that they had forced the *New York Times* correspondent Raymond Bonner out of the country because of his unfavorable reporting on the Salvadoran government. Even in 1983, as the administration was finally recognizing the Salvadoran army's "death squad" role, Reagan told a group of schoolchildren that some murders attributed to the rightists might actually be the work of leftist guerrillas masquerading as soldiers so "the right wing will be blamed for it."

As the pretext for the *contra* war, the administration relied on the myth that the Sandinistas had fueled the Salvadoran insurgency. In December 1981 Casey misled congressional intelligence oversight committees by depicting the *contras* as an arms "interdiction" force. Craig Johnstone, then deputy assistant secretary of state for inter-American affairs, now admits, "I was absolutely stupefied when I heard how it [the *contra* operation] had been described to Congress."<sup>1</sup> But the die of deception had been cast. Thereafter, virtually every component of U.S. policy toward Nicaragua was misrepresented to Congress

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<sup>1</sup>Quoted in Roy Gutman, *Banana Diplomacy: The Making of U.S. Policy in Nicaragua, 1981-1987* (New York: Simon and Schuster, 1988), 86.

and the public—often cynically exploiting concerns and fears of everyday Americans.<sup>2</sup>

Former *contra* director Edgar Chamorro said in an interview that in 1983, CIA officers seeking to muster public support for the Nicaragua program targeted influential sectors of the American public, including the Jewish community. The CIA officers fashioned a propaganda drive, Chamorro said, accusing the Sandinistas of anti-Semitism because much of the small Jewish community had fled Nicaragua after the 1979 revolution. Reagan and other senior officials often have repeated the allegation since then, despite a July 28, 1983, classified cable from the U.S. embassy in Managua reporting that there was “no verifiable ground” to make the anti-Semitism charge. The Nicaraguan Jews who left had been associated personally with the ousted dictator Anastasio Somoza Debayle, according to the cable, which the administration never publicized.

When the administration found through the pollster Richard Wirthlin’s opinion surveys in 1983 that Americans were afraid of an influx of Latin American refugees, it argued that only by crushing leftist movements could such a flood be stopped. Reagan promptly raised the issue in a June speech, warning that unless a tough stand was taken, a “tidal wave” of “feetpeople” would be “swarming into our country.” Senator David Durenberger (R.-Minnesota), who was then the Senate Intelligence Committee chairman, termed the propaganda strategy an attempt to “play on the basest and most selfish instincts of humanity.” But the dubious argument is often recited when *contra* aid is debated.

The administration was so obsessed with manipulating public and congressional opinion that the *contra* war itself became part of the propaganda game. To overcome the *contras*’ military ineffectiveness in 1983 and early 1984, Casey ordered a series of CIA-run coastal attacks on Nicaragua, including mining its harbors. According to Chamorro, the CIA then instructed *contra* leaders to claim credit

<sup>2</sup>See Wayne S. Smith, “Lies about Nicaragua,” FOREIGN POLICY 67 (Summer 1987): 87–103.

## FOREIGN POLICY

for the raids. Back in Washington, the fledgling public diplomacy apparatus informed reporters that the attacks proved that the *contras* were capable of mounting sophisticated military operations, thus justifying continued CIA support.

### *A "New Art Form" in Foreign Policy*

The combination of sophisticated polling, targeting special audiences, and timing military attacks for domestic purposes marked a maturing of the administration's propaganda strategy from a scattered, ad hoc effort to an organized, scientific one. Indeed, during the early part of 1983 the administration secretly debated the need for a domestic propaganda bureaucracy. Shaping the administration's thinking was the legacy of Vietnam where, many administration ideologues believed, the war had been lost because the North Vietnamese and the Soviets had tricked the American people through clever disinformation.

This embattled world view pervaded the strategy papers then circulating on the need for domestic public diplomacy, according to a spring 1983 memorandum by Kate Semerad, an external relations official at the Agency for International Development (AID). The "common element" in these papers, she said, was "the need to counter the Soviet-orchestrated effort to influence the United States' Congress, the national media and the general public," which led to Western defeats in Vietnam and other "war[s] of national liberation." For example, Semerad wrote, North Vietnamese General Vo Nguyen Giap was a "dismal" battlefield commander but "won his wars because he and his Soviet allies fought the principle [sic] campaigns against unaware or, at best, unorganized opposition in Paris, New York, and Washington. Their weapons were propaganda and disinformation and the results are history." She added, "We have neither the apparatus nor the legal mechanism which would allow the success of an effort to emulate that of Moscow, Habana and Managua." Nevertheless, Semerad recommended, "we can and must go over the heads of our Marxist opponents directly to the American people. Our targets would be: within the

United States, the Congress, specifically the Foreign Affairs Committees and their staffs, . . . the general public [and] the media.”

“We were not configured effectively to deal with the war of ideas,” Raymond later explained to *Iran-contra* investigators. Thus in January 1983 Reagan formally authorized a public diplomacy apparatus by signing National Security Decision Directive 77, entitled “Management of Public Diplomacy Relative to National Security.” The directive deemed it “necessary to strengthen the organization, planning and coordination of the various aspects of public diplomacy of the United States Government.” A special planning group was created within the NSC to direct public diplomacy campaigns.

