

# LOBSTER

96

## THE COMMUNIST PARTY

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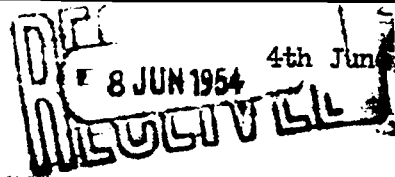
16 King Street, London, W.C.2.

Telephone: TEMple Bar 2151-55

Telegram: Communal Rand London

Secretary: H. Pollitt

BR



4th June, 1954.

Betty Matthews,  
London District.

Dear Betty,

Will you check for me what is known about a man called Fred Garnsey who was a bricklayer and a member in Battersea.

Could the Battersea comrades be asked why he left the Party and anything they may know about him and his personal contacts.

Yours fraternally,

CENTRAL ORGANISATION DEPARTMENT

- STALINISTS SPYING ON THE LEFT
- BANKS: THE MONEY FOUNTAIN
- JOHN NEWMAN AND JFK
- SCOTTGATE

Journal of Parapolitics

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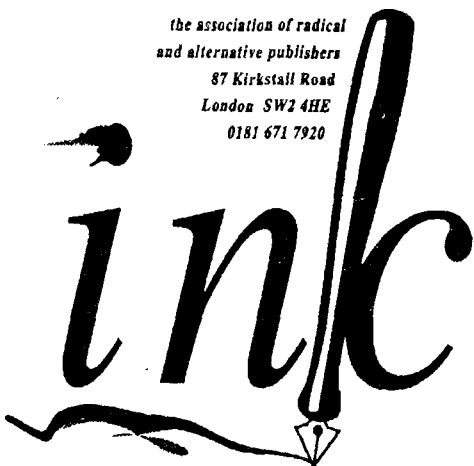
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# How Britain's Stalinists Spied on the Left

*In the 1950s, a network of dedicated informers secretly kept tabs on the Left in Britain. They weren't working for the Special Branch, MI5 or the CIA. Their instructions came from the Central Organisation Department of the British Communist Party.*

Charlie Pottins

In 1951 a young man called Ian, from Wavertree in Liverpool, wrote to a comrade called Vic about the Labour League of Youth (LLY) on Merseyside:

"I am now on a personal friendly basis with members of the LLY from at least five different branches on Merseyside - you know, to the extent that I am going round to the sec. of one of the branches next Tuesday for tea and we are then having (at his request) a long talk about the past and present policies of the CP. . ."

"Of these branches, Birkenhead and Walton are completely dominated by the Trotsky organisation together with unorganised Titoist elements. While Bootle, Princes Park are run by Catholic Action and the Trotskyite groupings are confined to only one or two members, Wavertree LLY is run by the very reactionary Labour constituency party and it is very difficult to carry on discussions."

Ian estimated that Birkenhead, Walton and Bootle had up to 28 members apiece. He described their "pseudo-Marxist education" and activities, and named names. On Bootle: "The Trotskyite responsible for the Trotskyite fraction for work in this branch is Bill Fletcher, who is I believe incidentally a renegade from the YCL".

"The Trotskyite group controls the "Rally" the organ of Birkenhead LLY having at least four out of the seven members of the editorial board - those members being . . . (gives names). . . The editor Alan Giles is however not I think a Trotskyist but is a Titoist who gets most of his line from Yugoslav Fortnightly and the Anglo-Yugoslav Friendship.<sup>1</sup>

"Titoism" was a serious charge. Laszlo Rajk, Hungarian Communist Party leader and Spanish Civil War veteran, had been executed as a "Titoist" in 1949. The British Communist Party published "Tito's Plot Against Europe" (1950), by Derek Kartun, and James Klugman's "From Trotsky to Tito" (1951). Konni Zilliacus, MP, expelled by Labour as a "fellow-traveller", had written for R. Palme-Dutt's Labour Monthly, and his book *Dragon's Teeth* was recommended by it in July 1949. In the December 1949 issue Ivor Montagu attacked Zilliacus for siding with the Yugoslavs, and during the 1952 Prague trials the Gateshead MP was denounced as an "imperialist agent", "one of the most experienced agents in British intelligence".<sup>2</sup>

Czech CP general secretary Rudolf Slansky and his co-defendants were "found guilty of spying and sabotage for the US and its satellites," wrote Monty Johnstone in the Young Communist League's monthly, Challenge. "Many were shown to have

acted as spies in the labour movement since the pre-war days. . . . Such activities can and must be rooted out in this as in other countries. . . ."<sup>3</sup>

The Trotskyists and "Titoites" of Merseyside weren't the only cause for concern. In 1953 the Teeside district secretary reported coming across an organisation called Common Cause in West Hartlepool.<sup>4</sup> He enclosed a duplicated bulletin it had produced for a meeting on "Stalin's fascist imperialism", denouncing the Communist Party as "a treacherous conspiracy".

Advertised speakers included Rupert Speir, the Tory MP for Hexham, and "C.A. Smith, MA, PhD, BSc (Econ.)", whom it mentioned had been "Dux prizewinner at the local secondary school", rowed for King's College, Newcastle, graduated in philosophy, become national chairman of the ILP, and was now general secretary of Common Cause, "the new non-party anti-Communist organisation."<sup>5</sup>

"There is nothing very much for us to add. . . .", the Central Organisation Department (aka Betty Reid) replied, "C.A. Smith has a long record of Trotskyist activities and is a bitter anti-Soviet propagandist. . . ."<sup>6</sup>

On 1 January 1954 the Holiday Friendship Service advertised in "Tribune" offering trips in Bulgaria and the Russian zone of Austria. Communist Party members were asked to look into this. One of them dutifully attended a meeting in Swansea, where "a young woman called Miss Smith, age about 25, a most unnatural manner," "come hither" eyes answered questions and discussed arrangements for holidays in Bulgaria. The report was forwarded to headquarters by Bill Alexander, of the Welsh district committee, which was thanked for being first to respond to the Party's request.<sup>7</sup> Phil Piratin, former Communist MP for Mile End, wrote to Peter Kerrigan (CP industrial organiser) about a man called C. Ford who was working for the Amalgamated Engineering Union: "At a talk he gave to an organisation recently where he expressed quite reactionary views, he also mentioned that he had contacts in countries like Yugoslavia and Bulgaria. He said that he was arranging a holiday visit to Bulgaria this year. That is all the information I have. It may be that he is connected with one of the friendship organisations, in which case the sooner they get to know about him the better."<sup>8</sup>

On 11 April 1954 the Movement for Colonial Freedom was formed. A five-page report for the Communist Party detailed its aims, officers, and sponsors, who included Tony Benn, Sir Richard Acland, Walter Padley MP, Reverend Donald Soper, Cannon

Collins, Dame Sybil Thorndyke, and among union leaders, Bob Edwards, Jack Stanley and Jim Mortimer. Fenner Brockway was elected chairman, and the council included Jennie Lee, Leslie Plummer, Tony Benn and Canon Collins.

Claiming the support for the colonial peoples was "a tribute to the stimulating effect of the Daily Worker and the activity of the Communist Party," the report adds: "However, this new movement has no clear policy on the nature of the common fight with the colonial peoples, and there are extremely dubious elements in the leadership."<sup>9</sup>

This sour note may have been induced by the prominence of former ILP members like Brockway, Bob Edwards, Walter Padley and Dick Beech. Jack Stanley, leader of the Constructional Engineering Union, was working with the Trotskyists on the editorial board of "Socialist Outlook". A "Socialist Outlook" meeting at Holborn Hall on Sunday, 19 October, 1952, at which the main speakers were editor John Lawrence and Gerry Healy, was the subject of a detailed report.<sup>10</sup>

In April 1954 the Communist Party's "World News and Views" ran two articles by someone called Barry McKaig on "Trotskyism in the Labour Party". Basing himself on the Moscow Trials and the thoughts of Comrade Stalin, the writer declared: "Contemporary Trotskyism is not a political tendency in the working class, but an unprincipled band of wreckers.... in the hire of intelligence service organs of foreign States".

After this, he got down to his real business; naming names, of people associated with "Socialist Outlook" who were former members of the Revolutionary Communist Party. "Mr Healy is, of course, one of the best known of post war Trotskyists... Mr. C. Van Gelderen, a South African, has featured in Socialist Outlook ... was a member of the Executive Committee of the Revolutionary Socialist League and youth organiser. Another contributor to Socialist Outlook is Mr. W. Hunter, who was a contributor to Socialist Appeal and a London Divisional Organiser of the ILP in 1944. (He was ILP Industrial Organiser in London).

Labour's National Executive Committee took up the chase in a circular to Labour Party members; 'While prominent members of the Labour Party have contributed to this journal (Socialist Outlook) a number of its regular contributors are known for their previous association with the Trotskyist Revolutionary Communist Party. The Revolutionary Communist Party dissolved in 1949 and advised its members to join the

Labour Party and fight for their policy within its ranks'.

In a Sunday newspaper article defending the refusal of political asylum to an American professor, Dr. Cort, Home Secretary Herbert Morrison remarked that Labour had refused to admit Leon Trotsky in 1930, out of consideration for its relations with the Soviet Government. Michael Foot, writing in Tribune, asked: 'What in heaven's name is the National Executive trying to achieve by this rigmarole? Are they attempting to appease the NKVD and the Un-American Activities Committee by the same single act?'<sup>11</sup>

On May Day 1954 someone sat down to pen a "Report on Trots" quoting an interview with Ron Halverson, in Enfield, and information from "Doug M." in south London, and "Mac." in north-west London. Dealing with various AEU stewards and Labour councillors associated with "Socialist Outlook", it also noted in passing: "The congress delegate from Neath who was put up by a friend of Doug's alleged that Horner was losing influence among miners because of his drinking and private life. Should be noted that there are Trots in Neath."<sup>12</sup> [Arthur Horner (1894-1968), a founder member of the CP, was elected South Wales miners' president in 1936, and became general secretary of the National Union of Mineworkers in 1946. "He was a likeable character, with friends who had little sympathy with his communist views" (Chambers Biographical Dictionary). Some miners didn't like Horner's support for productivity drives.]

In response to a note from Reid, Eddie Marsden, a Party member in the Constructional Engineering Union, said he and someone called Bobby had had a chat with Jack Stanley. "We are not properly aware, other than the article in WN, as to what is thought of SO and its E. board, but JS did tell me they had made a number of changes... Marsden thought Stanley was not politically sophisticated, "he might be fooled" by the Trotskyites "and this is probably what is taking place."<sup>13</sup>

Betty Reid commented: "I was a little disturbed by this note about Stanley. In the first place I should have thought the two articles were quite clear (if I may say so) and explicit on the character of the Editorial board. Moreover since they were written the shift of emphasis has been to a quite open and explicit and very unpleasant Trotskyist line which is not in any way concealed, and therefore now there is much less justification than before for being taken in."<sup>14</sup>

When a group called the Workers League advertised a meeting in the Socialist Leader,

the names involved had to be checked out. On 4 June 1954, Reid asked Betty Matthews of London District Committee: "Will you check for me what is known about a man called Fred Garnsey who was a bricklayer and a member in Battersea. Could the Battersea comrades be asked why he left the Party and anything they may know about him and his personal contacts."

J. Evans of Battersea responded tersely: "Garnsey is over 70 years of age, secretary of AUBTW branch. All his contacts are r wing and Trotskyite sympathisers like ex-CP Alf Loughton (Trot), JF Lane jnr, Trot or Trot sympathy, J.Wix Trot. Don't even know he was ever in Party."<sup>15</sup>

Dennis Goodwin reported on a worker called Brace.

"Dear Betty,

Regarding Brace, according to our comrades this man was associated for a considerable period with the Anarchists and was a member of the Central No.1 branch of the ETU.

He is now said to be working in the Docks having left the electrical industry and is working as a docker and is in touch with and probably working with Constable. He is said to have contact with our lads on the various contracting jobs when he was in the electrical work and was always prepared to have a go with us but always expressed a narking criticism of the Party."<sup>16</sup>

On 16 June Bert Pearce of the CP's Birmingham city committee wrote to Mick Bennett at King Street, forwarding a three-page report on the stormy "Socialist Outlook" shareholders' meeting which had taken place in London a few weeks previously. Someone had pulled a knife on John Lawrence before the meeting started, and speakers had been barracked. Gerry Healy's supporters, described as "the Trotskyite elements", had battled John Lawrence's faction for control of the paper. The informant, a Birmingham Labour Party member, described background conflict in the labour movement in Birmingham.<sup>17</sup>

The "Central Organisation Department" (i.e. Betty Reid) thanked cde. Pearce for his report - "very helpful indeed and fuller than the other points we had on the same affair" - and said any further material he could send would be welcome.

"I think there is just one point on the report which you should bear in mind," she added. "The battle is not one between Trotskyists and non-Trotskyists, but between two separate sections equally suspect, one of whom has a more subtle and "non-

sectarian" line than the other. We should not have any illusions about the former Editor and his supporters . . ."18

Trotsky's Fourth International, deprived of its founder and many leading cadres, was unsure what to make of the post-war world, and the Cold War. Lawrence had become the leading British advocate for Michael Raptis (Pablo)'s view; that confronted with imperialist war preparations, and under mass pressure, the Soviet bureaucracy could reform itself, and the Cominform become a revolutionary leadership. The job of Trotskyists, it followed, was to get closer to their erstwhile Stalinist opponents, and provide an ideological shove.

The British Communist Party leadership had obtained Trotskyist internal documents, including resolutions from Latin America accusing Pablo's opponents, particularly the veteran US Trotskyist James Cannon, of "Stalinophobia", desertion in the face of "Yankee imperialism", and acting as "left spokesman of the anti-communist campaign led by the State Department."19

The Brazilians concluded their resolution (January 1954) with a resounding "Long Live the Fourth International! Long Live Trotskyism!". But at a meeting on 2 October 1954, attended by a delegate from the American Socialist Union (formed by Pabloites expelled from Cannon's SWP), Lawrence declared (according to a report for the CP) that Trotskyism was "dead as a doornail".20

Proposals were made to break with the Fourth International, remain in the Labour Party, but work with the Communist Party, with the perspective of a united front between Labour's Bevanites and the CP; to support the peace movement and friendship with the Soviet Union. The Lawrence group would meet again in November to decide on these proposals, and dissolve itself.

The Communist Party's information came via several routes. At the end of August 1954, Monty Johnstone reported on discussions with Ron Shaw, a member of the Labour League of Youth in Clapton, east London. "He is anxious to join the Party and YCL and says that his last differences with us have now been cleared up. From our discussion which included the Moscow Trials and Trotsky's links with the Fascists (on which he was previously not convinced) this seems in general to be true . . . I promised him Stalin's 1937 report on Trotskyism."

Shaw had just won his case against expulsion from the Labour Party, and

another Communist Party member had urged him to stay in for the moment, and help build opposition to German rearmament, with Labour's annual conference coming up. Johnstone agreed. "I raised in this connection the question of his supplying us with information on Trotskyist activities." Although Shaw was reluctant to engage in "spying", he agreed to pass on anything he heard.

Johnstone reported what he had gleaned about "the Group" and its leaders, the split, and who was with whom. His report also dealt with the people publishing "Rally" in Liverpool, mentioning that Paddy Wall was a member according to Shaw, and that they were associated with Ted Grant (whom he mistakenly thought was running New Park Publications, in fact run by Healy). One recent development noted in the report: "About seven weeks ago the Lawrence Group was expelled from the Fourth International, of which -up till then -they were the official British section. Shaw does not know the reasons."21

Shaw said Pablo had boasted on a visit to England that his supporters were gaining important positions in the Communist Parties in France and Italy, and in the West German Social Democrats. Lawrence had told Shaw there were no Trotskyists in the British Communist Party, but his group would not oppose individuals joining.

Shaw estimated that of 150 delegates attending the Labour League of Youth Easter conference, nearly 100 were in one or other Trotskyite faction. When Transport House threatened to disband the LLOY if certain resolutions were passed, there had been an "emergency" meeting of groups, leading to a decision to withdraw the resolutions, but keep up some liaison in future.

"When I see Shaw next I shall have extracted names of LLOY members from conference reports etc. and will ask him which are in Trotskyist groups," Johnstone promised.

Another Communist Party member reported that he had been discussing with John Goffe "for the last two years". Goffe, a Trotskyist since pre-war days, and supporter of Lawrence's tendency, had become a Labour councillor in Camberwell, and was active in the shopworkers' union, USDAW. "We reached agreement on policy points for the annual gathering, dealing with wages, trade union organisation and the decline of membership, colonial questions and foreign policy in general. . . We also reached agreement on the panel of names to submit for the Labour Party conference and the TUC, as well as the women's sections. . . his willingness to hold discussions with us, the information

he is prepared to give us and the fight that he puts up on policy questions inside the union are developments worth noting."22

A report "On Trotskyism and Trotskyists in Lancs. and Cheshire" by the CP District Committee for the region, marked "Private and Highly Confidential", dated October 1954, reviewed Trotskyist activity from 1944, mentioning strikes in Barrow and Salford, and noting "efforts to win influence amongst the Colonial people particularly in the Moss Side area of Manchester and the Exchange division of Liverpool."

It said the Trotskyists "were able to cause some confusion, especially amongst the African workers. A Manchester cafe proprietor, a Nigerian with considerable wealth, Mr. Mcconnan, was and still is the leading light in this connection. The difficulties created for us on the occasion of Robeson's last visit was without a doubt due to the work of the RCP and this man Mcconnan."23

The report voiced "strong suspicions that Frank Allaun, an ex-member of the Party in Manchester, at one time Secretary of the Openshaw branch was very closely connected with the RCP and a strong advocate of the line of working in the Labour Party. . . . He was however very careful of direct public association."24

An appendix listed known or suspected Trotskyists, with their addresses, occupations, and brief notes. Joe Pawsey, of Smedley Road, Cheetham "has contacts with the Labour Party in Salford through a ward secretary with Trotskyist views, a Mr. D. Carping, who we are at present checking up on". The report said enquiries were continuing into some people. "Bob Leeson may be able to throw some light" on the Penfolds, a Longsight couple.