In a January 25, 1983, planning memorandum to then national security adviser William Clark, Raymond expounded on the need for this “new art form” in foreign policy. “It is essential that a serious and deep commitment of talent and time be dedicated to this,” he argued. “Programs such as Central America, European strategic debate, Yellow Rain and even Afghanistan have foundered by a failure to orchestrate sufficient resources and forces [for] these efforts.” The goal of public diplomacy, the memo stated, was to “provide central focus for insuring greater commitment of resources, greater concentration of effort in support of our foreign policies: call it political action, if you will.”

In documents and depositions released by the *Iran-contra* committees, Raymond emerges as the pivotal “political action” officer in the new public diplomacy bureaucracy. He formally retired from the CIA in April 1983 so, as he said, “there would be no question whatsoever of any contamination of this.” According to his résumé, he assumed “overall responsibility for NSC staff coordination concerning public diplomacy.” He headed the Central American Public Diplomacy Task Force, an interagency committee that met every Thursday morning and included representatives of the State Department, the United States Information Agency (USIA), the AID, the Defense Department, the CIA, and the NSC staff. In an August 7, 1986, status report for Casey, Ray-



## FOREIGN POLICY

mond stated that the task force “takes its policy guidance from the Central American RIG and pursues an energetic political and informational agenda.” According to former U.S. Ambassador to Costa Rica Lewis Tambs and sources inside the operation, the principals on that RIG—North, Fiers, and Abrams—also oversaw the secret *contra* resupply operation that was exposed when an American C-123 plane crashed in Nicaragua on October 5, 1986.

From its inception, Central American public diplomacy was an important element in the strategy to oust the Sandinista government. The administration in effect was practicing the Pentagon’s emerging doctrine of “low intensity conflict” in which all elements of a war—propaganda, civic action, and military efforts—are integrated for the purpose of political victory. As J. Michael Kelly, deputy assistant secretary of the air force for force support, advised a 1983 National Defense University forum on low-intensity warfare that reportedly was attended by North: “The most critical special operations mission we have . . . today is to persuade the American people that the communists are out to get us. . . . If we win the war of ideas, we will win everywhere else.”<sup>3</sup>

The guiding hand behind the aggressive domestic propaganda appears to have been Casey, who was also the architect of the covert *contra* war and North’s secret supply operations. In a classified December 21, 1982, memorandum to Clark, Casey pressed “for more effective governmental instrumentalities to deal with public diplomacy and informational challenges.” As the public diplomacy apparatus was taking shape in August 1983, Casey summoned advertising specialists to the Old Executive Office Building to brainstorm about how “to sell a ‘new product’—Central America—by generating interest across-the-spectrum,” according to an NSC summary of the meeting. One participant, the public relations specialist William Greener, Jr., recalls that

<sup>3</sup>Kelly’s lecture is published in Frank Barnett et al., eds., *Special Operations in U.S. Strategy* (Washington, D.C.: National Defense University Press, 1984), 223.

“Casey was kind of spearheading a recommendation” for a public diplomacy campaign.

Recognizing the bars against executive branch propaganda activities, one August 1983 Raymond memo notes that “the work done within the Administration has to, by definition, be at arms length.” Raymond added that he hoped “to get [Casey] out of the loop.” Yet Casey remained active. At a White House lobbying session for Republican members of Congress before a key vote on *contra* aid in February 1986, the CIA director personally passed around a classified report wrapped in plain brown paper on an alleged Sandinista “disinformation campaign.” Durenberger denounced Casey’s maneuver as an “outrageous” attempt “to portray every senator and congressman who votes against lethal aid as a stooge of communism.”

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As late as August 1986, documents released by the Iran-*contra* committees show, Casey was still receiving status reports from Poindexter on public diplomacy operations and still making recommendations. “Bill Casey was in this morning and amongst other things he said that he still felt that we needed somebody in the W[hite]H[ouse] full time on Central America public affairs,” Poindexter said in a computer message to North on September 13, 1986. “I think what he really has in mind is a political operative that can twist arms and also run a high-powered public affairs campaign.” Raymond told the Iran-*contra* committees that public diplomacy was “the kind of thing which [Casey] had a broad Catholic [sic] interest in and understanding of and would encourage.” But Raymond suggested that Casey undertook such activities “not so much in his CIA hat, but in his advisor to the president hat.”

As with *contra* military assistance, North served as a chief operational officer for propaganda—and his efforts sought to dramatize

## FOREIGN POLICY

the need for Congress to fund the *contras*. In 1984 North oversaw a “sting” operation in which a convicted narcotics smuggler, Barry Seal, piloted a shipment of cocaine into Nicaragua and secretly photographed a Nicaraguan official carrying one of the sacks to a second plane, which was then flown to Florida. The story was promptly leaked to the press and became the basis of Reagan’s charge that the Sandinistas were poisoning the youth of America. The Drug Enforcement Agency later acknowledged that it had no evidence of drug running by any other Nicaraguan government official.

In early 1985, North warned *contra* leader Adolfo Calero to keep Saudi Arabian cash donations secret while the administration claimed that *contra* supplies had run out. “The Congress must believe that there continues to be an urgent need for funding,” North wrote, using his nom de guerre, Steelhammer.