Bob Leeson, who had joined the CP in 1950, said Bert Penfold and his wife had been active in Wandsworth before coming to Manchester, where they organised Ardwick LLOY on a "purely social" basis with 150 members. "Penfold and his wife seemed to want to give the impression that their "Trotskyist days were past."

Leeson had attended the 1949 Labour youth rally at Filey as a delegate from Northwich, in Cheshire. A campaign had been launched for LP youth sections to have national status. He had told Trevor Park, a Bury delegate, that if this failed he intended quitting Labour for the Communist Party. Several people tried to dissuade him. "Banda's wife told me that after she left the Communist Party in 1947 on political grounds she was "shadowed by the Party Security Department for six months".25

On the National Status Committee in the Manchester area were Trevor Park, Ted Morris from Wythenshawe, and Frank Hallas from Salford. Leeson claimed Park "obligingly gave me all the details of Morris's and Hallas disruptive activity in the Chemical Workers Union and TGWU. Hallas admitted (or rather boasted) that during an election in the Chemical Workers Union the Trotskyists "forged 2000 votes in order to stop the Communist candidates being elected."26

On 7 October 1954, Monty Johnstone produced another report, based on conversations with his informer: so-and-so was "back with the Trotskyists"; CLR James was back in Britain; there was "quite a nest of Trotskyists in Richmond and Barnes . . . C. van Gelderen who spoke on the colonies at the LP conference - reported in the DW - is one of them; "Phil Sheridan, Lawrence group member in Clapton LLOY, has recently married Kath . . . daughter of Peggy Duff, business manager of Tribune. Michael Foot and others attended the wedding and gave presents. . ."27

Johnstone also noted: "Harry Constable, London docker, former Oehlerite, is one of the most out-and-out Trotskyists in Healey's (sic) group.

"Birkenhead Unofficial Port Workers Committee apparently affiliated en bloc to the Fourth International and were represented (their representative differed from meeting to meeting) on the national committee of the British section when it was united."28

Hoping to get into the good books of the Transport and General Workers Union (which had a ban on Communists holding office), the Communist Party leadership viewed with anxiety the growing unofficial movement, and talk among dockers of switching to the National Amalgamated Stevedores and Dockers (NAS&D) or "Blue" Union (from the colour of its membership card, not its politics!)"

A report dated 15 September 1954 listed as "Active among Hull dockers for the Transfer to NASD":

"MURPHY. Known Trotskyite. Runs a small business, believed to be a poultry farm.

SHAW. A member of USDAW from London. Expelled from the Party in Yorkshire for Trotskyism. Spent his holiday in Hull.

JOHNSON. Engaged in Trotskyist activity among the dockers in Birkenhead.

PENNINGTON. A Trotskyite from Leeds.

BRANDON. from Birkenhead. A docker dismissed from the industry some time ago, known to be in contact with the Trotskyists."29

It was not only Trotskyists who were watched. A report at this time from "Dennis G." (Goodwin?) named a Blue union officer called Newman "said to have T connections", and several London dockworkers, including:

"Daniels - Party member, clerk, Transport and General. Disrupter in Poplar Party 3 or 4 years ago. Probably up for expulsion. Should be watched.

Dennis O'Hearn - Party member. Close to Daniels. Stepney. Was Party councillor in Stepney.

Timothy - Who tore up his Party card. Only joined Party 6 months ago. Very anti-Party. Probably quite genuine."30

A report on the docks from Phil Stevens in December 1954 gave brief notes on over a dozen workers, e.g.:

"Sandy Powell MRA Chairman Peace Committee, exec. dockers section NASDU, Reads DW (Most MRA boys do), gets some Party support . . . Possible source of leakage to the Press.

Fred Marrel, ILP . . . Sec. port workers' committee, very anti-Party, sells Socialist Leader.

Bert Aylward, Trot. ex-CP, Surrey Docks, exec NASTU Ships Clerks Liaison Committee, speaks at meetings . . . Charlie his brother.

Bill Johnson from Birkenhead, . . . lead men into Blue Union . . . John Cavener, suspect Trot, . . . Port Workers Committee . . . Harold Bartholomew, suspect Trot., NASTU, . . . ex-CP. "31

During the 1955 "Blue Union" strike the Communist Party opposed recognition of the NAS&D in the northern ports, but ordinary TGWU members, including Communist Party dockers, would not cross picket lines. However, the "Blue Union" was forced to retreat by TUC pressure, invoking the Bridlington agreement.32

It seems no tit-bit was too small for the net. From Surrey, Syd French (later to be a founder of the "tankie" New Communist Party) wrote in a note about the Labour Party agent in Merton being a former Trotskyist.33

When a local newspaper in Enfield reported in September 1954 that a Labour councillor, a railway clerk, was moving to Lincolnshire,

the clipping found its way to Betty Reid's desk, and she alerted the secretary of the CP East Midlands District Committee.

"Dear Mick,

You may be interested to know that a man called Edmund Mardell who has been a Labour councillor in Enfield has been transferred to become the station master at Appleby. You might watch out for his name in the Labour movement because he is one of the Trotskyists who has been active there."34

The attitude of Communist Party members asked to report on fellow-workers varied. The terse replies given by some seasoned militants suggest they had better things to do. Others were more dedicated, or found it a lark. On 26 August, 1954, Michael Foot spoke at a London meeting protesting the Labour Party's ban on Socialist Outlook. Taking notes for the Communist Party ("Loudest applause of all for Foot, basically because he was the best turn") was someone who signed him-or-herself "JT",35 and was at it again later that year.

"FROM YOUR AGENT-AT-LARGE 31st Oct. 1954

During the course of a very short visit to Liverpool on Oct. 27/28 I learnt in course of conversation with Les Parrington, bookshop manager, that REVOLT is being pushed by two ex-p.m., Eric Heffer, a "Welwyn" character, and I.P. Hughes (? left or expelled in the 1930s.) They are connected with McShane. The "progressive" opposition to Bessie Braddock in the Exchange Division is made up of Trots.

Syd A. had the shock of his life when he innocently entered the shop to buy lit. and found agent J.T. sitting there gazing at him reproachfully. He said he had sworn to let Betty have ALL by Thursday morning (4th Nov.) "36

"Agent-at-large" JT reported what he had learnt from a contact on the fringe of the Socialist Outlook split, concerning share-buying and proxy votes rather than the political issues. His report the following month was headed:

"THE BETTER THE DAY, THE BETTER THE DEED

On the occasion of the 37th. anniversary of the Great October Socialist Revolution, I engaged personally in light conversation MR. JACK STANLEY. I elicited from him the following . . .

Stanley was battling with Labour Party secretary Morgan Philipps to establish that

the proscription against Socialist Outlook did not cover membership of the Labour Publishing Society, as it was not mentioned by name. "Anyway there is no money to pay out, so the members can't get rid of their shares."

There was trouble over the libel action brought by Godfrey Philipps, the tobacco firm, over an article. Socialist Outlook had been due to print an apology but had ceased publication. The only people who could be pursued for money were the printers, J. Stafford Thomas. Mrs. Stanley had lent them money for machinery.

"We are making plans to bring out something to replace SO," Stanley had told him. He was less forthcoming, or knowledgeable, about the reasons for the split in the editorial board.

JT concluded his report: "I hope HP passing by noticed that I was ON THE JOB". We might guess this referred to Harry Politt.<sup>37</sup>

Unlike the agents of MI5, or the KGB, the people who gathered information for the Communist Party were amateurs. They did their intelligence work as communists, convincing themselves that they were defending the working class, and the cause of peace and socialism, from agents of The Great Conspiracy.<sup>38</sup>

Not only did their vigilance fail to protect the Party from real agents (one of whom, Betty Gordon, was befriended by Betty Reid, according to Rupert Allason);<sup>39</sup> but intelligence concerning Trotskyists etc., was passed to Labour Party officialdom, and used by right-wingers who really were in touch with the intelligence services and the CIA.<sup>40</sup>

Stalinism, as a bureaucratic apparatus symbolised by the Wall, has collapsed, its heirs as fragmented as their left-wing opponents. Hopefully this article, besides offering a sidelight on the British labour movement during the Cold War 1950s, may prompt former Communist Party members who have been examining their past (including some to whom we have referred) to tell us more. In the same spirit of glasnost, others may come forward with a tale to tell, for we needn't suppose the contagion of snooperism remained confined to Labour and the CP. If the left is to put its house in order, we must clear out the dirt from under all our carpets.

notes

1. Letter 19/1/51.

2. Quoted Stewart Steven "Operation Splinter Factor"; see also R. Black, "Stalinism in Britain" (1970); D. Caute, "The Fellow Travellers" (1973); Ziliacus' books included "I Choose Peace" (1951), "Tito of Yugoslavia" (1952).

3. Challenge, 10 January 1953. quoted Black, p.250

4. Letter to Central Organisation Dept., 7 July 1953

5. Special Bulletin issued for meeting 30 January 1953.

6. Reply from Betty Reid, 15 July 1953

7. Handwritten report sent with covering letter from Bill Alexander 26 February 1954, reply from Betty Reid thanking district, 1 March 1954.

8. Letter 24 March 1954

9. "Information Statement", dated 6 May 1954. Dick Beech and Bob Edwards were leaders in the Chemical Workers Union. Beech, a former "Wobbly", and member of the CP-led Minority Movement, had quit the CP for the ILP in 1943. Edwards had fought in Spain with the ILP contingent, became ILP national chair 1948, but was elected Labour MP for Bilston in 1955.

10. Socialist Outlook was not purely Trotskyist. The report mentions Reg Birch of the AEU taking part in the meeting. Birch left the CP in the early 1960s to form a Maoist group.

11. Drawn from "A Lifelong Apprenticeship", by Bill Hunter, due out this Autumn (1996) from Index/ Porcupine. Hunter was expelled from Islington Labour Party in 1954. The Bevanite Left opposed expulsions, but some union delegates under CP influence stayed away from the meeting, so the right-wing narrowly got its way.

12. "Report on Trots to 1/5/54", handwritten, signed "ED", dated 1/5/54. Jock Haston had obtained 1,782 votes for the Revolutionary Communist Party in the Neath by-election, 1945.

13. Letter, undated, probably June 1954.

14. Memo from Reid to Peter Kerrigan

15. Memo from Reid, 4 June 1954. Note from J. Evans.

16. Dennis Goodwin, letter 18 June 1954. Harry Constable, arrested by the Attlee government under wartime Order 1305, for leading London dock strike, expelled by the Transport and General Workers Union in 1949, but remained a respected figure among dockers. See Bill Hunter, "They Knew Why They Fought" (1994).

17. Bert Pearce, Birmingham, letter to Mick Bennet 16 June 1954, with report attached.

18. Reid, letter of thanks, to Bert Pearce, Midlands District Committee, 25 June 1954.

19. Internal Bulletin, British Section, 20 February 1954

20. "Report of meeting called by John Lawrence, of about 50 London supporters, October 2nd 1954". Lawrence achieved fame as a Labour councillor hoisting the Red Flag on St Pancras town hall. On 23 November 1958 the Daily Worker reported that he had joined the Communist Party. Later he became more of an anarchist, and was active in the London May Day Committee.

21. Report on Trotskyist activity, typewritten 7 pages, Monty Johnstone 31 August 1954.

22. Report of Discussions with John Goffe.

23. Ras Makonnen, b. George Thomas Nathaniel Griffith, in Guyana, adopted his name and Pan African views after Italian invasion of Ethiopia. During World War II opened club in Manchester, catered for black GIs, Africans and West Indians. Financed political and legal defence work, helped 1945 Pan African Congress, close to Nkrumah and Kenyatta. Wrote "Pan Africanism from the Inside" (1973). (See Peter Fryer, "Staying Power", 1984).

24. Frank Allaun, then a Daily Herald journalist, wrote an introduction to Bill Tyler's "Letters from Korea", published by Socialist Outlook. L/Cp. Tyler, a Salford man, had been killed in a war he opposed. Allaun became a well-liked left-wing Labour MP

for Salford East (1955-83). Helped organise first Aldermaston march, remained active CND.

25. Some Information on Trotskyist Activities 1949-1953 typewritten four pages, by Bob Leeson.

26. On Chemical Workers Union, see Shirley Lerner, "Breakaway Unions and the Small Trades Union" (1961). The "ballot-rigging" story (ironically, three years before the ETU case) seems to have been just gossip.

27. Peggy Duff, whose journalist husband had been killed reporting a wartime bombing raid, brought up three children, served as a St. Pancras councillor, and became secretary of CND. A J Davies, "To Build a New Jerusalem", (1992); Duff, "Left, Left, Left" (1971).

28. Trotskyists, Monty Johnstone 7 Oct. 1954. See also notes 16 and 36.

29. Notes on Docks situation personalities, Dennis G. Sept. 1954.

30. Dated 15 September 1954, no name. Hull dockers had come out in August over antiquated and dangerous working conditions. On 22 August, dissatisfied over lack of TGWU support, they voted at a mass meeting to apply for membership of the NAS&D.

31. Report from Phil Stevens on Docks, handwritten, 4 sheets. Bert Aylward, a Blue Union militant since the 1920s, with Constable in 1305 battle and after. Left the CP because it opposed 1945 dock strike. See Hunter (ibid), Keith Sinclair, "How the Blue Union came to Hull Docks" (Hull 1995), John McIlroy, "The First Great Battle", in Revolutionary History, Vol 6, no. 2/3. (Summer 1996).

32. Hunter (ibid).

33. Report from Sid French, September 1954.

34. Note (23 September) from Enfield with news clipping, letter from Central Organisation Dept to E. Midlands District Committee, marked "by hand", 5 October 1954.

35. "Withdraw the Ban on Socialist Outlook!", Protest Meeting, Holborn Hall, WC1, Thurs. 26 Aug 1954, signed "JT". Michael Foot was editor of Tribune.

36. Report from JT, 31 October 1954. A conference in Liverpool on 17-18 July had established a Federation of Marxist Groups, and adopted "Revolt" as its organ. Labour's Merseyside Voice ("Marxists meet in Liverpool"), August 1954, mentions F A Ridley, Eric Heffer, Harry McShane and Joe Thomas (London Workers Group) as speakers. Heffer, expelled from Communist Party in Welwyn Garden City, had taken up the ideas of Hugo Oehler, a pre-war heretic opposed to Trotsky's tactic of entry into reformist parties. Oehlerites came to believe Russia's bureaucratic degeneration began with Trotsky, rather than Stalin.

Harry McShane, veteran of pre-war unemployed struggles, and Daily Worker Scottish correspondent. During the Korean war the CP leadership condemned his Gorbals branch as "adventurist". After row with leadership, McShane resigned, saying the Party had become reformist. (London meeting 1955, reported by AEH for the Communist Party).

37. The Better the Day, the Better the Deed; report from JT dated November 1954.

38. "The Great Conspiracy Against Russia", by Michael Sayers and Albert E. Kahn (New York 1946), a classic of Stalinist conspiracy theory, still circulates among Old Believers - a Bengali edition was published in 1986

39. Nigel West, "MI5 1945-72", p.62.

40. Dorril and Ramsay, "Smear!" (1991), pp.13-16.

# The Money Fountain

## The Dark and Scarred Face of International Finance

*Ever since the Nugan Hand Bank affair of the late seventies, bank crashes have followed a slick and familiar template. Narcotics, trafficking, gun running, CIA covert ops., money laundering and fraud on a massive scale are just some of the ingredients that have sent bank after bank crashing to its knees. Once the smoke clears, bank depositors and shareholders are left picking up the tab.*

David Guyatt

With a spate of billion dollar financial scandals hitting the headlines, 1995 wasn't such a good year for harassed bank regulators and shareholders. Calls for tougher regulation of the burgeoning financial markets in the wake of the Daiwa, Barings' and other debacles were little more than a PR palliative designed to calm the nerves of a cynical public who still form the hard backbone of bank depositors. With the best will in the world regulators can't keep pace with an evolving and sophisticated money-machine that daily shuffles upwards of twenty four billion E-bucks around the globe in the blink of an eye.

Yet tough regulation even when emplaced are easily and regularly evaded. Banking and crime are Cimmerian handmaidens for the simple reason that banks are where the money is. Having access to the money and being "connected" is the name of the game where the stakes are other people's money. This is the dark side of the financial community, a hidden face that largely goes unreported until, that is, a major banking scandal hits the front pages. Squirring under the glare of public attention successive bank disclosures have revealed the sinister connections that leading banks have with organised crime and the intelligence community. The money-shuffler's of spooksville need "black" funds to finance covert operations and appear happy to exchange guns and military hardware for dope that is, in turn, peddled for dollars used to finance other black operations. This happy-go-lucky "Ferris wheel" approach to money-raising on the part of the intelligence community reveals a long history of entanglements with the Mafia.

Organised crime syndicates are now the single largest business sector on the planet and set to grow. They just love banking. Having accumulated a staggering \$820 billion from investment interest over the last decade, the Mafia is now estimated to earn \$250 billion a year from their legitimate investments.<sup>1</sup> Dozens of nations who maintain strict bank secrecy laws are de facto providing full banking services to these mandarins of dirty money. A large number of banks are actually owned by Mafia syndicates.<sup>2</sup> Some of the largest and most respectable appear content to turn a blind-eye and earn massive commissions from laundering dirty money.<sup>3</sup> The prudent image of bankers is just that - an image. Banking survives purely on depositor confidence making it the biggest ongoing "confidence trick"<sup>4</sup> the world has ever witnessed. That confidence has been dented by one scandal following on the heels of another.

### The CIA's Heroin Connection

One of the earliest scandals was the Nugan Hand Bank affair. Michael Hand, an ex CIA operative from the Bronx joined up with Australian playboy and inheritor of a Mafia fortune, Frank Nugan, in 1973 and incorporated the Nugan Hand Bank. The bank sported an interesting and exclusive board of directors. President of the bank was Rear Admiral (ret'd) Earl Yates; former chief of the Navy's strategic planning. Legal counsel was the CIA's William Colby, and Walter McDonald, former deputy director of the spook agency was listed as a consultant. An in-house commodity trader on the bank's payroll was also a leading heroin importer, while Richard Secord, later to be implicated in the Iran-Contra affair, was said to have a business connection.

Seven years later the bank collapsed following the discovery of Frank Nugan's body slumped in his Mercedes. Clutching a gun in one hand and sporting a hole through the head, Nugan was also holding a bible that contained an embarrassing list of names including William Colby, DCI of the CIA, and Bob Wilson, the House Armed Services Committee's ranking Republican. Others names listed had a variety of backgrounds, ranging from known narcotics traffickers, politicians and businessmen to personalities from sport and the media. Beside each name was listed amounts running into five and six numbers. Following public outrage the US Senate held an investigation into Nugan Hand's operations. Amongst other things it discovered that the bank operated a branch at Chiang Mai, Thailand, heart of Triad country. The branch was dedicated to laundering the Golden Triangle's heroin revenue. Connected to the bank's office by an interconnecting door was the DEA's local office, a premises that was also shared by the CIA<sup>5</sup>.

At about the same time that Frank Nugan's skull was developing powderburns, Michele Sindona, a free-wheeling financial whiz kid and *consigliere* for the Sicilian Mafia had purchased and driven to the wall, New York's Franklin National Bank, with losses totalling \$40 million - Ranked the 29th largest bank in the US it became the biggest crash on record at that time. Establishing a fictitious company, Fasco AG in Lichenstein, Sindona was able to obtain a majority interest in the Italian based Banca Privata Finanziaria. BPA was an excellent acquisition for Sindona for not only did it have a close relationship to Britain's blue-chip Hambros Bank, but also had a preferential partnership arrangement with Continental Illinois Bank of Chicago, owned and presided over by David Kennedy - later to become Finance Minister in the Nixon administration. Continental Illinois was later to spectacularly crash in the mid-eighties, only to be rescued with an estimated \$4 billion tax dollars.



## Mobsters, Masons and the Italian Connection

Described by Time Magazine as "the greatest Italian since Mussolini", Sindona used his relationship with David Kennedy to get close to Bishop Paul Marcinkus, head of the Vatican Bank, the Institute for Religious Works (IOR), and thereafter set in motion a tangled web of financial fraud that almost brought the IOR to its knees. His empire rapidly grew pulling a number of financial institutions into his ownership, that included, in addition to his BPA, the Banca Unione, the German based Wolf Bank, the Generale Immobiliare, Geneva's Finance Bank and Edilcentro, a finance company set up in the Bahamas, New York's Franklin National Bank plus 140 other companies spread throughout the globe.

Sindona's connection to the Mafia probably dates back to WW11 when he joined in the Mafia preparations for American landings in Sicily. However, it was during the 1970's that the Sicilian Mafia choose him as their money-man. Four years later, in 1974, Don Michele's world began collapsing around him. It was later discovered that he had been skimming off the mob's narcodollars which he was charged with laundering. Incarcerated in prison for his part in the Franklin Bank crash Sindona was later found dead in his cell. A dose of strychnine laced in his coffee brought a 25 year sentence to an abrupt end<sup>6</sup>. If Sindona's death was anything it was too late. His intimate involvement with another bank that crashed with massive losses was to have calamitous and far reaching effects in Italy's ruling elite as well as the spooks of Langley.

Banco Ambrosiano was the largest private bank in Italy until it collapsed in 1982 with losses approaching a massive \$2 billion. At the centre of the scandal was Roberto Calvi, Chairman of Ambrosiano and lodge-brother of Licio Gelli, a shadowy "Grand Master" of the Italian P-2 (Propaganda 2) Masonic lodge. Gelli - once an oberleutnant in Himmler's SS - held the reins of power and knew how to use them, for which he was dubbed the "puppet-master". A consummate blackmailer, he kept a secret record of wrong-doing of all those he came into contact with, and wasn't shy in using it to his advantage. P2 included in its membership roll highly placed politicians, cabinet members, heads of the Italian armed forces and the intelligence services, together with leading industrialists, media magnates, judges, Mafiosi, members of the Vatican Curia and, of course, high-flying financiers - including Sindona. P-2's "elite" membership - linked by their extreme right wing political views - perfectly dove-tailed with the CIA's long standing desire to eradicate communism from the Italian

political scene.

The P-2 and Banco Ambrosiano scandal broke when Calvi was found "suicided" on 17 June 1982. With his hands tied behind his back and a rope around his neck, he had been suspended from London's Blackfriars Bridge, in what some saw as a ritual killing. Calvi was P2's banker and had been involved in embezzling massive sums of money out of his bank and into secretive offshore companies in Lichenstein and elsewhere; a number of which were linked to the Vatican Bank. P2 was responsible for a number of CIA backed political atrocities at the time, including the bombing of Bologna railway station in August 1980, where 85 innocents were slaughtered - and mischievously attributed to left-wing terrorists.

It took ten years before the real story came out. Francesco Mannino Mannonia a *penitito* (defector) from the Sicilian Mafia confirmed in 1992 that Calvi was strangled by Francesco di Carlo, the mob's Heroin "traffic manager" at the instruction of Pippo Calo, of the Corleone family. We now know that Calvi together with Gelli and Sindona were embezzling the Mafia out of a fortune. Gelli was "handling" a large sum of money for the Corleonesi, which he passed to Calvi who promptly used it to shore up his failing bank. Smart to the last, Gelli helped the mob recover "tens of billions of Lire" before bolting out of sight<sup>7</sup>. Despite his best efforts he was eventually arrested in Switzerland, where he had travelled to arrange the secret transfer of \$120 million of Ambrosiano's lost loot. Bribing a guard with \$20,000.00 he managed to escape and once over the French border climbed aboard a helicopter for the short trip to Monaco, home of P-2's "super-lodge". From Monaco he travelled to Paraguay - a favourite bolt-hole of many of his war-time Nazi comrades - and disappeared from sight. The missing billions were never recovered.

The Ambrosiano affair was significant for revealing the web of inter-connections that existed within Italy's ruling class. On the one hand the CIA were using P-2's "covered" (secret) lodge and illicit funds to conduct covert warfare on Italy's communists. At the other extreme it demonstrated the Mafia's total infiltration of Italian business and politics; a feat achieved following their induction into Masonry. Antonino Calderoni, a Mafia defector, revealed that during 1977 Mafia bosses were formally invited to join a covered Masonic lodge and agreed to do so on the understanding that they would learn the secrets of Masonry, but would not reveal Mafia secrets. "Men of Honour who get to be bosses belong to the Masonry: this must not escape you" another Mafia defector, Leonardo Messina, revealed. "Because it is in the Masonry that we can have total contact with businessmen, with the

institutions, with the men who administer power..." Messina went on to add that the Mafia's secret association with Masonry is "an obligatory passage for the Mafia on a world level."<sup>8</sup> Masonry, like the intelligence community, banking and the Mafia, share a common interest in secrecy. Similarly they all have a common interest in money, especially other people's money.

The "connections" that had been forged and which lay behind Italy's greatest yet banking debacle were to be re-enacted years later in America. By far the greatest banking rip-off of all time, the Savings & Loan scam sees the same cast of players at work. "Something very significant happened during our country's savings-and-loan crisis, the greatest financial disaster since the Great Depression. It happened quietly, secretly, without any fanfare and attention. It happened before our very eyes and we knew it not. What we missed was the massive transfer of wealth from the American taxpayer to a select group of extremely rich, powerful people." These ominous words opened the introduction to Pete Brewton's massively researched book *The Mafia CIA & George Bush - the untold story of America's greatest financial debacle*.<sup>9</sup> Brewton, an award-winning investigative journalist, spent years tracing the subterranean web of inter-connections that sat at the heart of this affair that looted the American tax-payer of close to \$1 trillion. However, there was more to the S&L affair than these words portrayed.

### History's Biggest Ever Scam

The "select group of extremely rich, powerful people" that Brewton fingers, include the CIA, President George Bush, Senator Lloyd Bentsen, a swag-sack of other influential Texan's and well-known members of the Mafia. For the CIA it had access to a vast pool of "black funds" that enabled it to engage in illegal activities including Iran-Contra and Middle-East weapon deals. Brewton's all too realistic view is that this group of inter-connected "businessmen" recognised that the S&L industry, was perfectly structured for a mammoth scam. Backed by government guarantees and regulators who would bow to the right kind of pressure, the S&L's were like a ripe plum waiting to be plucked.

Back in his VP days, Bush intervened with federal regulators in a corrupt Florida Savings & Loan that close friends, his sons Jeb and Neil, and a handful of Mafia associates were systematically plundering. The thrift eventually went belly-up to the tune of \$700 million. For a man who regularly keeps a "plausible deniability" diary, whose hidden background includes his CIA operational activities pre-dating his appointment to DCI by fifteen years, and who, moreover, had questionable links to the pock-faced Panamanian dictator -

Columbian cartel money-launderer and one time CIA asset - Col. Manuel Noriega, the thought of his sons cherry-picking thousand dollar bills off the S&L money tree is all in a days play<sup>10</sup>.

In any complex financial scam, the really important question is to discover where the looted funds eventually come to rest. As with Nugan Hand, Franklin and Ambrosiano debacles, this question has never been satisfactorily answered for the S&L scam. However, despite a perpetual smoke-screen some interesting facts have emerged. In another Florida S&L bust that cost \$200 million in a shady land deal, the cash disappeared down the sunset-trail of Du Pont's St. Joe Paper Co. The trail went cold in Jersey, one of the Channel Islands. The Channel Isles have long been an off-shore tax haven with strict banking secrecy, and as a consequence a large contingent of foreign banks have offices there. It is now believed that the looted funds were ultimately used by CIA cut-outs to procure weapons for Iraq.<sup>11</sup>

A central figure in the S&L sale of the century, was Walter Mischer, a close friend of Senator Lloyd Bentsen, and a long time "acquaintance" of George Bush. Mischer was closely "connected" to the New Orleans Marcello family, one of the most powerful Mafia families in the country. Never a "one family" man, he also did business with Mafia associates from New York and Chicago. Mischer is considered to be the most powerful man in Texas, and certainly one of the richest. His "I'm just a country boy" demeanour belies a sharp, analytical business mind and an icy streak of ruthlessness. With a finger in every pie, his influence stretches wide to include, business, crime, finance, the intelligence community and domestic and international politics. Brewton believes that Mischer "is without peer in Texas and perhaps in the entire country." Regarded as a pragmatist he generally bets both ways in the political election stakes, placing money on both the rear and fore-legs of the horse we've come to know as "Demopublican" politics.

Another figure who weaved his crooked way through the S&L tale is Herman K. Beebe, the so-called godfather of the dirty Texas S&Ls, and associate of the Louisiana mob. Beebe and Mischer are long term business associates. Herman also, coincidentally, has known connections to the Marcello family. While both men were busy "burning-out"<sup>12</sup> the odd couple dozen savings and loans, Beebe was transferring \$3 million in "seed" money from his bank, Bossier Bank & Trust, to Harvey McLean Jr., to establish the small Washinton DC based Palmer National Bank that boasted a board that at one time or another largely featured in the White House telephone directory. The board chairman, Stefan Halper, was a member of the Nixon White House. His father-in-law, Ray S. Cline,

formerly Deputy Director of Intelligence at the CIA and one of the old OSS "China" veterans, was a top foreign policy and defense adviser in the Bush Presidential campaign. Other board members included John Barnum, Deputy Secretary of the Department of Transportation (1974-77), Frederick V. Malek (Nixon's White House Personnel chief and the Bush-Quayle campaign manager), William Kilberg (Department of Labor 1973-77 and member of the Reagan-Bush transition team) and John A. Knebel, President Ford's Secretary of Agriculture.

Palmer National was the bank of choice for the National Endowment for the Preservation of Liberty's (NEPL) fund raising activities that provided \$10 million to Col. Oliver North's covert gun-running programme that saw weapons shipped South to Nicaragua, and East to Iran. This operation was essentially the brain-child of former DCI William Casey, who cunningly revived the old "conduit" system of money laundering that had been used with great success during the fifties to secretly fund Nazi war criminals, recruited to spearhead the ex SS "freedom-fighters" scheduled for deployment behind enemy lines in the event that the Soviets invaded Europe<sup>13</sup>. Casey used North as his cut-out, thus kick-starting the on-going row between the Pentagon and the CIA about who should conduct "covert ops". North's superiors in the Pentagon have never forgiven him for being the CIA's manikin. At the same, Ray Cline, who had retired from the CIA and formed a family-owned company called SIFT Inc., was "advising" Major General John Singlaub - the principal operations officer in the Nicaraguan arms affair.

While George Bush was wearing his S&L hat on his off-days, his all singing - all dancing gun, dope n' money laundering operations were about to receive a damaging blow, as yet another massive financial scandal hit the front pages. Half a dozen regional offices of the Italian based Banca Nazionale del Lavoro were raided by FBI agents following a tip off from two junior officers of BNL Atlanta.<sup>14</sup> The BNL affair seamlessly follows the well oiled template with the involvement of the CIA, Britain's SIS, Presidents Reagan and Bush, Prime Minister Thatcher and two of Italy's most corrupt senior politicians; Bettino Craxi and the Mafia-linked Giulio Andreotti. It was to reveal the international covert network that was engaged in illegally shipping arms to Iraq's dictator, Saddam Hussein. Even during the height of Operation Desert Storm, CIA operatives were frantically attempting to put together an urgent assignment of U.S. made SAM missiles destined for Iraq's bloody war-machine. By a happy co-incidence, BNL, owned by the Italian Treasury, was run by a close friend and lodge-brother of

Andreotti. Alberto Ferrari, who reined as BNL's director-general, was a notorious member of P-2. Nor was he alone in his Masonic affiliations. BNL, dubbed 'the bank of the P-2' "was quickly shown to have among it upper echelons, a veritable nest of P-2 operatives..."<sup>15</sup> with intimate connections to the most powerful figures in successive US administrations.

### The Coke Connection

Weapons dealing is a highly lucrative "inter-government" business and hundreds of billions of dollars are involved annually. Equally lucrative is the narcotics trade which generates a staggering \$500 billion per annum. As well as having a peripheral role in the Iraq weapons affair, the Bank for Credit & Commerce International (BCCI), known as the "Bank for Crooks and Criminals International," became one of the major money laundering operations for the Colombian Cartels. Many of the same old cast of players are found picking the bones out of this bank that collapsed with estimated debts in excess of \$10 billion. "BCCI was operated as a corrupt and criminal organisation throughout its entire nineteen year history. It systematically falsified its' records. It knowingly allowed itself to be used to launder the illegal income of drug sellers and other criminals. And it paid bribes and kickbacks to public officials."<sup>16</sup> Over a few short years, the BCCI affair would slowly swell to prodigious proportions bringing numerous casualties in its wake. One of these was Clark Gifford, Chairman of First American Bancshares, friend of presidents and doyen of Washington insiders. Disgraced, Clifford and his prestigious Washington law firm partner Robert Altman walked away with a cool \$18 million<sup>17</sup> Few individuals or institutions who were touched by the scandal would wholly escape censure. BCCI's founder, Agha Hasan Abedi, assiduously courted power and influence. A close friend was former US President Jimmy Carter.

BCCI aggressively set out to launder the Columbian cartels massive drugs money that would eventually see up to forty other banks directly or peripherally involved - many of them blue-blooded luminaries of the banking firmament. Setting up a branch in Panama, BCCI soon cut a deal with Panama's Noriega, opening an account for him in the name of Zorro. Dirty funds were collected and wired to Europe. From there Certificates of Deposit (CD's) were issued that could be used as collateral against loans issued. Another technique involved cycling the money through an affiliated company, Capcom Financial Services, who's huge futures and options business was an ideal laundering vehicle.

Discontented with just the narcotics industry, BCCI developed close ties to the

"spook" community, maintaining accounts for Israel's Mossad, America's CIA, Britain's SIS, France's DGSE plus the security services of Pakistan and Switzerland. The CIA's accounts with BCCI covered several years of covert operations on the part of that agency. Principally, payments were made to finance Afghan rebels and to bribe General Noriega. Almost unbelievably its customers also included the notorious Abu Nidal terrorist organisation, and the Iranian backed Hezbollah - long regarded as the arch enemies of the western intelligence community. Abu Nidal's Fatah Revolutionary Council had a \$60 million account at London's fashionable Sloane Street branch. At the same time the bank was responsible for financing deals in which Mossad provided weapons to Arab terrorists. Peru, buckling under the burden of sovereign debt, used BCCI to hide its cash reserves away from the grasping hands of creditor banks. Outdoing the security services of many small nations the bank also ran its own global intelligence network known as the "black network" employing an estimated 1500 trained operatives. Based in Karachi, this network "of hand-picked individuals who underwent a one year training course in psychological warfare, spying techniques and the use of firearms."<sup>18</sup>

When major banks aren't colluding with spooks and organised crime they appear to settle back and engage in dubious "in-house" business. Most don't hit the headlines being swept away from the glare of the media by red-faced executives. One of those that wasn't so lucky was Daiwa Bank Ltd. Squirming with loss of face, Daiwa executives announced to a round-mouthed media that Toshihide Iguchi, a small-time Japanese trader working out of Daiwa's New York office, had racked up a \$1.1 billion loss trading US Treasury bonds. Stretching credulity beyond belief, Daiwa claimed that the 44 year old Iguchi, following a modest trading loss of \$ 200, 000, spent the next eleven years writing 30,000 "unauthorised" tickets in an attempt to reverse his misfortune. This equates to a staggering \$400, 000 per trading day, making Iguchi one of the unluckiest suckers the world of high finance has ever encountered.