As Congress debated Reagan’s request for \$100 million for the *contras* in 1986, North plotted with Panama’s General Manuel Antonio Noriega to plant a shipment of East-bloc weapons in El Salvador, where it was to be intercepted as the long-missing proof of Sandinista gunrunning to the Salvadoran guerrillas, according to testimony before Congress by Noriega’s former consul, José Blandón. Blandón had said earlier that the plan went awry after the general became angered at U.S. press disclosures of his drug involvement and seized the ship carrying the armaments.

North’s calendars show some 70 public diplomacy strategy sessions with Raymond between 1984 and 1986—though Raymond has asserted that North was “not a regular attendee” at the meetings. North also coordinated “White House presidential actions in support” of the public diplomacy effort, according to Robert Kagan, who took over State’s public diplomacy office in 1986.

In a 14-page memorandum dated March 20, 1985, North informed then national security adviser McFarlane about more than 80 planned publicity events to influence public and congressional opinion for the upcoming *contra* aid vote. “In addition to the events

depicted on the internal chronology,” North wrote,

other activities in the region continue as planned—including military operations and political action. Like the chronology, these events are also timed to influence the vote: planned travel by [*contra* leaders] Cale-ro, [Arturo] Cruz, and [Alfonso] Robelo [and] special operations attacks against highly visible military targets in Nicaragua. . . . You should also be aware that Director Casey has sent a personal note to [then White House Chief of Staff] Don Regan on the timing matter [of the vote].

According to North’s timetable, in the 2 months preceding the vote, U.S. intelligence agencies would research and publicize Sandinista war violations; public diplomacy officials would review opinion polls “to see what turns Americans against Sandinistas”; a “dear colleague” letter would be prepared “for signature by a responsible Democrat which counsels against ‘negotiating’ with” the Sandinistas; the Justice Department would prepare a “document on Nicaraguan narcotics involvement”; interviews with *contra* fighters would be arranged for the press; and, in one ironic entry, the State Department would “release [a] paper on Nicaraguan media manipulation.” North’s “event checklist” also called for coordinated pro-*contra* activities by private groups, including the Gulf and Caribbean Foundation and International Business Communications (IBC), which later received funding from North’s network.

From its earliest days, the public diplomacy apparatus recruited outside groups for its campaigns, whether mounted overseas or at home. In a January 25, 1983, memorandum, Raymond wrote, “We will move out immediately in our parallel effort to generate private support” to pay for public diplomacy operations. In a May 20, 1983, memorandum, Raymond said that \$400,000 had been raised from private donors brought to the White House situation room by USIA director Charles Wick. Raymond said that the money went to several organizations, including Accuracy in Media and Freedom House. In an interview Raymond said that the \$400,000 was to support public diplomacy campaigns in Europe

## FOREIGN POLICY

on behalf of the U.S. intermediate-range missile deployment. However, Accuracy in Media is best known for vigorously attacking American journalists who write critically of Reagan foreign policy, and Freedom House has denounced the human rights record of the Sandinistas. For his part, Wick denied soliciting any money.

To drum up support for Reagan's Nicaragua policy, North worked closely with several groups, including the National Endowment for the Preservation of Liberty (NEPL) and IBC in 1985 and 1986. Even after Congress approved \$100 million in *contra* aid in August 1986, Casey and Raymond deliberated on how to press the administration's advantage. Raymond's August 7, 1986, memo to Casey suggested that the CIA director's close friend, the advertising specialist Peter Dailey, could "help coordinate private sector activities such as funding that currently cannot be done by either CIA or State." (Dailey said in an interview that he did not take on that job because he became a full-time consultant to Casey at the CIA.)

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**Reich's staff literally policed the airwaves, monitoring major news outlets for offending items and taking action against the journalists who deviated from the Reagan line.**

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In an interview, one "private" participant in the public diplomacy strategy said that a key advantage to using outside groups was that their assessments were viewed as more objective than those of the Reagan administration. This source noted that once in 1986, the office of Thomas P. O'Neill, Jr., then Speaker of the House and a staunch *contra* opponent, unsuspectingly sought the advice of an academic whose critical report on Nicaragua had been sponsored by the Gulf and Caribbean Foundation.

North's private-sector operatives were especially active in challenging human rights reports that documented *contra* atrocities. In

testimony to a hearing of the House Foreign Affairs Subcommittee on Western Hemisphere Affairs in April 1985, Tom Dowling, dressed in the garb of a Roman Catholic priest, denounced Sandinista human rights abuses to counter testimony of other religious figures about *contra* abuses. Committee members did not discover until later that Dowling had been working for North and was not an ordained Roman Catholic priest, but belonged instead to an unrecognized sect called the Old Catholic Church. In 1985 and 1986—to counter detailed accounts of *contra* atrocities—a Brigham Young University student, Wesley Smith, published human rights reports alleging Sandinista atrocities. Again the reports were financed by operatives in North's network.

By using outside groups, the administration circumvented legal bars against executive branch lobbying and domestic propaganda. Those laws prohibit the administration from financing grassroots campaigns to pressure Congress, from covertly funding domestic propaganda efforts, and—in the case of the CIA and the USIA—from playing any role in influencing U.S. public policies.