### The Barings' Cover-up

Though for sheer bad luck we couldn't do much worse than Nick Leeson, a young and inexperienced British trader at Barings, Singapore, who with the aid of a "dump" account known as the "five eight's" - signifying in Chinese superstition "all the luck" - bumped up losses of \$1.6 billion over a three year period, sending Barings crashing to its knees. Until then Barings sat at the top of the British establishment tree

as the oldest merchant bank in London. Dripping with history and dark secrets, Barings dated back to the mid 17th century. By modern standards it was a small bank with a net worth in the \$600 million range, but still managed to punch above its weight. That is until it began speculating its depositors and shareholders money in Singapore's futures market, SIMEX.

All the signs are that the Barings affair is a straight forward case of "bonus-fever" amongst the senior executives who benefited from excessive annual bonuses. Nevertheless there may be more to it than that. The fact that their inexperienced young SIMEX trader, Nick Leeson, didn't contribute one dime to the banks bottom line throughout his three year tenure as the "big swinging dick" on the Singapore futures exchange is beside the point. Leeson contrived to report profits by creating false accounting entries and thus year on year was able to conjure a host of ghost profits - carefully hiding his real month on month losses that eventually grew to a teeth-grinding \$1.6 billion. His superiors, the banks senior executives, delighted with the performance of their star in the east, awarded themselves bonuses of \$1.6 million plus for year end 1993. Despite crashing with massive losses the directors walked to new jobs with the Dutch financial group ING, who galloped to the rescue. Snug in their new sinecures, they negotiated \$152 million in back bonuses covering the tragic year 1994 - where reported earnings of \$320 million in reality concealed accumulated losses of \$260 million, soon to increase sixfold.

It is now clear that Leeson didn't operate alone. Those tagged with assisting and/or colluding with him include the CEO Peter Norris and the Director of Finance, Geoffrey Broadhurst<sup>19</sup> Discovering the degree of complicity involved at senior levels, 23 directors and senior staff were forced to resign by their new Dutch owners. This did not stop the Bank of England, Britain's banking regulator, from publishing a caveat-ridden and poorly investigated report. The report chronicles the Bank of England's less than zealous efforts to apportion blame to anyone other than Leeson, but does catalogue a list of impediments to its investigation. These include the accidental destruction of "significant classes" of records within the offices of Barings London, which are cited as being "missing", "corrupted" or not "routinely retained." The sleuths of Threadneedle Street did not, however, once venture inside the door of Barings offices during their entire investigation. Had they done so it is not outside the realms of possibility that they may have discovered "significant classes" of documents corrupting away before their very eyes.

Importantly, nobody is saying which banks provided the immense funding that

the Barings operation consumed. Nor are they revealing why these banks would so readily lend funds that amounted to a cool \$1.4 billion to a small bank with an insignificant net worth. Seeking to clarify this point I asked the Bank of England to name which banks provided funds to the group and whether they formed a formal or informal syndicate. I was politely told that "we don't have this information, but if we do it's confidential and not available." A curious answer indeed. Meanwhile, the only casualty besides, of course, the banks shareholders - who with unspeakably poor grace continue to grumble about their missing \$160 million - is Leeson. Found guilty and given a six year sentence he now resides in Singapore's Changi prison. Some believe he joins Daiwa's Iguchi as a scapegoat, demonstrating that when the bucks go down in the "connected" world of high finance, those who had most to gain, do not<sup>20</sup>.

### More Money is Spent on Dope than Food

The sheer volume of money skating around the world's financial markets is staggering and a huge proportion of it is illegal. Of a massive \$6 trillion that annually circulates the globe, one quarter - \$1.5 trillion - is illicit, and a third of this, \$500 billion, are narcodollars. \$200 billion of narcotics are shipped to the US annually, roughly one third of the total annual import bill. Random forensic testing throughout the US reveal that virtually every single bank note contains microscopic traces of cocaine. More money is spent, globally, on dope than food.<sup>21</sup> With these sums at stake, banks and the financial community are, de facto, laundering dirty money.

Operating within the CIA is a small team known as the "Fifth Column". Staffed by experienced computer hackers using a Cray supercomputer, this group track dirty money accumulated in secret offshore bank accounts by "scores of high level U.S. political figures".<sup>22</sup> Once the funds are tracked and the secret authorisation code located the money is electronically swept-up and deposited in the U.S. Treasury. Intelligence sources estimate that in excess of \$2 billion has been gathered in this manner and none of the now-poorer high profile figures are contemplating lodging complaints. Illegal? You betcha' it is, but no more than any one of a dozen other operations that have previously come to light.

A great many more bank scandals can be expected in the coming years. Why this should be so is simple. It's not their money they're playing with. It's yours and mine. If a bank goes belly-up, culpable bank executives slide into other cushy jobs with other banks or disappear down the sunset-trail toting a swag-bag of "lost" loot -

sometimes both. Simply stated high-finance is a "connected" world where president's touch shoulders with mobsters; bankers shake hands with Masons; regulators buckle under political pressure; law enforcement protects crime; the CIA "does its thing" and fortunes can be and are won.

Bankers say of themselves that theirs is a "prudent" profession. In the last analysis this is true. Nothing can be more prudent than playing with and losing other people's money.

David Guyatt was an Associate Director and Treasurer at Midland Bank Aval Ltd.

#### Notes

<sup>1</sup>Following the Barings' debacle the Bank of England have told me that they will resist tougher regulation - fearing that it will drive financial institutions to less regulated centres. Phone conversation with this writer December 1995.

<sup>2</sup>See Claire Sterling's *Crime Without Frontiers* (Little Brown, London, 1994).

<sup>3</sup>Ibid. p 23. See also p 111 citing the Yakuza's near miss attempt to take control of Parisbas, a leading French bank.

<sup>4</sup>Kochan & Whittington *Bankrupt the BCCI Fraud* (Victor Gollancz, London 1991) p 96

<sup>5</sup>Sir Kit McMahon, former Chairman of Midland Bank Group Plc, stated during a British TV programme broadcast in Autumn 1995, that banking is a "confidence trick".

<sup>6</sup>See Jeffrey Robinson's *The Laundrymen* (Simon & Schuster, London 1994) p 266.

<sup>7</sup>Ibid p 272

<sup>8</sup>Claire Sterling p 203

<sup>9</sup>Claire Sterling pp 63-64

<sup>10</sup>SPI Books, New York 1992

<sup>11</sup>For a brief background on Bush's secret background see Mark Lane's *Plausible Denial* (Plexus Publishing, London 1992) pp 330-333.

<sup>12</sup>Chapter 21 of Pete Brewton's book deals with this case in some detail.

<sup>13</sup>"Burnout" is a mob scam where they acquire a failing company, boost its borrowing, strip its assets and then place it in to voluntary liquidation. Obviously the creditors are left picking up the tab.

<sup>14</sup>See John Loftus *The Belarus Secret*. (Paragon House 1989). Casey, an old OSS warrior saw no shame in using Nazi war criminals - many of them guilty of the most horrendous crimes against humanity - in his fervent anti-communism. This view permeated the thinking of many of the old cold-warrior's in the CIA and elsewhere. The story of former Nazi's connected to the P-2 Banco Ambrosiano and BNL affairs remains largely untold.

<sup>15</sup>The BNL affair is covered in Alan Friedman's *Spider's Web* (Faber & Faber, London 1993).

<sup>16</sup>Ibid. P 85

<sup>17</sup>Kochan & Whittington p 14. (See also Adam's and Frantz *A Full Service Bank* Simon & Schuster, London 1991 on the BCCI affair).

<sup>18</sup>Ibid.

<sup>19</sup>Kochan & Whittington p 130

<sup>20</sup>Finding of the *Singapore Report* authored by Price Waterhouse, Singapore on behalf of the Minister of Finance.

<sup>21</sup>Leeson and Iguchi are obviously culpable, but the point is that they did not act alone. This is the view of this writer based on many years experience working in international banking. In Leeson's case the authors of the official *Singapore Report* make it clear that they share this view.

<sup>22</sup>Jeffrey Robson p 173

<sup>23</sup>See "FosterGate" *Unclassified* No 34 Fall 1995 pp 6-9.

From: Brigadier P C C Trousdell  
Director of Public Relations (Army)



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D/DPR/439

Mr Stephen Dorril  
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5<sup>th</sup> June 1996

Dear Mr Dorril,

In a recent edition of Lobster you printed an article about Thomas Doheny titled "Joint Services Group". Apart from a brief editorial introduction, the article is a repetition of Mr Doheny's Statement of Claim in his High Court action against the Ministry of Defence. Mr Doheny's claim was never tried in court; it was struck out last summer as being "scandalous, frivolous and vexatious as well as being an abuse of the process of the Court". Costs were awarded against Mr Doheny. Your comment makes no mention of this.

Mr Doheny, in what may have been an effort to add credibility to his claim, compiled the list of names and telephone numbers that appears at the end of his Statement. We would be grateful if you would note that the publication of the names and other details of persons engaged in sensitive counter-terrorist duties assists terrorists in identifying and targeting them for attack. We are not prepared to comment on the accuracy of Mr Doheny's list, but publication of identifying information about persons described (even incorrectly) as involved in sensitive counter-terrorist work, is liable to put those persons and their families at risk of violent attack.

I assume that, whatever the purpose of articles and comment in Lobster, it is not your intention to knowingly put persons lives at risk. On that assumption, I suggest that it would be sensible and proper if, before you print information which may have so serious an effect on members of the Armed Forces or their families, you would consult this Directorate of the MOD. We would be pleased to help you ensure that such damage is prevented.

Yours sincerely  
Brewton

## Former agent vows to clear his name

SAMUEL Rosenfeld, a former army intelligence agent in Northern Ireland, jailed for a crime his handlers concede he did not commit, said yesterday he would continue his fight to clear his name after the High Court rejected his plea for a judicial review of his case. Mr Rosenfeld was sentenced to 12 months imprisonment by Omagh magistrates court, Northern Ireland, in 1993 for stealing a car. He was given three hours to cross the border. The car owners subsequently admitted it had never been stolen. In 1994, Mr Rosenfeld was arrested in England and spent six months in jail under threat of deportation to Northern Ireland. He told the High Court he was wrongly convicted and unlawfully imprisoned. Mr Justice Popplewell said he could not challenge the decision of a Northern Ireland court. Mr Rosenfeld intends to appeal. — Richard Norton-Taylor

28 August 1996

Dr Mark Pythian is a lecturer in politics at the University of Wolverhampton. His book "The Arming of Iraq" will be published this autumn by North Eastern University Press, Boston.



# Iraqgate: Scott's missed?

A great deal of expectation was tied up in the publication of the five-volume Scott Report. For former workers at the Matrix Churchill plant in Coventry the report would reach conclusions opening the way for compensation claims. For Paul Henderson and his co-defendants it would have a similar value.<sup>1</sup> Elsewhere, for example, it would provide confirmation for Gerald Janes, former chairman of munitions manufacturer Astra Holdings plc, of how his companies were used to channel arms to Iran and Iraq. For Ali Dagher and Jeanine Speckman of Euromac, it would confirm their status as victims of a US Customs 'sting' operation and aid their compensation claims.<sup>2</sup> And so on. To a greater or lesser extent, all of these industry/business figures were to be disappointed.

Judging by what they wrote in the lead-up publication, the expectations of former ministers were also of a clearly-delivered indictment of government policy and actions. Take Tristan Garel-Jones, for example. In a piece in the Sunday Telegraph on the weekend before publication, he wrote that; "on matters of opinion...it is difficult for someone of Sir Richard's background and experience to understand the framework within which ministers take decisions...Consequently, I expect any advice he may give about the operation of public immunity to be inimical to the interests of the state. I hope such advice will be disregarded."<sup>3</sup> An even more overt pre-publication attack came from Lord Howe. In a long and scathing article in The Spectator, during which he spoke of Scott's "tenacious enthusiasm for his own views", and his "marathon contest with reality", Howe delivered a kind of alternative Scott Report. On the Attorney-General, Sir Nicholas Lyell, for example, Howe wrote that; "neither the Attorney-General nor anyone else should be condemned for their conduct - nor even unduly troubled by such idiosyncratic conclusions".<sup>4</sup> Whether or not the speculation that Scott watered down his criticisms of individuals as a consequence of such ongoing attacks from former ministers is accurate (and there are clear differences between the wording of criticisms in leaked drafts and the final report),<sup>5</sup> it remains the fact that none of these figures have felt the need to return to attack Scott since his report was published.

To an extent Scott's use of language let some of those under fire off the hook.<sup>6</sup> For example, rather than clearly state that the government changed its guidelines on the sale to Iraq of military and related equipment after the 1988 ceasefire, Scott writes that the policy, "did not remain unchanged". In other words, his syntax is not unencumbered by a proclivity to employ the double-negative. But at a wider

the damage the inquiry was ever likely to inflict, and made it unlikely that Scott would be able to fully explore and bring much light to bear on arms sales issues. Scott's terms of reference were drawn up by the government and agreed to by Scott after "minor amendments" had been made. Their focus was on, "whether the relevant Departments, Agencies, and responsible Ministers operated in accordance with the policies of Her Majesty's Government". If the inquiry had been intended to examine arms sales to Iran and Iraq, perhaps this would have needed to be preceded by a commitment to establish 'to what extent Iraq was supplied with lethal weaponry by the UK, either directly or indirectly and whether the relevant...'

The inquiry's procedures also reduced the likelihood that arms sales processes would be laid bare. The investigative work of the inquiry was overwhelmingly based on requesting and then analysing documents supplied by government departments. As Scott notes in his report, these were not generally volunteered by departments and cross-referencing on a number of occasions revealed that documents had been held back. Nevertheless, such requests and analysis allowed Scott to reach firm conclusions with regard to, for example, public interest immunity, the preparation of 'arms-to-Iraq' prosecutions, and ministerial responsibility (both with regard to the minister-civil servant relationship and answering questions in Parliament). But where the evidence of businessmen and industrialists involved in 'arms-to-Iraq' clearly suggests that false end-user certification, mis-descriptions of consignments and the use of conduits, were methods widely employed to beat the restrictions in place and get arms through to Iran and Iraq, is it reasonable to expect Whitehall documentation to similarly illuminate the realities of the arms trade? If false end-users or conduits were being used, then the paperwork would be in order for the conduit country or the false end-user. No one would expect any reference to diversion to be found in this kind of documentation. This is also true of company documentation, for the simple reason that any admission of diversionary intent would have left a company open to prosecution. Yet when Coopers & Lybrand were asked by the inquiry to examine Astra and BMARC documents they held as receivers of Astra, they reported:

"We were advised by the Inquiry that there had been allegations that defence equipment had been exported to certain countries and then sent onwards to Iraq. These 'diversionary' countries included Austria, Chile, Cyprus, Egypt, Jordan, Kuwait, Portugal, Saudi Arabia, United Arab Emirates and Yugoslavia. We located

several documents that referred to sales to these countries. These included packing notes, sales invoices, board minutes and letters. We did not, however, see any document which indicated that the goods were to be diverted to Iraq.<sup>7</sup>

Documents relating to Astra were still being disgorged just four months before the report was published.<sup>8</sup> A related question is whether or how Scott can be sure that he has seen all of the relevant documents? The answer, as he admits in the report, is that he can't: "I would like to believe that, in the end, the Inquiry succeeded in obtaining all the relevant documents in the possession of the departments. It is impossible to be certain, however...that all relevant documents have been obtained."<sup>9</sup> The evidence of a former International Military Services (IMS) tends to cast further doubt on this. He told Scott that in the mid-1980s he had been instructed by the chief executive of IMS (a Mr Orford); "to weed the IMS project file...of all papers referring directly to Iraq" and that "Mr Orford stated that he would personally shred them all" with one exception.<sup>10</sup> Was this a once-only operation? Moreover, Scott's tendency to at all times give precedence to documentary evidence over eye-witness testimony has led him to dismiss the accounts of those involved in 'arms-to-Iraq' if he felt their claims could not be supported by documentary evidence. Even where they passed on documentary evidence to support their positions, this was not always sufficient.<sup>11</sup> In addition, it is not clear from the report's treatment of some of them - Chris Cowley, Paul Grecian, Frank Machon, Paul Henderson, and so on - that their evidence is regarded by Scott as being completely trustworthy.<sup>12</sup>

There were essentially two ways in which the UK armed Iraq in the 1980s, despite the existence of the Howe Guidelines. The first was through the direct export of dual-use machine tools which would form the backbone of the emerging Iraqi arms industry. The level of self-deception required to allow this trade to continue in view of the steadily mounting evidence that they were going to be used to make munitions is captured well in the report. The second way was indirectly through diversionary routes. Here though, Scott's procedures have limited his ability to unravel what industry sources have consistently claimed occurred and what logic dictates must have occurred. After all, the eight-year long Iran-Iraq War was a classic land war - the First World War transplanted to the 1980s. How did the war go on for eight years if all states were properly applying their various guidelines and restrictions, notionally intended to avoid exacerbating the conflict? With an estimated 1,000+ artillery pieces on both

sides, Iran and Iraq's average daily expenditures have been estimated at 12,000 shells each. With a 155mm shell costing them anywhere between \$850 to \$1,400, excluding the propellant charge, this was a hugely lucrative business.<sup>13</sup> How did Iran and Iraq continue to procure the means of prosecuting their war if no one was supplying them? The inquiry needed to look beyond Whitehall if it was to get to the bottom of this.