Through managing the *contra* war, however, Casey's CIA often found itself in a position to influence congressional attitudes about the conflict. According to Chamorro, CIA officers told *contra* leaders to play down their goal of overthrowing the Sandinista government, stressing instead a desire for negotiations and democratic reforms. The *contras* were instructed how best to lobby individual members of Congress, Chamorro said in his 1987 book *Packaging the Contras: A Case of CIA Disinformation*. He wrote that CIA money was channeled to the Nicaraguan exile Humberto Belli to help found the Puebla Institute, which published his book *Nicaragua: Christians under Fire* and later printed reports denouncing the Sandinista human rights record. "Of course the CIA told us to say that the money for the book and Institute was from private individuals who wanted to remain anonymous," Chamorro wrote. The Puebla Institute denies that it received CIA money or that it has any association with the CIA.

*Pressuring the Press*

To be sure, previous administrations have tried to impose their political wills on the news media, dissembling and lying when necessary to protect foreign-policy misadventures. But the Reagan White House appears to be the first to have institutionalized the process. Employing the scientific methods of modern public relations and the war-tested techniques of psychological operations, the administration built an unprecedented bureaucracy in the NSC and the State Department designed to keep the news media in line and to restrict conflicting information from reaching the American public.

The most visible component of the propaganda machinery was the S/LPD. Created in July 1983 by then national security adviser Clark, the office was headed by a former AID official, Otto Reich, and was seen as one of Reagan's highest priorities. "The President has underscored his concern that we must increase our efforts in the public diplomacy field to deepen the understanding of and support for our policies in Central America," Clark wrote in appointing Reich. In a May 18, 1983, "secret" action memorandum, Raymond urged that Reich be given "a White House cachet" to underscore the importance of his mission.

Although the S/LPD was housed at State and appeared to the public as a State Department agency, in reality "the group report[ed] directly to the NSC," Raymond acknowledged in his August 7, 1986, memo for Casey. Both Raymond and Reich have since denied that the public diplomacy office "reported" to the NSC. But S/LPD files obtained by the General Accounting Office (GAO) show that Reich provided activity reports directly to the president's national security adviser, his budgets were cleared by the NSC, and Raymond cleared personnel for Reich's office. The S/LPD's activities were reviewed weekly at Raymond's Thursday meetings. Moreover, as congressional investigators discovered, Reich kept a secure telephone in his office for calls to North.

On the surface, the S/LPD functioned as a

ministry of information. "Without blowing our own horn," Reich testified in his *Iran-contra* deposition, "it got to the point where the President of the United States, the Secretary of State, the National Security Advisor, Cabinet officials and lots of other people relied on our information and used it verbatim. I mean, it was that good." The office's principal activity was to produce and disseminate one-sided publications on Nicaragua and El Salvador. In its first year alone, S/LPD activities included booking more than 1,500 speaking engagements, including radio, television, and editorial board interviews; publishing three booklets on Nicaragua; and distributing materials to 1,600 college libraries, 520 political science faculties, 122 editorial writers, and 107 religious organizations. Special attention was given to prominent journalists. "Correspondents participating in programs such as the 'McLaughlin Group,' 'Agronsky and Company,' and 'This Week with David Brinkley' receive special materials such as the report on Nicaragua's Military Buildup expeditiously and have open invitations for personal briefings," according to a February 8, 1985, S/LPD activities report to the NSC.

Public diplomacy officials took "a very aggressive posture vis-a-vis a sometimes hostile press" and "generally did not give the critics of the policy any quarter in the debate," Reich reported to Raymond in March 1986. Indeed, Reich's staff literally policed the airwaves, monitoring major news outlets for offending items and taking action against the journalists who deviated from the Reagan line.

The S/LPD report cards boast of having "killed" purportedly "erroneous news stories." And when stories aired that did not conform with the administration's point of view, Reich often met personally with editors and reporters to press for more sympathetic coverage. For example, after National Public Radio (NPR) aired a poignant report on a *contra* attack that the S/LPD felt was particularly objectionable, Reich informed NPR editors that he had "a special consultant service listening to all NPR programs" on Central America and that he considered NPR's reporting to be biased against U.S. policy in the



## FOREIGN POLICY

region. Bill Buzenberg, then NPR's foreign affairs correspondent in Washington, recalls that Reich said that he had "made similar visits to other unnamed newspapers and major television networks [and] had gotten others to change some of their reporters in the field because of a perceived bias."<sup>4</sup>

Reich made one such visit to the networks after Reagan became upset with CBS television news coverage of El Salvador and Nicaragua in April 1984. Secretary of State George Shultz wrote the president a memorandum describing how Reich had spent 1 hour complaining to the correspondent and 2 more hours with the Washington bureau chief "to point out flaws in the information." This was but one example of "what the Office of Public Diplomacy has been doing to help improve the quality of information the American people are receiving," Shultz assured the president. "It has been repeated dozens of times over the past few months."

When public diplomacy officials could not shape the news, they sought to manufacture it. One favorite tactic was to leak selected tidbits of information to favored journalists at propitious times in order to influence, or to distract from, the debate over Nicaragua. Public diplomacy officials with security clearances received a daily intelligence briefing from the State Department's Bureau of Intelligence and Research. Requests to declassify particular pieces of information would then go to Raymond's NSC task force for approval by Raymond or North. North played a key declassification role, according to Raymond's deposition, because he "was much closer to the intelligence community than any other member of that working group."

Strategic leaking enabled U.S. officials to manage the perceptions of the American public with relatively little effort. After a bomb ripped through the jungle headquarters of the renegade *contra* leader Edén Pastora Gómez on May 30, 1984, killing eight people, including an American journalist, the Office of Public Diplomacy quickly assembled and publicized

<sup>4</sup>Buzenberg recalled the meeting with Reich in a speech on Reagan and the media in Seattle, Washington, on 9 September 1985.

information that, according to a June 15, 1984, Reich memorandum, pointed to "the possible involvement of a terrorist 'hitsquad' or individual working on behalf of the GRN [Nicaraguan government]." The memorandum and briefings to reporters successfully threw the initial suspicion on the Sandinistas and diverted attention from other leads suggesting that the bomb had been the work of *contra* hardliners who regarded Pastora as a communist. In an interview published in the July 7, 1988, *New York Times*, Pastora stated that he believes U.S. officials, in cooperation with *contras* and rightist Cuban exiles, planned the attack. But the case has never been solved.

In another propaganda coup, administration officials leaked sketchy intelligence to foster the mythical "MIGs Crisis"—that a delivery of the Soviet fighter planes to Nicaragua was in the offing—that was prominently played on television network news programs during presidential election-night coverage on November 6, 1984, and run in major newspapers for the next several days. Reich denies that the S/LPD was *the* source of the story. But the office clearly was *a* source. "On a possible Soviet MIG delivery to Nicaragua [s/]LPD provided over 30 background briefings to the media," said one internal report dated February 8, 1985. No matter that the story turned out to be false; the public perception of a potential military threat from Nicaragua had been advanced.

To staff the S/LPD, Reich drew on Defense Department personnel with intelligence experience. One, Lieutenant Colonel Daniel ("Jake") Jacobowitz, who served as Reich's executive officer, had a "background in psychological warfare," s/LPD Deputy Director Jonathan Miller told the Iran-*contra* committees. After a request from Reich to Raymond, five other army psychological operations specialists from Fort Bragg in North Carolina were recruited for the office. One of them would "also be looking for exploitable themes and trends, and [would] inform us of possible areas for our exploitation," Jacobowitz wrote in a May 30, 1985, memorandum to Reich. "If you look at it as a whole," an S/LPD official candidly admitted in a July 19, 1987, *Miami*

## FOREIGN POLICY

*Herald* article, “the Office of Public Diplomacy was carrying out a huge psychological operation, the kind the military conduct to influence the population in denied or enemy territory.”

At taxpayers' expense, the public diplomacy apparatus engaged in covert propaganda and high-pressure lobbying of Congress. Adopting a routine CIA tactic in covert propaganda operations abroad, the S/LPD planted stories in the media while concealing their government sponsorship. In a classified May 13, 1985, memo to Patrick Buchanan, then the president's director of communications, Miller boasted of ongoing “white propaganda” operations that were placing anti-Sandinista opinion articles in leading newspapers. One appeared in the *Wall Street Journal* on March 11, 1985; it was authored by a Rice University history professor, John Guilmartin, Jr., who, Miller said in the memorandum, had “been a consultant to our office and collaborated with our staff in the writing of this piece. . . . Officially, this office had no role in its preparation.” “I merely wanted to give you a flavor of some of the activities that hit our office on any one day,” wrote Miller, who resigned from the government after disclosures in the Iran-*contra* hearings that he had helped cash *contra* travelers checks from North's safe.

In his deposition before Iran-*contra* investigators, Miller argued that “white propaganda” was “actually putting out [the] truth, straight information, not deception.” For his part, Reich states that the office did not ghostwrite articles or engage in illicit propaganda. But in a legal opinion dated September 30, 1987, the GAO concluded that the S/LPD's “white propaganda” articles amounted to “prohibited, covert propaganda activities designed to influence the media and the public to support the Administration's Latin American policies.”

The GAO and the House Foreign Affairs Committee also investigated no-bid contracts given by Reich's office to private organizations, particularly to the Washington-based IBC. Between 1984 and 1986, the S/LPD awarded IBC and its principals more than \$440,000 in contracts that, on the surface, included setting up press conferences for

*contra* leaders, drafting briefing papers, and creating a computerized mailing list for S/LPD publications. A preliminary House Foreign Affairs Committee staff report prepared in March 1987, citing the case of IBC, concluded that the State Department had entered into "secret contractual arrangements which might violate prohibitions against lobbying and disseminating government information for publicity and propaganda purposes." The report contributed to a decision by Congress in December 1987 to shut down the public diplomacy office.

IBC also helped North keep the *contras* afloat militarily. The conservative fund raiser Carl ("Spitz") Chanell, head of NEPL, along with IBC's director, Richard Miller, served as conduits for tax-exempt money to buy weapons, for which they both pleaded guilty in April and May 1987, respectively, with North named as an unindicted coconspirator. North's calendars, released by the Iran-*contra* investigators, show 49 meetings with Richard Miller in 1985 and 1986, and his daily notes show conversations about raising money for "approved PR programs."