In any case, it attempts to do so in just 68 pages (pp.817-885) out of over 2,000. Notwithstanding the limited investigative reach of the inquiry, Scott is able to conclude that various states acted as conduits and passed UK-origin arms to Iran and Iraq. For instance, partly through accessing intelligence files, Scott is able to conclude that Jordan ("The records indicated that MoD had agreed to exports of ammunition to Jordan far in excess of that country's needs prior to the outbreak of the Gulf war"), Saudi Arabia, Kuwait, and Austria acted as conduits for Iraq, while he also, "found the inference that substantial quantities of ammunition were being exported from the United Kingdom to Iran by means of Portugal as [a] diversionary route to be a compelling one."<sup>14</sup> With regard to Saudi Arabia, Scott noted that, "a certain amount of intelligence suggesting the use of Saudi Arabia as a diversionary route is to be found in the papers disclosed to the Inquiry by the intelligence agencies. It is, in the circumstances, surprising that there was not more."<sup>15</sup> Could it be, then, that some was weeded to avoid damaging Anglo-Saudi relations and jeopardising the continuation of the Al Yamamah arms deals, the richest in British history? Overall, with regard to diversionary routes, Scott does not consider the full range of conduits alleged to have been used to arm Iran and Iraq. Furthermore, he is unable to confirm whether certain routes were used from the evidence he has seen, (eg. with regard to the UAE and Cyprus), is sceptical of industry accounts of diversion not supported by Whitehall (eg. with regard to claims that the Westland Black Hawk helicopter component of the Al Yamamah deal was really intended for Iraq), and is generally unable to quantify how much of what was passed on from where.

The limitations that prevent Scott from going further are also evident in his consideration of claims that a European propellant cartel operated during the 1980s, the aim of which was to by-pass the various national restrictions in place, and get propellant to the two belligerents. Scott was alerted to these by the evidence of Gerald James, Kevin Cahill and Tim Laxton. The background is this: In the mid-1980s, Swedish Customs investigators exposed the so-called Bofors affair. This revealed

the extent to which Iran in particular was meeting its almost insatiable demand for propellant through the operation of a network of major European explosives manufacturers organised around the European Association for the Study of Safety Problems in the Production and Use of Propellant Powders (EASSP).<sup>16</sup> This demand represented a level well beyond the capacities of any one member, and so in order to meet the demand and at the same time avoid drawing attention to themselves, the companies within EASSP, prominent amongst which was the Swedish company Bofors, would meet and parcel-out the requirement. As one Swedish Customs official explained: "Cartel members in Sweden, France, Holland and Belgium would meet regularly to eat and drink together and plan how they would keep Iran and Iraq supplied with munitions. They knew that no single company would produce enough gunpowder to meet the enormous demand without raising production quotas and attracting attention, so they decided to spread the work around."<sup>17</sup> In addition, members of the cartel - allegedly covering companies in Austria, Belgium, Finland, France, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the UK and West Germany - would reach price-fixing agreements and keep an eye on competitors.

It had been alleged to Scott that UK companies were involved in the activities of the cartel - an allegation supported by documents cited by the Swedish Peace and Arbitration Service in its International Connections of the Bofors Affair. These refer to both Royal Ordnance (RO) - at the time still government-owned, and ICI-Nobel in Scotland. With regard to the latter, in a travel report dated June 1984, Mats Lundberg of Bofors noted the concern of ICI's management that its Scottish subsidiary should be involved with the cartel, saying: "[Sir John] Harvey Jones [then Chairman of ICI] forbids continued participation in our meetings and therefore Frank cannot participate, but wants individual contacts with the members. Someone will contact Frank before each meeting." With regard to RO, in October 1984, 'Guy' of French company SNPE informed a cartel meeting that 'Truman' of RO had promised "market co-operation" with the cartel.

Scott investigated this by asking the UK MoD "whether they had any knowledge or reason to suspect the existence of such cartels." The MoD's response that it, "had no knowledge or suspicion of a propellant cartel or a weapons cartel to which British companies belonged"<sup>18</sup> was carefully worded, but if it was intended to suggest it knew nothing of the Bofors affair, hard to believe. Scott also contacted UK Customs,

who confirmed that RO ammunition had gone to Iran, but that RO were unaware that it was going there. Here, the limitations of the Scott Inquiry meant that it could go no further, for example by approaching Swedish Customs. Reliant on the MoD and UK Customs, it had exhausted its investigative possibilities. Hence, the report invokes its terms of reference in justifying an open conclusion:

"The existence of international weapons/propellants cartels, and the alleged involvement in them of UK companies are, per se, matters which fall outside my terms of reference. If, on the other hand, there were evidence of British Government knowledge of, or acquiescence in, the activities of any cartels whose existence was intended to defeat the prohibitions and restrictions on exports from the UK to Iraq, it would have been incumbent on me to investigate. In fact there was no such evidence beyond bare assertion. It is also an issue in relation to which it would have been very difficult for me to obtain sufficiently cogent evidence to reach a concluded view without extensive investigation. Extensive investigation, even if the Inquiry were granted the necessary powers to conduct it, would have caused unnecessary delay to the publication of this Report. I have not, therefore, attempted to do so."<sup>19</sup>

These limitations are also evident elsewhere. To take a few examples: in the absence of any consideration of how the trade in arms with Iraq was financed;<sup>20</sup> in the 150-page section on the supergun; in the way in which Scott's terms of reference apparently free him from considering BMARC's Project Lisi bound for Iran (in 1995/96, the subject of a Trade and Industry Select Committee investigation); limit his ability to consider whether Cyprus was used as a conduit; whether the Skyguard air-defence system was exported to Iraq via conduits (it was never exported directly, but was observed by those present in action in defence of Baghdad during the Iran-Iraq War); and why, if it was not exported, Iraqis were trained in its use at BMARC's Faldingworth site (an issue deemed outside the inquiry's terms of reference).<sup>21</sup>

It should be clear by now that, above all, the course of Western relations with Iraq in the 1980s represented a failure of foreign policy, and that 'Iraqgate' in the UK was not an isolated event, but one with parallels in the US, Belgium, France, Austria, Switzerland, Germany, Italy, and so on. Rather than being a globally-unique case of administrative bungling and official myopia, it is more properly characterised by the words of the conservative US commentator William Safire, who wrote in the *New York Times* that "Iraqgate is the

first global political scandal."<sup>22</sup> Yet this is a level of inquiry that Scott seems to have missed out. Where is the discussion of US policy objectives regarding Iran and Iraq, of the implications of the Bush Administration's National Security Directive-26, of the compatibility and complementarity of US and UK foreign policy aims in this area? For example, according to Paul Henderson, at the infamous January 1988 meeting where Alan Clark effectively gave a 'nod and a wink' to the continued export of machine tools to Iraq, Clark also made it clear that such continuation was linked to US policy, a point not made in the Scott Report's dissection of the meeting.<sup>23</sup> From here other significant omissions emerge. Henderson says information both he and his predecessor as informer-in-residence at Matrix Churchill, Mark Gutteridge, passed on to MI5 and MI6 was shared with the CIA.<sup>24</sup>

Where, in the Scott Report, is the consideration of intelligence-sharing (there are no references to the CIA in the index)? Where is GCHQ (two fleeting references)? What were the real aims of the US, UK and western governments regarding the upper Gulf after the Iran-Iraq War broke out?

Answers to these questions, and many of the questions about the arming of Iraq, are ultimately areas Scott's missed. But they are also areas where Scott's terms of reference and the limited investigative reach of the inquiry combined to make this almost inevitable.

#### Notes

- <sup>1</sup> In the event, only one of the Matrix Churchill Three, Trevor Abraham, began a legal action in the wake of the report.
- <sup>2</sup> Ali Dagher was sentenced to five-years in prison, Speckman 18 months, after being set up under a joint US-UK Customs 'sting' operation in which US Customs officials showed a particular zeal and in which Prime Minister Margaret Thatcher took a keen interest. The convictions were overturned in 1994. Dagher served 18 months in prison, Jeanine Speckman served her entire sentence (with remission). The case is considered in a remarkably limited manner in Report of the Inquiry into the Export of Dual-Use Goods to Iraq and Related Prosecutions, (henceforth, Scott Report) HMSO, February 1996, pp.651-661.
- <sup>3</sup> Tristan Garel-Jones: 'Stuff it, Scott', *Sunday Telegraph*, 11.2.96.
- <sup>4</sup> Geoffrey Howe: 'A Judge's Long Contest with Reality', *The Spectator*, 27.1.96, pp.9-12. See the retort by Geoffrey Robinson, Paul Henderson's Defence Counsel at his trial in *The Sunday Times*, 4.2.96. *The Spectator* returned to the fray in the issue dated 17.2.96. Journalist Bruce Anderson provided a portrait of Scott which concluded: "When Jonathan Aitken arrived at the Ministry of Defence, the Permanent Secretary

asked him to review all the Scott questions; a fresh mind would be useful. Mr Aitken found no sign of wrongdoing. His conclusion was that principled ministers and conscientious officials had done their best to solve the insoluble, and that they had at all times exemplified the high standards we associate with British public service. Sir Richard seems to understand neither the standards nor the service." 'Brave Huntsman, Bad Judge of Politics', p.19.

- <sup>5</sup> On this line see, for example, 'Scott Had to Water Down his Criticism', *The Independent*, 17.2.96.
- <sup>6</sup> See, for example, Roy Hattersley: 'Scott Not Guilty of Bad Grammar. Not', *The Guardian*, 19.2.96.
- <sup>7</sup> Scott Report, Vol. V, Appendix A Part C3(ii), p.4.
- <sup>8</sup> See Scott Report, Vol. V, Appendix A, Part C for correspondence between the inquiry and the MoD Police concerning the non-submission of Astra/BMARC documents.
- <sup>9</sup> Scott Report, p. 20.
- <sup>10</sup> *Ibid*, p.287.
- <sup>11</sup> For example, the case of Chris Cowley's claims regarding Dr Gerald Bull's contacts over the supergun programme. Scott Report, pp.949-950.
- <sup>12</sup> For example, see Scott's conclusions on Paul Grecian's account of the dates of his contacts with MI5 and MI6. Scott Report, p.928. On his assessment of Machon's evidence, see p.1001. Elsewhere, Scott comments that: "a number of Mr Machon's documents suggest that Allivane was involved in the exportation of military equipment to Iraq. None of them, however, show Government knowledge of, or acquiescence in, such exports. It is fair to say that, apart from providing the names of other useful witnesses, Mr Machon's evidence and documents have been of limited assistance to me in investigating the matters covered by my terms of reference." p.859 One suspects this reflects the inquiry's limitations more than the relevance of the documents supplied by Machon.
- <sup>13</sup> I am grateful to Kevin Cahill for this information.
- <sup>14</sup> Scott Report, p.885.
- <sup>15</sup> *Ibid*, p.869.
- <sup>16</sup> Established in 1975 as a forum for discussing safety and transportation etc. issues within the industry.
- <sup>17</sup> Quoted in Kenneth R. Timmerman: 'Europe's Arms Pipeline to Iran', *The Nation*, 18/25.7.87., p.48.
- <sup>18</sup> Scott Report, p.781.
- <sup>19</sup> *Ibid*, pp.782-783.
- <sup>20</sup> See Stephen Dorril: 'The Scott Inquiry - Financing the Arms Trade', *Lobster* #30.
- <sup>21</sup> These are considered in Gerald James' memoir: *In the Public Interest*, London, Little, Brown, 1995
- <sup>22</sup> William Safire: '1st Global Political Scandal', *New York Times*, 12.11.92. He went on: "The leaders of three major nations [ie. US, UK & Italy] are implicated in a criminal conspiracy; first, to misuse taxpayer funds and public agencies in the clandestine buildup of a terrorist dictator; then to abuse the intelligence and banking services of these nations to conceal the dirty deed; finally, to try to thwart the inexorable course of justice."
- <sup>23</sup> Paul Henderson: *The Unlikely Spy - An Autobiography*, London, Bloomsbury, 1993, p.119.
- <sup>24</sup> *Ibid*, pp.171-172.

Tim Laxton's memorandum to the Trade and Industry Committee in "Export Licensing and Bmarc" adds to our knowledge about one of the most mysterious characters around "Iraqgate".

# Mr Kock's evidence to the committee

I have recently obtained the published minutes of evidence for Stephan Kock's appearance before TISC on 24 January 1996. I have the following observations:

1. To supplement his answers to Q 855 and 857, Mr Kock has provided three additional memoranda which are detailed, but not printed, as point (i) of his supplementary memorandum. Questions 855 and 857 arose out of the allegation made by Mr Kock in answer to Q 853 (that Mr Anderson was unsatisfactory, unreliable and untruthful in his role as the Company Secretary of Astra Holdings).

There is one small problem with point (i) of Mr Kock's supplementary memorandum. He alleges that his memos of 9 January 1990 and 23 January 1990 were "not minuted, quite deliberately, all in regard to an internal audit". The Astra Holdings Company Secretary by January 1990 was Mr Ray Smith and not Mr Anderson. Mr Ray Smith was described by Mr Kock on 24 January 1996 as "a professional man and trustworthy" (Q 858), the same Mr Ray Smith, who according to Mr Kock's own supplementary evidence, did not minute the board discussion of his two January 1990 memos!!

In other words rather than adducing evidence to support his original allegation about Mr Anderson, Mr Kock has produced evidence which contradicts his testimony on 24 January 1996. According to Mr Kock's supplementary evidence, it was Ray Smith who was producing inaccurate minutes, whilst at the same time being, at least on 24 January 1996, "professional and trustworthy". Quite an achievement!!

2. In point (ii) of his supplementary memorandum Mr Kock claims to have been born in South Africa of "Friesian" parents before returning to Holland at the age of three. (Incidentally, I believe it is cattle from Friesland which are known as Friesians while people from Friesland are known as Frisians.) I have heard a variation of this story before; except on that occasion Mr Kock had told a former acquaintance that he was born on one of the Frisian Islands and emigrated to Southern Rhodesia in 1944 while Holland was under Nazi occupation!

I hope TISC will take the trouble of asking for the birth certificate which Mr Kock has offered to provide. At least its authenticity could then be established, although I suspect he probably has quite a collection of birth certificates.

On the basis of my research, as I stated in my oral evidence, I believe Mr Kock was born in Carpo-Ruthenia. This information comes from a source with detailed knowledge of that area. Two former banking colleagues of Mr Kock, who knew him well, have told me that they believed that Mr Kock was of Czechoslovakian or Polish origins, which is consistent with Mr Kock being from Carpo-Ruthenia. (Ruthenia was split up between Czechoslovakia, Poland and Romania in 1918).

3. In point (v) of his supplementary memorandum Mr Kock draws attention to the memorandum he wrote in September 1988 setting out his opposition to the acquisition of PRB.

The history of Mr Kock's attitude to the PRB acquisition is set out well in the DTI Inspectors' Report on Astra. No one disputes that he was initially against the acquisition. However, according to evidence given to the DTI Inspectors by the former Astra directors, Mr Kock became in favour of the acquisition at the last minute. This change of heart was denied by Mr Kock to the DTI Inspectors (see paragraphs 7.28 to 7.33 of the Report). In paragraph 7.32 the Inspectors conclude: "On this particular matter of Mr Kock's attitude towards the acquisition there was therefore a material conflict of evidence. We do not find it necessary to resolve it. . . .". The Inspectors' conclusion on Mr Kock's attitude to the PRB acquisition is: "He appears to have taken no effective steps to ensure the provision to him of the critical information to form a considered view on the PRB acquisition; and, without considering any of it, he simply withdrew his hitherto strongly felt opposition".

Mr Kock, of course, put his name to the prospectus sent to Astra shareholders which stated that the directors recommend the acquisition. He was therefore de facto in favour of it otherwise he would not have signed a prospectus saying that he, along with his fellow directors, recommended it. Typically, Mr Kock has presented less than half the picture in his supplementary memorandum on his attitude to the PRB acquisition.

4. The chronology of Mr Kock's career in Rhodesia, as given by himself, is deeply puzzling. Footnotes 1 to 3 Mr Kock has added to his transcript merely add to the puzzle.

As I have previously made known to the Committee. I believe Mr Kock has misled the Committee on the reason why he went to Southern Rhodesia (Q961). I notice that Mr Kock has added to his answer to Q961 that he went to Southern Rhodesia in 1944 as part of the Empire Training Scheme as air crew. The highlighted words were not in the original transcript.

The Empire Training was only open to air crew over the age of 18. Mr Kock was not 18 until May 1945. Whilst this might seem like a small detail, it is fundamental to my belief that Mr Kock has misled the Committee on the reason for his emigration to Southern Rhodesia in 1944. I am reinforced in my belief by the fact that I have seen a CV, prepared by Mr Kock, which states that he was in the Rhodesian Royal Air Force between 1945 and 1946.

I believe for similar reasons he has provided misleading details about his place of birth. The CV I have seen is silent on his place of birth.

In answer to Q 836 Mr Kock said "and I remained in aviation generally until the early 1950s when I became a soldier." The brochure published by the Defence Equipment Finance Department of the Midland Bank, to which Mr Kock was consultant/adviser between June 1984 and June 1990, gives a different version: "Having served with the Royal Air Force, he spent some years in civil aviation. Subsequently, he carried out specialised duties for the British Government in various parts of the world, including acting as Political Secretary to the Rhodesian Prime Minister in the early sixties during the period of constitutional change....."

The CV for Mr Kock I have seen gives yet another version and states that Mr Kock spent over 12 years in civil aviation, from 1946 to 1958. This is significantly different to the version given by Mr Kock to the Committee that he had left civil aviation in the early 1950s to become a soldier.



The CV for Mr Kock states that he became political secretary to the Prime Minister of Southern Rhodesia "at the request of HMG" in 1958. In answering questions from the Committee Mr Kock was somewhat non-committal and bashful about how and why he became political secretary to the Prime Minister. "Somebody must have thought I might be suitable for the job. I was approached, I did not apply for it". (Q837). Later in his evidence he said that it was one of the special assignments he had carried out for the Foreign Office (Q962).

So, in other words, according to his own version of events, in 1958 the Foreign Office hand-picked an obscure Friesian (sic), who has spent 14 years in aviation (or perhaps some years as a soldier or perhaps carrying out specialised duties for HMG, depending on which of Mr Kock's versions you chose) to become political secretary to the PM of Southern Rhodesia during a sensitive period of incipient nationalism.

Sir Edgar Whitehead was Prime Minister of Southern Rhodesia between early 1958 and December 1962, for three years of which Mr Kock said he had acted as his political secretary (Q836). According to Mr Kock's evidence he "was in SAS at that time" (when he became political secretary) was "seconded at that time to the Territorial Army" to enable him to serve Sir Edgar Whitehead and was then "in the SAS that as well" (Q838 to Q839). He also claims to have served in the SAS "Whenever possible" (839 note 2) while busy as Sir Edgar Whitehead's political secretary.

In addition to being Sir Edgar Whitehead's political secretary and serving in the SAS "whenever possible", the energetic Mr Kock was organising secretary of Whitehead's United Federal Party from 1961 to the end of 1962 and chief organiser of Whitehead's "Build a Nation" campaign—an attempt to win over middle class blacks following the constitutional settlement in 1961.

Mr Kock ceased to be Sir Edgar Whitehead's political secretary when Whitehead lost the 1962 Rhodesian General Election. He then went back to the SAS where he served until UDI was declared in November 1965 (Q 843). This is at least consistent with the Midland Bank brochure which state: "He had further military service abroad in the intelligence corps and as infantry officer. He also saw service for some years in the Special Air Services regiment. Following his retirement from the army....."

However, the indefatigable Mr Kock seems to have found time for another job as well. According to his CV, between 1963 and 1967, Mr Kock was the National Accounts Adviser to BP Rhodesia. That Mr Kock held this post is apparently confirmed by 1978 Bingham Report on the Rhodesian Oil Sanctions, in which Mr Kock is described as the National Accounts Adviser to BP Rhodesia. However, a director of BP Rhodesia between 1963 and 1967 has told me that the post of National Accounts Adviser never existed within BP Rhodesia. I have recently corresponded with Sir Thomas Bingham on this matter and enclose copies of the correspondence [not printed].

Even more amazingly, the increasingly indefatigable Mr Kock appears to have had yet another job after UDI when he "remained to assist Sir Humphrey Gibbs the Governor who was confined in Government House by the illegal regime. I stayed for some time" (note 3 to Q 843).

So simultaneously the redoubtable Mr Kock was a serving SAS officer, National Accounts Adviser to BP Rhodesia, and assisting Sir Humphrey Gibbs!! Of course into this picture one must also fit his work for M15 and M16 which Mr Kock admitted in answer to Q 933. The Friesians are obviously a remarkable breed!

As I stated in my oral evidence in February, my researches show that Mr Kock did **not** serve in the Rhodesian SAS which is known as "C" squadron of the SAS.

5. In answer to Q959, the official transcript records Mr Kock as having said: "*The High Commission. I cannot remember the gentleman's name now*". I believe Mr Kock actually said the High Commissioner (not the High Commission) in answer to this question. Indeed the second sentence makes more sense if he did answer "*High Commissioner*". The videotape of his evidence appears to confirm that he did answer "*High Commissioner*".

In fact Mr Kock's application could not have been sponsored by the High Commissioner. The British High Commissioner in Salisbury in 1965, John Johnston (now Sir John), was withdrawn from Salisbury almost immediately following the declaration of UDI in November 1965 and was not replaced. His deputy, Stanley Fingland (now Sir Stanley), remained in Salisbury until 1966 when he too was withdrawn. There were three residual staff, of no seniority, left in the High Commission by 1969. It is therefore extremely difficult to see which official from the High Commission (if indeed that is what Mr Kock did answer) would have been in a position to sponsor Mr Kock's application for British nationality in 1969.

Either way, Mr Kock misled the Committee on this point.

6. I fail to see how the Committee can assess Mr Kock's evidence on BMARC without firm and reliable details about his career in Rhodesia. There are some very simple questions that need definitive answers:

- Where was he born?
- Why did he go to Rhodesia in 1944?
- Who was he really working for between 1944 and 1968.
- Why has he given misleading accounts of his time in Rhodesia between 1944 and 1968?
- Who sponsored his application for British nationality?
- For whom is Mr Kock really a patriot?

That leaves even more interesting questions such as how was it that this mysterious "Friesian" was the hidden organising hand behind the Malaysian Defence package and Pergau dam deal some 20 years after his arrival in this country, and how was it that he was working on this sensitive deal from inside a secure office in Britain's leading clearing bank at least 18 months before any details of it became public in September 1988?

The background of all other witnesses to the Committee is plain for all to see. I do not see why Mr Kock should be the exception.

For those readers and observers who may consider Gerald James' article, perhaps, a little over the top and a mite conspiratorial for their tastes I recommend that they read and compare volume one of the Trade and Industry Committee report on 'Export and Licensing and BMARC' (HMSO, 12 June 1996) with volume two, which contains the evidence on which the report is based. Rarely have two complimentary documents been so very different. It is hard to imagine how a group of fairly rational and seemingly intelligent people came to reach the conclusion they did when the evidence so obviously points in the opposite direction.

With whom is Martin O'Neill, the Committee's Chair, travelling? Clearly, it is not truth, justice or honesty.



JONATHAN AITKEN.

# Gerald James

I have been reading a book published in the United States called 'Defrauding America' by Rodney Stich, a former US Navy pilot and Federal Aviation Authority investigator. The book is based on the personal experiences of Stich and the testimony of several CIA or former CIA personnel and others. It is the incredible but true story of how the United States government and most of its institutions are dominated and run by non-elected persons who use organisations such as the CIA to control what amounts to vast criminal conspiracies involving wars, arms and drug running, and the manipulation of the corporate sector through 'Chapter 11' and other processes - similar to our receivership and liquidation procedures. The Drug Enforcement Agency, US Customs, the Federal Bureau of Investigations, the Justice department, the Department of Defence and other agencies are all involved at the higher levels.

The book is based on thirty years of research and testimony as well as bitter experience. Murder, false imprisonment and fraud are the order of the day and a firm control of the media - press and television - enable those evil processes to continue. Another factor is the use of phrases such as 'national security' and 'the national interest' to hide covert and illegal operations which are against the interests of the American people. In many cases, Congress and the Judiciary are involved and the message is clear: it does not matter which party or president is elected, an amalgam of intelligence/security, business/professional interests, selected politicians and public servants - a cabal - will carry on regardless in their own secret interests.

I have never met Mr Stich and I was only sent the book because of my own book, In the Public Interest, published last December. The striking feature is that in a country with the close ties to the UK, his experience has been so similar to my own.

In 1990 my own company, Astra Holdings PLC, was collapsed by agents of the state. There are striking parallels with other arms-related companies such as Ferranti/SRC, Polly Peck and a host of smaller companies such as Matrix Churchill, Euromac, Atlantic Commercial, Forgemasters/Somers and Ordtec. In several cases, government malpractice has been reluctantly admitted. Little or nothing has been done to compensate individuals for false imprisonment or ruin, while large well-known corporations have ridden off unscathed with huge profits - companies that were the real centre of illegal activity.

My company had ultimately 4,000 employees, many of them long serving, and in the interests of shareholders,

creditors and employees, I considered it essential to expose what had happened. We hear our rulers continuously telling us that we have such an excellent system and institutions, which make our ways far superior to those of France, Germany, Italy and our other European partners. Every time there is a major problem or scandal here in the UK, we have an 'Inquiry' by bodies such as Parliamentary Select committees, QCs etc., etc.. Even sometimes by large firms of accountants with fingers in many pies. To quote a few examples: we have had two inquiries by Lord Justice Bingham (now Lord Chief Justice) into sanction-busting in Rhodesia and into the BCCI banking scandal. At an earlier date an inquiry into the Profumo Affair and recently by Sir Richard Scott into the arms of Iraq scandals. All these inquiries have had common characteristics: they have all failed to get to grips with the intelligence/security aspects on the usual grounds of 'national security' or 'national interest' and they have suppressed key documents and information. Due to the time that elapses, the public loses interest. Reports by large firms of accountants or DTI inspectors are largely valueless as the sponsoring government department usually pays for and directs the operation while being at the heart of what is amiss (i.e. DTI and Astra).

Theoretically, Parliament is the guardian of our liberties. Parliament is supposed to protect us the public against the overweening power and excesses of the administration or the government. Our elected representatives are supposed to stand up and fight for us. Parliament has Select Committees which can in theory grill anybody on any subject. Even Sir Richard Scott was grilled on his Report by the Public Services committee where he gave a very different account of what happened to that portrayed by his 2,000 page plus Report. This aspect received little or no publicity.

In the case of Astra I have, apart from a DTI inquiry and the Scott Inquiry, had much contact with Select Committees and experienced two proper if not very full inquiries into the Supergun affair (Project Babylon and Long Range guns) and Project Lisi/BMARC (export Licensing and BMARC) by the Trade and Industry Select Committee. In addition, I have had detailed correspondence with and provided evidence to the Public Accounts Select Committee, the Foreign Affairs Select Committee and the Defence Select Committee. In all cases, I requested that a proper and full inquiry be instituted into Astra and all its subsidiaries by the various committees in question. In each case this was refused on the grounds of inadequate resources or lack of time and availability.

The Chairman of the defence Committee at the time, Sir Nicholas Bonsor, told me in a letter (14 December 1993) to refer much incriminating evidence on the Foreign Office, the MoD and Northern Ireland Office to Sir Richard Scott. he said his committee had not the time or resources but he assured me in the closing paragraph of his letter that the Defence Select Committee would do all they could 'to secure the future our national defence and to prevent the reoccurrence of any of the underhand methods of policy making which clearly led you and your company, together with many others, to disaster'. I sent the evidence and much more to Scott who duly produced a dud report ignoring and omitting these crucial matters. When I later wrote to Sir Nicholas whom I believe to be a much better man than most, complaining of Scott's failures, he replied: 'I note your comments.' Sir Nicholas is now a junior minister at the FCO.

I would, however, like to focus specifically on the DTI Select Committee. In 190/91 I provided it with much evidence of Astra's part in the Supergun Affair. I was gravely handicapped by the fact that all my personal papers and sensitive papers regarding the government had been stolen from the Astra companies by MoD police acting from MI5, MI6, Customs, DTI, FCO, MoD and all other departments involved in the clandestine shipment of arms to Iran and Iraq. The MoD Police raided Astra's premises sixteen times in 1990, including subsidiaries such as BMARC. Nevertheless, from my own limited papers which remained and from files of others I was able to assemble sufficient information to be commended by the Supergun DTI Select Committee when it reported on 15 March 1992 - just before the general election.

The Committee commended Christopher Cowley of SRC and myself by saying of my evidence: 'In the course of this inquiry there have been some conflicts of evidence. Not unreasonably, those most closely involved may have sought to place their own actions in a good light. We have had to distinguish between witnesses' accounts of what they knew from their own direct experience and what they surmised from others. Much of the hearsay evidence we have heard from some witnesses is not supported by any corroboration or is in direct conflict with evidence from other witnesses. However, we have treated the evidence given both orally and in writing by Mr Christopher Cowley and Mr Gerald James as true with respect to the matters in which they were directly involved. On such matters the evidence of Mr Cowley and Mr James has been confirmed by the evidence of others, including the MoD.'

Part of the evidence which I gave was published on page 331 of the Trade and Industry Exports to Iraq, Minutes of evidence Wednesday February 5 1992, witness Mr Gerald James HMSO ref. 86-X, and reads as follows: 'The statement re Iran and Iraq armaments by Secretary for State for Foreign and Commonwealth Affairs - October 29 1985. The guidelines referred to by Sir Geoffrey Howe appear meaningless. Quite apart from PRB involvement with Iraq (PRB was an Astra subsidiary), Astra had through its BMARC subsidiary in Grantham a contract called Lisi to supply medium calibre armaments: ammunition, weapons and tooling to Singapore for onward transmission to Iran. This project was run by General Isles, a deputy Lieutenant of Lincolnshire, who had been a senior officer with the Ministry of Defence. The project had full government approval and was initiated under Astra's previous owners, Oerlikon Buhle of Switzerland. Astra inherited this situation.' At the time no one commented on this matter except to ridicule me as did HM Customs. Jonathan Aitken certainly did not comment. After the election in April 1992, Aitken was appointed Procurement Minister at the MoD replacing Alan Clarke.

The Procurement Minister has responsibility at the MoD for the MoD Police. Between 1990 (after the MoD Police stole sensitive papers involving further Astra Group companies including BMARC) and 1995, the MoD Police, the MoD, DTI, FCO, Customs, MI5, MI6, DIS, DTI inspectors etc., and the receivers (Cooper & Lybrand - Mr Barlow appointed February 1992) had hidden and concealed papers from the former Astra directors. These papers, stolen in the sixteen raids in 1990, were denied to the Astra directors during the two DTI Select Committee proceedings in 1991/92 (Supergun) and 1995/96 (Lisi/BMARC). The documents have also been largely withheld from other Select Committees and disqualification proceedings.

On 13 June 1995 and without warning, Michael Heseltine, now Deputy Prime Minister, made a sensational statement in the House of Commons saying that intelligence documents showed that project Lisi weaponry had indeed gone to Iran (at the time Heseltine had been President of the Board of Trade). A week later, there was a three hour parliamentary debate on BMARC and Project Lisi. The DTI Select Committee and HM Customs were ordered to investigate the matter. A few months earlier, Aitken had moved from the MoD to the position of First Secretary of the Treasury. Due to the rumpus over Project Lisi, he resigned in Major's summer 1995 reshuffle.

Aitken's connection to Astra was simple. He was MP for Thanet where Astra's registered office in its early years was situated at Sandwich. Between 1981 and 1988 I sought Aitken's help extensively in developing our business in the defence field. Aitken was also a banker with Aitken Hume and we solicited his help there and in connection with Middle East sales, lobbying against the sale of Royal Ordnance. Aitken's connection with the Middle East, however, particularly the Saudi Royal family, was seen as his most valuable attribute. I had much correspondence and many meetings and many telephone conversations with him as well as many meetings at his Al Bilad offices in Upper Grosvenor Street. So extensively did we use his services that I offered him a directorship and/or consultancy - which he refused.

In 1988, after we had acquired the Walters Group in the USA, expanded into Canada and purchased BMARC in the UK, Aitken approached me and asked to be made a Main Board director. I was surprised at the approach and change of heart, and after asking him to provide access to the Saudi Royal family, Wafic Said and Sheik Al-Athel at a meeting in Geneva, which failed to materialise, and at the insistence of C. W. Gumbley, our chief executive, and other colleagues, I put him on the BMARC Board. Gumbley and co. thought he should be seen to perform before going on the main board, although I did care so much as he had tried to be helpful over a long period. Aitken explained that he had changed his mind about Board appointments as we now had a more substantial operation largely centred outside his constituency. At a BMARC meetings he attended and all the Board papers the subject of Project Lisi was spelled out. While he knew more but no less than other directors it was generally known in the company that Project Lisi was for Iran. Chris Gumbley had confirmed this to me soon after we acquired BMARC.

Back in March 1995, before Heseltine's announcement in June, I had been struggling for five years to recover papers and documents which would illustrate the real situation at Astra, so studiously ignored by the DTI inspectors in their 548 page report. Although the inspectors knew about Project Lisi and other projects with Iran and Iraq, run on behalf of the government and intelligence/security services, within Astra (the real cause of the downfall of Astra by the new MI6 appointed Board of Kock, Barber and McCann), Project Lisi and other matters I had drawn attention to were dismissed by the inspectors in paragraphs 1.10 and 1.11 of their report. In paragraph 1.10 the inspectors said that I had given them and the DTI select Committee copious information regarding

Project Lisi and other matters. In paragraph 1.11, however, these fundamental issues were side-stepped with the words: 'The views volunteered to us by Mr James covered a wide range of subjects, certain of which apparently had little or no direct connection with Astra and included allegations of illegal arms deals involving senior UK politicians and civil servants and allegations of illegal arms deals involving foreign governments and government agencies and the security services of the UK and other countries. Whilst Mr James impressed upon his view that we ought to investigate and report these allegations, we concluded that to do so would have involved inquiries which went beyond what we regarded as the boundaries of our role as inspectors appointed under the Companies Act 1985 to investigate the affairs of Astra. We accordingly concluded it was inappropriate for us to embark on an investigation of these allegations.'

The Astra papers stolen by the MoD Police continued to be hidden. In March 1995, a journalist, Kevin Cahill, enlisted the help of the Scott Inquiry to recover some of the papers. The Scott Inquiry, ashamed perhaps that it had done little or nothing to obtain the Astra papers which were vital to their own inquiry and which I had reminded them of for three years, decided to help. They told Cahill that they would give a Court order if the receiver and others continued to withhold Astra papers. Barlow, the receiver at Coopers & Lybrand who up to this point had assisted the government cover-up, panicked and with Tim Laxton, another journalist, I had meetings with the receiver and his staff. As a result, the receiver reluctantly released a list of files he held and a few documents, including some BMARC Board minutes and supporting papers. Laxton was amazed when he and Cahill saw that Aitken had attended Board meetings where Lisi was mentioned and discussed. Previously and unbeknown to me, Tim Laxton had written to Aitken about Project Lisi and Aitken had denied any knowledge whatsoever. Laxton with Chris Blackhurst then wrote a series of articles about Lisi in the Independent which caused a furore over Aitken. I was asked did he, Aitken, know and, of course, had to say yes, unless he had closed his eyes and not read the Board papers.