To raise money for Channell's tax-exempt fund, North, Abrams, Buchanan, and even Reagan met with NEPL's major contributors. Hearing the *contra* pitch from North or getting thanks from the president convinced some donors to give millions of dollars, which were diverted to IBC to buy *contra* military supplies or to NEPL to lobby Congress. (On March 19, 1987, Reagan said at a news conference that he was aware only that the money was going for pro-*contra* television spots.) Besides the advertisements, Channell's Central American Freedom Program paid for *contra* speaking tours—arranged by IBC—and funded Capitol Hill lobbyists like Bruce Cameron, who was chosen on Abrams's recommendation. Although Channell called the lobbying a "public education" effort, his internal memoranda left no doubt about the Freedom Program's intent: "Target democratic swing votes in the house."

Collaborating with North, who supplied videotapes and background material for the ads, Channell used his \$1 million advertising

## FOREIGN POLICY

campaign to target selected Democratic congressmen, such as Ron Coleman and J. J. Pickle of Texas. "The evidence is clear that NEPL worked hand-in-glove with other organizations within the Channell network . . . to influence the outcome of congressional elections in 1986—against Democratic candidates," the Democratic Congressional Campaign Committee charged in a complaint filed with the Federal Election Commission (FEC) in April 1987. The FEC is still investigating.

NEPL's most obvious target was former Maryland Democratic Representative Michael Barnes, then chairman of the House Foreign Affairs Subcommittee on Western Hemisphere Affairs. Barnes had initiated inquiries into North's secret *contra* network. "We all, of course, wanted to nail Barnes' ass," a NEPL official, Kris Littledale, told Iran-*contra* investigators in September 1987. Undated internal NEPL notes that were uncovered by the investigators cite Channell's intention to "destroy Barnes [and] use him as [an] object lesson to others": "Barnes—wants indict Ollie. Watergate babies—want to get at the Pres. through Ollie. Want another Watergate. Put Barnes out of politics. If we get rid of Barnes we get rid of the ring leader and rid of the problem."

To punish Barnes during his 1986 Senate primary campaign, Channell placed a series of television and newspaper advertisements depicting the congressman as a Sandinista sympathizer. The night Barnes lost, Channell sent North a telegram proclaiming "an end to much of the disinformation and unwise effort directed at crippling your foreign policy goals." Anti-Barnes ads had a side benefit. Since they were shown on Washington-area television, their intimidating message was delivered to other members of Congress.

### *Shaping the Debate*

Although Barnes might well have lost the primary anyway, his experience recalls an objective that Reich had outlined to Raymond: "attacking the president was no longer cost free." But this unusual use of executive power did more than protect the president from unfair attacks. It effectively set the boundaries

for the Central American debate by delegitimizing opponents and suppressing the voices of criticism—be they politicians, journalists, or public affairs or citizens groups.

While the public diplomacy apparatus of Reich and Raymond focused on shaping the terms of the *contra* debate, others in the administration carried the attacks on dissenters even further. Some of the actions, apparently encouraged by North and hard-liners at the FBI, recalled the worst examples of the FBI's domestic counterintelligence programs abuses during the days of the civil rights movement and the Vietnam War. Advocacy organizations, like the Committee in Solidarity with the People of El Salvador (CISPES), came under major FBI investigations. Those probes, begun in 1981 and not closed until 1985, involved 52 of the FBI's field offices and generated thousands of pages of investigative reports on CISPES and more than 138 related organizations. Some FBI agents clearly went beyond examining hazy allegations that CISPES was an illegal foreign agent or supported international terrorism. One memorandum from the FBI's New Orleans office, dated November 10, 1983, states, "It is imperative at this time to formulate some plan of attack against CISPES and specifically, against individuals who defiantly display their contempt for the U.S. government by making speeches and propagandizing their cause."<sup>5</sup> Despite 5 years of investigation, however, no charges were brought against CISPES.

Anti-*contra* activists were similarly targeted. Assigned by the NSC, FBI agents subjected more than 100 Americans to counterintelligence interrogation when they returned from visits to Nicaragua. One former member of North's private network, Philip Mabry, a Fort Worth, Texas, security consultant, said that in 1984 North urged him and others to request FBI investigations of *contra* opponents. "Ollie told me that if the FBI received letters from five or six unrelated sources all requesting an investigation of the same groups, that would

<sup>5</sup>Quoted in Gary M. Stern, *The FBI's Misguided Probe of CISPES*, *CNSS Report no. 111* (Washington, D.C.: Center for National Security Studies, June 1988), 2.

## FOREIGN POLICY

give the Bureau a mandate to go ahead and investigate," Mabry said in an interview described in the February 29, 1988, *Boston Globe*. According to documents released under the Freedom of Information Act this year, the FBI also investigated other groups of Americans critical of Reagan's *contra* policies such as TecNica, which assists Nicaragua on small development projects, the *Globe* reported on June 18, 1988.

When a disaffected American mercenary, Jack Terrell, went public in 1986 with his accounts of illicit *contra* activities, including human rights abuses, corruption, and drug trafficking, he was targeted by North's Project Democracy, which assigned its security officer, a former CIA operative named Glenn Robinette, to investigate and discredit him. North turned over Robinette's information on Terrell to the FBI when it launched an investigation in July 1986 into what turned out to be a baseless charge that Terrell had threatened the president.

According to NSC and FBI records obtained by the Iran-*contra* committees, North was notified about the FBI's probe by FBI Executive Assistant Director Oliver Revell, who served with North on a counterterrorism task force. On July 28, 1986, North sent a memorandum to the president dramatically entitled "Terrorist Threat: Terrell." North described the issue as Terrell's "anti-*contra* and anti-U.S. activities." Although Terrell was being judged a "terrorist threat," North's report made clear that a greater concern was his knowledge about the *contras*. Terrell, North reported, had become "an active participant in the disinformation/active measures campaign against the Nicaraguan Democratic Resistance. Terrell has appeared on various television 'documentaries' alleging corruption, human rights abuses, drug running, arms smuggling and assassination attempts by the resistance and their supporters." Interestingly, North had been receiving similar reports from U.S. intelligence and his own field operative, Robert Owen, who privately called rebel leaders "liars and greed and power motivated."

To assemble information on Terrell, North enlisted a high-powered interagency task force

called the Operations Sub-Group of the Terrorist Incident Working Group, which normally handled international hostage crises. According to North's July 28 memorandum, the FBI had prepared "a counter-intelligence-counter-terrorism operations plan" aimed at Terrell. While it is not known what that plan contained, the FBI and the Secret Service placed Terrell under close surveillance and interrogated him on a polygraph for 2 days in August 1986 before finally dropping the investigation. Terrell said in an interview later that his treatment by U.S. law-enforcement officials convinced him to lower his profile. "It burned me up," he said. "The pressure was always there."

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Journalists also became the targets of character assassination, for no higher crime than reporting the facts. In July 1985 Reich's public diplomacy office helped spread a scurrilous story from a Sandinista defector that suggested that some American reporters had received sexual favors from Sandinista prostitutes in return for favorable reporting on Nicaragua. "It isn't only women," Reich asserted in an article in the July 29, 1985, issue of *New York* magazine. For gay journalists, Reich contended, the Nicaraguans provided men.

Other reporters were subjected to whispering campaigns in which their loyalty to the United States was darkly questioned. One of Reich's deputies suggested to an Associated Press reporter that one of his colleagues was working for Sandinista intelligence; but when pressed for proof, he offered none. In other cases the administration would spread the word that reporters who challenged the official line had "secret agendas." In Washington, where professional reputations can be destroyed quietly, such attacks served two purposes: to intimidate targets into self-censor-



## FOREIGN POLICY

ship and to “controversialize” them, leading to greater skepticism about their articles.

The attempt to intimidate the press slid easily into campaigns to discredit sources of negative news about the *contras*. For instance, when the former New York State prosecutor Reed Brody prepared a ground-breaking study on *contra* human rights violations in 1985, he was singled out that April for personal attack by Reagan, who denounced him as “one of dictator [Daniel] Ortega’s supporters, a sympathizer who has openly embraced Sandinismo.” However, a classified CIA review of his study, released a year later, found some of Brody’s major findings to be true. The CIA sought to dismiss other charges with preposterous logic—for example, claiming that recurring reports of *contra* throat slittings were false because the *contras* were not issued combat knives. Even a mainstream human rights group like Americas Watch came under attack from the administration for alleged anti-*contra* bias when it issued carefully documented reports that criticized both the Sandinistas and the *contras* for violating the rules of war.

In spring 1986, as the administration frantically sought to win renewed *contra* military aid, any possibility of negative publicity—particularly disclosure of North’s secret *contra* aid network—drew high-level attention. When a federal investigation in Miami uncovered the outlines of North’s shadowy network in March 1986, then Attorney General Edwin Meese III and other high-ranking Justice Department officials personally intervened, requiring that all important decisions on the case be cleared through Washington. Although U.S. Attorney Leon Kellner denied that he was pressured by top Justice Department officials, a May 1986 recommendation by the prosecutor, Jeffrey Feldman, and the FBI to present the case to a grand jury was overruled, and the case languished until after the Iran-*contra* scandal broke in November. (When seven indictments were finally handed down on July 13, 1988, Terrell and other low-level figures who had cooperated with the prosecution were charged with Neutrality Act violations, but North’s key operatives were left untouched.)

With the dark side of the *contra* operation kept secret and public diplomacy busily “gluing black hats” on the Sandinistas and “white hats” on the *contras*, Congress both approved \$100 million in *contra* military aid and reauthorized full CIA direction of the war in August 1986. Congress’s reversal of its October 1984 vote to ban the CIA’s paramilitary support for the *contras* was in no small part due to the public diplomacy machinery that had succeeded in narrowing the terms of congressional debate into a discussion of the means of dislodging the Sandinistas, rather than the soundness of that goal. “S/LPD has played a key role in setting out the parameters and defining the terms of the public discussion on Central America policy,” Reich said in a June 1986 recommendation that his office receive a commendation. “Despite the efforts of the formidable and well-established Soviet/Cuban/Nicaraguan propaganda apparatus, the achievements of U.S. public diplomacy are clearly visible.” In an August 7, 1986, memorandum on the public diplomacy efforts, Raymond exulted to Casey, “It is clear we would not have won the House vote without the painstaking deliberative effort undertaken by many people in the government and outside.”