After the furore over Lisi, the appointment of the DTI Select Committee Inquiry and Customs Inquiry, a large element of my former colleagues ran for cover, denying that they knew and contradicting themselves by making up new stories as they went along. Of the Astra/BMARC directors, only John Anderson and myself were open and frank, as I had been in 1990/91. Our reward for honesty was to be

arrested by HM Customs during our customs interview. We were the only persons interviewed regarding Lisi by Customs to be so arrested.

I also prepared very detailed evidence filling a box file together with 18 appendices demonstrating beyond any doubt that Astra and BMARC's position regarding Iran and Iraq. In the meantime, Scott had to delay his inquiry to obtain Astra/BMARC papers. he had to use Arthur Anderson to investigate and even they could not locate the more sensitive files which remain concealed or have been destroyed. The terms of the Select Committee Inquiry were to 'examine the role of the Department of Trade and Industry in granting licences to BMARC for the export of naval guns to Singapore (Project Lisi) and whether past failings in the export licensing system have been corrected.' There was no mention of Aitken and his role.

The Committee failed to obtain the intelligence reports which Heseltine promised and failed to interview key witnesses such as the Astra/BMARC sales team led by Gumbley and including John Selles, Alan Clark, Steve Yates, Graham Willet etc.. Contradictory written statements and questionnaires also notable for their omissions were no substitute for oral evidence. I filed an affidavit from Gumbley in appendix 11 to my Select Committee evidence which contradicts Gumbley's written evidence to a thin questionnaire - of course, there was no follow up by the Committee. No mention was made in the Report of my reporting Lisi in previous evidence in 1991 or my previous commendation by a committee that included three of the current members: Keith Hampson, Sir Anthony Grant and Barry Porter (all Conservatives).

Although the Committee found what I said to be true regarding Iran and the export of weapons via Singapore, the real purpose of the inquiry, they came to the bizarre conclusion that Mr Aitken did know and that I was an unreliable witness. At the actual oral hearings I was heckled and shouted at by as many as seven MPs at a time, in what other MPs have told me was a deliberate stitch-up. Martin O'Neil, the Chairman, was rude and abusive and conducted himself in the manner of a 'goodnight Jimmy Scotsman'. Only Anderson, the only other oral witness who tried to be truthful, was treated anywhere near as shabbily.

After Ken Warren retired as Chairman, the DTI Select Committee Chairman was Richard Caborn. I corresponded with him and his successor O'Neill on many occasions but never had the courtesy of a personal reply. O'Neill, when shadow

Defence Secretary, was criticised by his fellow shadow defence spokesman, Allan Rogers, for obstructing and preventing Rogers from asking salient questions about the Iran and Iraq trade.

The inquiry itself degenerated into a 'clear Aitken affair', although he was a peripheral and side issue to the purpose of the inquiry., Sir Anthony Grant, the Committee deputy Chairman, was reported as saying at a lunch that 'as far as the Committee was concerned, the sole purpose was to give Jonathan a clean bill of health'.

Martin O'Neill refused to allow me into the press conference but was attacked for 'suppressing papers and falsifying the report'. I am told that as many as five journalists attacked him, most notably David Leigh. Although the press were present in force and TV cameras were there, these events were not reported at all - as if editors had had their instructions.

The fundamental point of Aitken's involvement as MoD Minister in the suppression of Astra/BMARC papers was not touched by the inquiry. It was admitted that Stefan Kock and others within Astra and BMARC were DIS and MI5/MI6 agents, and presumably this is why the intelligence papers were not released.

It would indeed be ironic to see that those who were running and administering the contracts like Lisi were also those reporting on them to government, who could then claim they did not know when a former director, later Minister, helped to suppress the evidence. The inquiry's press release had the audacity to claim 'it has the power to send for persons, papers and records'. One wonders why it did not do so.

The same day as the inquiry reported, Michael Portillo, the Defence Secretary, admitted, as reported in an article by Anthony Bevins in the Independent, that Scott had been misled regarding the role of Royal Ordnance in the arms to Iraq saga. The rot goes very deep and if Parliament is as feckless as the current Trade and Industry Select Committee, what hope is there for open, proper and honest government?

'If good men (or women) do nothing, evil will prevail.'

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Gerald James' *In the Public Interest* is now available in paperback by Warner Books. Also out in paperback is 'a lay person's guide to the hottest political event of 1996' - 'Knee Deep in Dishonour: The Scott Report and Its Aftermath' by Richard Norton-Taylor, Mark Lloyd and Stephen Cook (Victor Gollancz) price £9.99.

Rodney Stich's 'Defrauding America: A pattern of related scandals' (Diablo Press, 1994) is available for \$30.00 (including p&ep) from PO Box 5, Alamo CA 94507, USA.



**Norman Mailer**  
**Oswald's Tale: An American Mystery**  
Little, Brown and Company, 1995

**John Newman**  
**Oswald and the CIA**  
Carroll & Graf, 1995

**Peter Dale Scott**  
**Deep Politics 11: Essays on Oswald, Mexico and Cuba, The New Revelations in U.S. Government Files, 1994-95**  
Available from Alan Rogers, 8614 North Hamlin Avenue, Skokie, IL 600076-2210, USA - \$15.00

**Ray and Mary La Fontaine**  
**Oswald Talked: The New Evidence in the JFK Assassination**  
Pelican Publishing, 1996

As with most things, the Kennedy assassination is subject to fashion; theories and explanations come and go. In the aftermath of Oliver Stone's contentious film JFK, there was a well-publicised backlash against conspiracy theories culminating in Gerald Posner's even more controversial book, Case Closed. Now we have Norman Mailer's non-fiction masterpiece, (publisher's blurb) which marks down Lee Harvey Oswald as the lone assassin.

Mailer's documentary coup is to have gained exclusive access to the KGB files on Oswald during his time in the Soviet Union. Working with the investigator and long-time collaborator, Larry Schiller, Mailer also managed to interview many of the people who knew the young American defector in Minsk and Moscow. This is valuable material and illuminates what was previously a mysterious period in Oswald's life. Sadly, it is somewhat let down by the failure to include any worthwhile footnotes, leaving the reader to take on trust the research in the KGB archives. The second part of the book details Oswald's time in America and contains little that we did not already know.

Oswald's Tale is guided by the principal of Ockham's Razor: 'The simplest explanation that covers all the facts is likely to be the correct explanation.' That is an excellent principle by which to work but at every turn Mailer eschews the odd, the unexplained, the contradictions and the facts that do not quite fit. Anyone who studies the JFK assassination with serious intent soon discovers that there is nothing simple about it. It is a complex subject and refuses, despite the best and worst efforts of the many buffs, to be reduced to a simple conspiracy or single assassination theory.

Mailer is grudgingly aware of this and proposes a truly bizarre solution for the

shooting in Dallas. 'One would not be necessarily surprised if indeed there was another shot, it was not necessarily fired by a conspirator of Oswald's. Such a gun could have belonged to another lone killer or to a conspirator working for some other group altogether ... It is not inconceivable that two gunmen with wholly separate purposes both fired in the same lacerated seconds of time.' Against such a scenario, the odds of winning the Lottery appear quite reasonable.

Mailer, though, is not out to document the minute technical arguments concerning the number of shots in Dealey Plaza. The aim of the book, he informs us, is 'delineation of character'. It is Mailer's achievement to rescue Oswald from the simplistic view which portrayed him as an awkward social failure and, instead, present a rounded individual; flawed indeed, but a resourceful, strong-willed personality.

If Oswald is the lone killer, as Mailer suggests, then by the end of the book we should be offered an explanation for his actions on 22 November 1963. Mailer provides it: 'The answer speaks out of our understanding of him: it was the largest opportunity he had ever been offered.' Oswald was a 'nihilist' who was above capitalism and communism. 'The world was in crisis and the social need was to create conditions for recognising that there had to be a new kind of society.' The world would be awakened by the killing of President Kennedy who was 'too good'. Fate, it seems, put Oswald at the sixth floor of the Book Depository building.

This is not very convincing as a motive and is difficult to reconcile with the fact that Oswald, who was an admirer of the President, repeatedly claimed whilst in custody that he was 'a patsy'.

Publishers make much of the oft repeated claim that a novelist can bring facts to 'vibrant life' but this rarely turns out to be the case (don DeLillo's Libra was a brilliant exception). Mailer, despite his long and successful track record, fails. The book, especially in the first half set in Belorussia, is often dull and tedious. There are sections of the American story, where Mailer is more at ease, which are excellent and clearly the work of a craftsman. Weighing in at 3lbs, 851 pages and costing £25.00, this is, however, a 'big book' which tries to impress through sheer size.

The publicity suggests that by answering the question: 'Who was Oswald?' we will discover 'Who killed Kennedy?'. After reading this book, the questions remain open. Oswald remains an enigma. We still do not know, and may never, know, what

JFK

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happened between the time Oswald was seen drinking a coke in the lunchroom on the first floor at 12.25 pm, apparently unconcerned about the visit of the President, and the shots being fired from the sixth floor 12.30 pm. Mailer has not come any closer to filling in those crucial five minutes.

John Newman, fresh from his masterpiece on JFK and Vietnam, is not interested in character nor what Oswald did in Dealey Plaza. Newman is concerned about Oswald the file and with how and why the CIA, and to a lesser extent the FBI and the Military file(s) on Oswald were constructed.

Using his personal experience in Military Intelligence, Newman painstakingly reconstructs Oswald's intelligence files using the mass of recently released documents now available following the setting up by President Clinton of a review board on the assassination - interestingly, made in response to Oliver Stone's movie. For those with only a passing interest in the subject - forget this book.

The book is badly edited, or should I say totally unedited, and is generally a mess with a few irritating errors. In parts it is a real chore to wade through and for the majority of readers will make as much sense as reading the telephone book. However, for genuine buffs this is a must. I have now read it twice and the second reading began to reveal its full power. It is full of gems and marks the beginning of a new stage in the inquiry. This is where all other research will have to start from. It is, perhaps, in its own way, as significant and as important as Anthony Summers' Conspiracy.

The material linking Oswald to the origins of the molehunts and the U-2 programme, the CIA monitoring of the Fair Play for Cuba Committee and involvement in Cointelpro operations, and the detailed look at the strange goings-on in Mexico City strongly suggest that there really is something very important and mysterious at the heart of the Oswald story.

Unfortunately, Newman was forced to go into print early by his publishers which meant that not all of the continuing avalanche of new material was consulted, so the findings are provisional which accounts for the pulling of punches when it comes to considering conclusions. We will have to wait for Tony Summers' up-dated version of Conspiracy for Newman's latest on Mexico City.

For those who can not wait I recommend Peter Dale Scott's collection of studies on some of the new material, Deep Politics 11.

The title is somewhat misleading in that this is a reversion to the old style of minute textual analysis of his major, largely unpublished, JFK works.

Scott's book compliments Newman's and there is something of a consensus emerging (see page 18 of the Lopez Report on Mexico City or page 10 of the original draft by Scott on Lopez - slightly different in the published version). Essentially, Oswald was the subject of a super secret counter-intelligence molehunting investigation beginning in 1959.

In addition, suspicion surrounding the events in Mexico City, Oswald and the assassination appears to be focused on the CIA's mysterious Staff D, a signals intelligence operation run in conjunction with the National Security Agency. A hiding place for other ultra-secret operations run by James Angleton, in 1961, it was headed by William Harvey, who had been assigned the task of organising the CIA's assassination project ZR/RIFLE. According to the testimony of Peter Wright, Harvey had been working with Angleton on the programme.

CIA operational names are always proceeded by a two letter communications code. According to Scott, the ZR cryptonyms were normally assigned to CIA radio monitoring projects which collected data for the NSA. What Scott does not say but which I believe to be true is that these secret NSA channels were controlled Angleton. ZR/Taffy, for instance, was Angleton's private channel to London concerning the molehunt in London. What is becoming clear is that Angleton's fingerprints are to be found all over the assassination, before and after. The cover-up and the setting-up of Oswald are connected. Whether they are joined in the middle by the actual assassination is still not known but seems tantalisingly likely.

If one has the impression that Scott and Newman are pushing forward the investigation in a way not seen for many years, there is no such feeling after reading the La Fontaine' book which arrives with much hype.

Despite talk of new evidence, this one falls flat with its central thesis that a John Elrod, who was in the Dallas jail on the day of the assassination, actually spoke to Oswald, who told him about his involvement with Jack Ruby in an arms deal. That would have been sensational new evidence if true but it simply is not. Carol Hewett has convincingly demolished the idea in a

paper, 'Oswald didn't talk - but John Thomas Masen does'. Despite all their talk about coming to the investigation with a fresh approach and unencumbered with previous conspiracy baggage, the La Fontaine's cannot see what is obvious, namely that Elrod did not talk to Oswald and that the person he may have talked to was the Dallas gunshop owner, Thomas Masen.

Masen, who had the only supply in the State of the type of ammunition owned by Oswald, is a very interesting character and is well worth pursuing. Added to which, they have uncovered new material on the mercenary Thomas Davies who may have known Ruby. If the La Fontaines had acknowledged their mistake and followed these leads, then their book may have led somewhere. Unfortunately, they did not and one has the impression that somewhere along the line they knew that they had made a massive mistake and instead of admitting carried on, digging themselves into an ever deeper hole.

Unfortunately, their novelistic writing style and annoying habit of self-promotion are real negatives and do not inspire much sympathy for their plight. This is nowhere more evident than in their truly bizarre treatment of Sylvia Odio, the Cuban refugee who said that she had been visited by two anti-communist Cubans, accompanied by an 'Oswald' before the assassination. There is nothing wrong in being critical of this episode - I have my own reservations - but the way they do so is pretty dishonourable.

There is nothing more amusing than watching someone attempt to marshal the evidence against a person and then discover that the evidence actually supports the exact opposite of the argument that they are putting forward. So it is in this case. Despite an exhaustive attempt to undermine Odio's testimony, a close textual reading of their evidence shows Sylvia, in my view, to be remarkably consistent in the most minute details of her story. The odd criticisms they make have been answered in a summary of a conversation which Tony Summers had with Odio in late June of this year and which were subsequently forwarded to a July meeting in San Francisco of leading assassination watchers (copy in my possession - thanks Tony).

What had been eagerly awaited (including by me) turns out to be just another JFK assassination book.

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I had the pleasure of attending the first European Conference on the assassination of President John F. Kennedy in Liverpool on 27-28 July which was sponsored by Dallas 63 and the American Coalition on Political Assassinations. I did not really believe that it would happen, given the logistics and finance involved, but was happy and surprised to see an impressive line of speakers from across the pond and a good crowd for the sessions. The organisers deserve praise for their efforts.

Some of it was a little too much like trainspotting for my taste but I had a good time seeing old friends such as Andrew Rosthorne and being able to put faces to long-term Lobster readers such as Mike Royden, Harry Irwin. In fact, I think I spent more time talking about other subjects than about the assassination, but that is usually the case at these type of events.

The real reason I went was to see John Newman, whose books, JFK and Vietnam and Oswald and the CIA, have greatly impressed me for their thorough research and analysis. His work is at the moment the most important with regard to the assassination. By chance, he was the first person I met when I registered at the Britannia Adelphi Hotel and I managed to interview him for over an hour. The following is unedited and not tidied up for consumption as so many interviews are nowadays.

*Could you tell us something about your background:*

In Military Intelligence for 21 years. Generally a south-east Asia orientation to my work. Eight years enlisted, thirteen years as an officer for a good deal of the time. General military intelligence meaning anything that we would do on the battlefield to find out about the enemy. Chinese linguist turned analyst, specialist in traffic analysis - the art of figuring out something without all the data, looking at the externals of something using various methodologies to ascertain something about it ... pretty much an art and science in itself.

*Pretty much a desk job?*

The problem originates in message traffic which is coded and can be broken or one has to figure it out anyway ... this is generally an art. Eventually, because my academic career began to develop, my work as an officer focused more and more specifically on south-east Asia especially with regard to China and Thailand and Hong Kong ... in the eighties up to 1991. I

wasn't very well and decided to leave and retired two years ago. I mostly had assignments to do with overseas NSA facilities and army listening posts and a few jobs which were strictly army jobs but mostly intelligence community work - national intelligence estimates.

*How did the JFK and Vietnam book come about?*

All three of my degrees - Chinese studies the first one, MA east Asian studies, the doctorate, all of those programmes had focused on east Asia, and, of course, that is inseparable from the Vietnam War. My main concentration had been on the China situation and the Chinese leadership and the moment that I picked the doctoral dissertation I was encouraged to leave my safety zone and show some mettle within the field of Asian history. So I chose Kennedy and Vietnam because nothing had been done ... and so the book is my doctoral dissertation.

*What was the reaction when you said that wanted to do that?*

Well, it actually took a year. It was a serious business at George Washington University and there was a committee. A couple of criteria were involved - breaking new ground overturning orthodoxies. There is the consideration of the level at which you must perform to write a doctoral dissertation so the preliminary idea floated and given permission to research it as a possibility so I spent a whole year travelling around the various archives looking at the possibility of continuity between the two administrations [Kennedy-Johnson] might be wrong. I thought that the evidence was overwhelming for the reverse. So I presented my case to the Committee and they encouraged me to go ahead with it and I took the maximum time allotted, all five years, and defended it against a very, very conservative committee headed by Ronald Reagan's assistant secretary of state for east Asia and a couple of former ambassadors who had been there at the time and who had been schooled in the orthodox school of thought .... Passed with honours.