Public-opinion polls still showed that approximately 60 per cent of the American people opposed *contra* aid, but one senior public diplomacy official said in an interview that the key opinions were those of the Washington elite. “I always argued that this was an inside the Beltway issue,” he said.

If the plane carrying the American mercenary Eugene Hasenfus had not been shot down on October 5, 1986, and if the Beirut weekly *Al Sbiraa* had not leaked the U.S. arms sales to Iran a month later, the discovery of the Iran-*contra* diversion might have been deferred for years and the American public kept ignorant about key elements of U.S. foreign policy. The domestic campaign had proved so successful that the traditional checks and balances had failed. Despite its image of abrasive independence, the American press corps had turned quiescent and compliant. Congressional oversight had failed to pierce the veil of

## FOREIGN POLICY

deception. Many members of Congress were simply worn down by the constant Red-baiting that characterized the administration's hardball lobbying strategy.

Even as the *Iran-contra* investigations proved beyond a doubt the existence of the administration's "off-the-shelf" covert capability, its domestic counterpart largely escaped exposure. Because of political pressures and time constraints, the *Iran-contra* committees failed to delve fully into the domestic scandal, which literally became an unpublished chapter of the *Iran-contra* report when a draft of a public diplomacy section was left on the cutting room floor. Although two segments of the draft paper were included in the *Iran-contra* report, Republicans effectively blocked a more thorough examination. Senator William Cohen (R.-Maine) even protested the inclusion of one brief section on public diplomacy in the report's executive summary. Committee sources added that Representative Richard Cheney (R.-Wyoming) successfully pressed the House committee's chairman, Representative Lee Hamilton (D.-Indiana), to focus almost exclusively on the money and arms transfers, arguing that the domestic operations were outside the committees' scope.

Protected from full disclosure, key operatives of the domestic program remain in government as the Reagan administration nears its end. Raymond transferred from the NSC to be Wick's assistant director at the USIA. Reich remained in the State Department and became ambassador to Venezuela in 1986. Despite misleading Congress, Abrams has held on as an assistant secretary of state. Others, however, are gone: North, McFarlane, Poindexter, Jonathan Miller, and Casey. Congress quietly shut down the S/LPD, making it the only governmental body scrapped in light of the *Iran-contra* scandal. Representative Jack Brooks (D.-Texas) denounced it as "an important cog in the Administration's effort to manipulate public opinion and congressional action." Still, as a senior public diplomacy official noted wryly at the time, "they can shut down the public diplomacy office, but they can't shut down public diplomacy."

Left largely unexplored are the troubling questions raised by America's flirtation with a domestic propaganda ministry: Is such an apparatus the inevitable result of covert operations abroad? Does executive branch public diplomacy inhibit a full and fair national debate on controversial foreign policies? How can the integrity of an informed electorate and full democratic debate be assured in the future? Clearly the Reagan administration fairly easily brushed aside legal and regulatory bars on the CIA's engaging in domestic operations. CIA personnel were simply "externalized" to the NSC staff, and the CIA director used cutouts like North to carry forward his plans. Further, Congress lacked outrage over possible violations of laws against lobbying and federal spending for propaganda.

Thus the lessons of the domestic side of the *Iran-contra* affair are yet to be learned. One should be the repudiation of domestic public diplomacy in any form. Traditional ways for the president to make his case, through speeches from his "bully pulpit" and testimony by his many subordinates, give him more than adequate means to affect the national debate. If outside political groups wish to weigh in for the president, so be it, but they should not be funded or directed secretly by the White House. The emerging view of some conservative strategists—that fighting "low-intensity conflicts" abroad inevitably must draw domestic critics and dissenters into the field of fire—must also be rejected as the product of ideological stridency outside the American pluralistic tradition. Whatever the U.S. policy overseas, U.S. domestic institutions and the vitality of public debate should be held sacrosanct.

The country's experience with the Vietnam War and the Watergate scandal underscored the danger of official duplicity. Without accurate, honest information, citizens cannot participate meaningfully in democracy and cannot hold government officials accountable. For government officials, Shultz told the *Iran-contra* committees, "trust is the coin of the realm." But a pervasive system of deception and secrecy can only undermine the

## FOREIGN POLICY

American people's trust and confidence in their government. An executive branch that sees itself battling phantom Soviet agents for control of U.S. public opinion is simply rationalizing the abuse of its awesome powers. By intimidating innocent citizens who are exercising their constitutional right of dissent, this abuse deforms the public debate and guarantees misguided, and ultimately disastrous, decisions, as exemplified by the *Iran-contra* affair. In the end, the lies overwhelm even the executive branch that initiated them. Deception then becomes the coin of the realm, and irrationality, spawned by the acceptance of propaganda as truth, dictates the most sensitive judgments of U.S. foreign-policymakers.