*What was their reaction?*

They were convinced that I had made my case, and they also said that they enjoyed reading it. The problem here, is that there is still resistance in 1996. Because most people think that it effects other things .. that Kennedy was a good man, a bad man ... the politics of John Kennedy. We are to be detached academics, that objective, and that don't mix up politics with the search

for the truth. That's the problem with anything to do with John Kennedy. The fact of the matter is that he ordered the withdrawal to start in October 1963. We've got the NSC minutes, the tapes, although they are still secret. McNamara has been quoting from them in the United States. It has been causing a bit of a stink. Apparently, there is a taped record of the argument that erupt inside the NSC when he gave the order. It's pointless to resist but people still do.

*When you started off did you read Peter Dale Scott's piece?*

Of course. I owned a set of the Pentagon Papers which has a volume five and has some essays by Daniel Ellsberg and so I have been aware of Peter Dale Scott's chapter. I also had his little book, War Conspiracy, which came out a number of years ago. Peter did not have the luxury of the kind of documentation that I had, fifteen or twenty years later. I was careful to point out in my conclusion that Peter had arrived at substantially the same conclusion many years ago. And I think that it to his credit.

*What were the reviews like? I thought it was a brilliant book. Chomsky came out against it:*

I know it is an amazing thing to watch. You know I can't separate Chomsky from the right-wing attack. I think you have to see them both together to appreciate how thoroughly muddled this story is in America and how the politics of the sixties, the politics of the war, are still obscuring our ability to discuss these things rationally. I was very naive when I took it on. I was sure that the passage of thirty years was enough ... time that this wasn't going to be a factor but Chomsky got so exercised about it that he wrote a book about it, Rethinking Camelot, largely devoted to an attack on my book but, in essence, his view against me is a personal one. - a hagiographer ... although he does refer to lots of documents, which is someone who seeks to make a saint of John Kennedy. My criticisms of Kennedy, Chomsky dismisses as fraudulent ... as a smokescreen ... that late at night I light a candle and bend down on one knee. He looks at me as part of a pattern of journalists, academics who have idolised Kennedy and put him on a pedestal.

At the same time that Chomsky had been doing that other people like Bill Buckley had been comparing my book to the argument that whites had infected blacks with aids on purpose. Harry Summers - a syndicated columnist who had written

books on strategy in Vietnam - saying 'Major Newman had vilified Kennedy beyond the wildest dreams of his worst enemies.'

So here I was, getting up in the morning - am I a hagiographer or a vilifier? So you have to ask yourself, did these two men, Chomsky and Summers, read the same book.

*I did not like Kennedy in particular but after reading your book I think I do. For all his faults because he was about to make a very wise decision.*

Well, there were several very wise decisions. He also made some terrible ones. I am now writing a book on Kennedy and Cuba. His performance during the missile crisis is going to get high marks but elsewhere in 1963 and '61 he made terrible decisions. My point was to look at him as a real person as a political animal who sometimes made good decisions. Sometimes he did not ask the right questions in meetings on Vietnam. Certainly he was not a deep president or well organised but someone who had good instinct at times and those instincts kept us out of wars. But that's a mediocre view and doesn't square with Kennedy as hero or villain which is the political landscape the Americans like to think Kennedy in. Being in the middle is the worst place of all.

*16,000 advisers is rather a lot.*

Of course it is. No question about that. JFK increased the American stake and commitment in Vietnam considerably. But to take that and place it next to what Lyndon Johnson did.....I use the thermometer analogy that the temperature in the thermometer under Eisenhower goes up two degrees, three under Kennedy, five under Johnson and, therefore, we have increasing commitment under three successive administrations. The problem is as in physics, matter changes form at different degrees. There are points, thresholds. What we are talking about are ground combat troops.

Imagine yourself a Vietcong in the rice paddy observing when there are 16,000 American advisers in Vietnam. On a day to day basis you would see a South Vietnamese battalion. The Americans in that troop would be three or four. Maybe with an attached commander ... they may have rifles and may shoot at you. Now in that same rice field and tell me what it looks like to see the 101st Airborne or an American armoured division.

The Vietcong will tell you the difference

between American advisers and ground combat units. It's not even the same universe. That's the problem these analyses ... with these advisers being the same as Johnson's combat troops. I find that whole argument specious and just an apology for American interventionism. It's made more by the right-wing than the left-wing, though the farther you go out on the edge with Noam He seems to be in complete synch with the American right-wing on this.

As a result, Chomsky, not completely because of his work but because of his contribution to this debate has had a considerable impact in bringing about the disarray that is on the American left-wing.

*Chomsky is one of the very few out there in the American media to be able to say these things - whether right or wrong?*

On this issue, on Vietnam, the JFK assassination when Chomsky made his initial arguments many followed his lead - sycophants like Alexander Cockburn and others - sprouting the same line from below.

To Michael Ferranti, Peter Dale Scott and there are others it became clear that there is major schism on these issues on the left ... a divorcing of Chomsky's position happening now on this one thing from what he argues elsewhere. I get phone calls from Chomsky supporters all the time - please forgive him, he really is a good guy. He is making a mistake on this one thing. Quite amusing ... though not if you are not a left-wing supporter. I find it amusing because I am not so attached. I like watching left and right wings disintegrating over ideological positions.

*From the mire of that you launched into the Kennedy assassination. Is there any connection with Vietnam or they totally separate events?*

I got involved with Oliver Stone. I wrote some of the scenes in the movie. I don't endorse that hypothesis. I don't deny it either. I just don't think there is any evidence for it. If you were to ask me for the sake of argument put on your conspiracy hat and play conspiracy, I can't come up with a credible scenario where a high group of conspirators gets energised enough over the single issue of Vietnam to murder the President.

I can see them being very upset, scuttling his withdrawal plan, which they did. But if we are looking at conspiracy, I would be looking at a far broader spectrum of cold war differences in the administration, arms control, dialogue with Castro, opening up with Khrushchev. To pick out Vietnam is to

be naive and so narrow .

*Deep Politics then?*

Peter is a much deeper thinker than those that want to latch onto something that quick. It's the American way. The way we are in the press. Give me the answer who did it. Peter Scott is one of the people who cares less about the quick answer than the process of how we discover truth, so I respect him. I don't agree with everything. But he is unusually good.

*Did you have any pre-knowledge of the JFK assassination investigations?*

No. This whole Oswald book was a detour. My plan was to do a series on American foreign policy in the sixties. Farrar, Strauss will re-issue that with new material. Kennedy in Cuba starts in the last year of the Eisenhower administration and then I track Cuba from December 1959 all the way through to February 1964, Kennedy in Cuba. Oswald. I did so much work on these files when Frontline hired me for a documentary two or three years ago. They panicked when fifty - one hundred new boxes appeared in the archive - what if there is a smoking gun in there, they thought - so they hired me. A lot of work.

*What was your first impression? Is it not a huge coincidence that the person involved in the crime of the century has all this intelligence material on him?*

Exactly. I can't tell you the feeling on that very first day. There was a period in the spring of 1993 when the CIA put the first fifty boxes in the archives with no fanfare. I worked with Scott Malone. Went night after night, month after month. I must tell you that in the first twenty-four hours I was shell-shocked because even in those first boxes there were cover sheets indicating the precise officers that had maintained separate files on this man and having spent twenty-one years inside that very community, I knew what that meant. It meant that there was an extraordinary amount of interest in this man from 1959. He was under an electron microscope . And the thought that this guy who was in the cross-hairs of half-dozen intelligence agencies walks upon the president and shoots him from his office window ... I still have difficulty comprehending this,

We have been told that this was some nutty guy that there wasn't any particular interest. Sure, nutty guys can kill someone but this guy was well-known within the intelligence community... Everyone was watching him.



*Did you get anywhere with Military Intelligence?*

There are some revelations in there. For instance, I came across the fact that Army Intelligence was following him around New Orleans picking up his Fair Play for Cuba leaflets - that was brand new. The question you have asked is an important one. The problem with answering the question ... The history of the act and Clinton's delaying tactics screwed up the process and agencies for a while were able to interpret what was deemed an assassination record their own way. The NSA, DIA said we don't have records and they were free to do that because there was no standard government wide definition.

I did get involved in this. I read every single CIA piece of material - half-a-million CIA, an enormous amount of FBI files, a lesser number of Naval Intelligence - in the process of doing that if I ever observed an Army release by one of these other agencies I put into another file. At the end of the two year period, the file was an inch thick. I had Army agents in Cuba and counter-intelligence operations in conjunction with the CIA and they were part of the same people and personalities who crop in conspiracy books and in official investigations so they were right in the middle of it too.

And what I did about this? Instead of trying to construct a picture based on the material I had, which I found insufficient to anything major with, I went to the Army. I still had four months to go to retirement. It turns out at this time that the man who rose to the top of our Army Intelligence, deputy Chief of Staff for Intelligence, Major-General Owens, had been a commander of mine many years before. He liked me so much that he helped me gain increased responsibilities. The point being, I looked at him as my main mentor, so there was connectivity between us.

I called him and said I was retiring and say goodbye to Owens, I walked over to the Pentagon and had a little talk. I got up to say goodbye and said: 'Oh, by the way, I thought that you might be interested to see what the CIA have released on Army material.' He said: 'This is going to be released publicly?' - 'Sure.'

I got a call from the head of Army Counter-Intelligence. Owens had ordered an immediate investigation into what records the Army had on this. This man and the head of deception inside Army Intelligence, had incidentally, I had never heard of before had received orders from Owens.

They eventually identified three linear feet of records on Oswald.

*- Unfortunately, at this point the tape ran out and some conversation was missed about Oswald and the FPCC in Dallas and a discussion about CIA communication prefixes. We pick it up again with Newman talking about the mystery of the molehunt and Oswald, and in particular the role of Angleton who was hoarding in formation Oswald and depriving other CIA departments of the material.*

Presumably the only reason the CIA Soviet Russia people knew about the newspaper articles [on Oswald's defection to the Soviet Union] was that they happened to be reading the Sunday edition of the Washington Post that Halloween of 1959 because if they did not see it in the newspaper at home even the news clipping inside the CIA were not sent they were all held over in Angleton's office until the spring of 1960, almost six months. So that until the U-2 shootdown ... Once the U-2 episode was behind us then suddenly the Soviet Russia division was made privy to the Oswald files. All very interesting!!

*Do you have any theories on that?*

I have written a piece which I am sharing with Peter Dale Scott. We are both working on the molehunting problem a little more now it seems that's one of the things which my book pointed at but I was a bit tentative about several hypotheses early on including the identity of the of the Russia who worked for Radio Moscow who was walking around taking photographs of Oswald. What I did not know when I wrote the book was that that was the same photograph which showed up in the US newspapers. We have no idea how US newspapers can get a hold of this photograph at the Metropole Hotel. I was probably too tentative but I built an hypothetical case of a human CIA source up close with Oswald whilst he was there. Rereading my own book, it was clear that the way to go is the molehunters - Angleton, Birch O'Neil.

I actually had a conversation with O'Neil before he died in which he swore me to secrecy, but I feel that I can now feel I can talk about it now he's dead. He called me up when he heard that I was looking for him. No one has had a call from him before. His first words were - "I want to see who this professor from Maryland was ... Okay so the papers came across my desk and there was a lady working on it' - he's taking about Annie Egerton. So what. Only harm can come from this'.

So we got into this big argument and had a

fight on the phone. He did not want any of these files released. He thought that it was going to destroy the country. And I kept asking him why. I kept waving the flag back at him - Freedom of Information is what this country is all about. So were waving the flag back and forth for twenty minutes and then he hung up. It was the most bizarre conversation that I have ever had.

*The molehunts seem to have been going on far earlier than many of us realised.*

I made a thorough attempt to identify everything that was written about this. The reason that you may have this perception is because that this the way it unfolds. It wasn't until more recently, the last five years, Peter Grose on Dulles and Mangold's on Angleton, better information. It's all anecdotal but as I can tell you as you move forward in time it is clear that the molehunts go back earlier and earlier. The piece that I have written starts with the U-2 programme. The original fear was that there was a mole in the U-2 programme. This comes from a Soviet defector, who told us that they had found such and such about the programme. Some KGB agent inside American intelligence they had managed to get hold of. This is interesting because at the time Oswald defects in 1959 the search for the mole isn't inside the Soviet division, it is inside the U-2 programme

Now, during the time Oswald is inside Russia the focus shifts in the spring 1960, shifts maybe as early as November 1959 but certainly no later than the spring, it shifts to SR division and that is another interesting thing when you talk about SR division not being privy to Oswald's file not even the newspaper clippings, and yet the molehunters are. And yet by 1961/62 it's in a terrible state. I interviewed guys in the SR division who claimed that they could not run operations anywhere because it was paralysed by that point. But the origin goes back much further.

*Which accounts for the interest in Oswald's background in Japan.*

Exactly. I will tell you now that one of my criticisms of my book - actually I wanted another year to work on that book ... lots of typographical errors - in any event I would have fleshed out the molehunt material.

*But we will see more of that?*

What I will do if I don't publish an article in a journal will at some point be to do a new edition of that book. Once the review board has come and gone, with new documents

there, I will sit down and rectify all my mistakes and try and go to the next level. It's not a priority at the moment. I feel that I have done my job. With my background, I at least made a hole in the line ... and let some other people come riding through.

*I could ask you about Mexico City?*

The keys to the kingdom are in there you know.

*Absolutely, but lack of time. I will just ask one last question. I was interested in the lack of interest in Kostikov in Mexico and yet it caused uproar in CIA headquarters. The telegram is very cool in its approach given the alarm bells which should have rung in the US Embassy in Mexico.*

I'm not surprised that people in Mexico did not have a clue about Kostikov. CIA operations in the field are compartmentalised in the same way they are in headquarters. That does not mean, however, that some people there would not have had the responsibility to know who were Kostikov and Department 13 [wet affairs]. Clearly, there was great consternation immediately that name came up. Here is the problem even if now President Clinton hereby authorised it ... if you could look at any document on Kostikov and Mexico City, you wouldn't find the answer to your questions because the record has been doctored. The reason that it has been doctored is because one of the cover stories that was put into place after the assassination, there are not a great many of them but there are a dozen or so, one in particular, has wrecked the Kostikov story and rendered answers to the type of questions you just asked - on documentary level - make it impossible to prove it.

All you can do is make reasonable assumptions that they should have known who Kostikov was. The cover story is that they didn't know that Kostikov was in Department 13 until after the assassination. Yes, it was in the database but no one had realised it yet, that we are in possession of this stuff and until an analyst had gone through it. They claim technical possession of the knowledge. What that allowed them to do was to be innocent of failing to transmitting information to the FBI and Navy with whom they had had a co-operative relationship about Oswald for five years. No one had the foggiest idea who this man was.

We know it's a lie. And that was one of the sensitive parts of the Eddie Lopez report on Mexico City. In there they had interviewed some of the people who

weren't willing to accept the cover story and just told the truth. There was great consternation because they knew who he was.

*Did the Mexico Embassy know what would happen in headquarters?*

Of course, In the Win Scott's chapter which has been declassified in which he explains that everything was sent by cable and memo he names exactly how quickly they found out about Oswald. There wasn't one detail that was left out. The problem is that today we only have fragments left. There was wholesale obliteration of that record. Kostikov in particular. Another one - they didn't know that Oswald went into the Cuban consulate. Now after Kennedy died they began to analyse their data and - Oh goodness, Oswald went to the Cuban consulate. They routinely destroyed the tapes. Again, oh my goodness we actually had Oswald tapes. The purpose was to prevent an investigation of the president's murder from taking a track which would indicate a dereliction of duty inside the Agency. All this information - Oswald in the Cuban consulate in the middle of these sensitive operations against Castro. Oswald was in contact - set aside whether he made the threat or not - all that had to go away. Official knowledge about what Oswald did down there had to be destroyed.

*Is this really about intelligence bureaucracies?*

I suppose but it is deeper than that.

*Does it connect it connect to the assassination?*

I don't know the answer but I can give you an answer which is part of the equation. You saw what happened to everyone who had touched OJ Simpson's files. Even in a marginal way, even for half a day had analysed them. Those people had to buy new suits, haircuts, every aspect of their life was under a microscope. And OJ was only accused of killing two citizens, here we have people accused of killing the president of the United States. The problem is a very sensitive department of the intelligence network has desk draws of stuff on this man. Watching him close for years including using him - I think I can prove that in Mexico City. In other areas I don't have enough evidence to make a convincing case. I want you to imagine Saturday morning and they pick up a newspaper over a cup of coffee and there's Oswald's picture - He killed the President. You get into your car and drive to your office immediately. You make some backup copies. This is a guy who is going to get

into real trouble for doing some wrong. You hide the backup copies and destroy everything. That is what was going on in the first week.

Dick Helms asked everybody all over the CIA. Almost everyone said - 'Not me'. We have a list. Helms prepared it to prepare for the visit of Dan Rather. This guy walked around even the medical services. I have a basement of files now. The paper came not from the official files but all those soft files which is reconstructed from the safety copies which people were hiding in desk draws.

*Would you say that after thirty years perhaps it doesn't matter who killed JFK as this whole affair actually tells us a great deal about the way we are governed?*

Exactly. I agree with you. I don't want to say that it doesn't matter, of course, it matters and if we can find the answer that's great. And if it was a conspiracy then lets hang the son-of-a-bitch from a flagpole, cut his finger tips off and let him bleed to death. But there are more important things than that, principally whether American democracy works today, issues like that. Whose history is it? The peoples? As you say larger issues about whether the apparatus works or is out of control. Larger issues which come from the opening up of these files which go well beyond the little argument of who is right or wrong ... be it conspiracy or not conspiracy.

*Is it possible to construct intelligence agencies which are accountable?*

I think that we have to try. The efforts so far have been not only ineffective but a joke. We have to sign a form that we are not going to spy on domestic targets etc. The whole oversight process is a joke. If we don't get serious about the actual mechanism by which an individual stays on the lookout for abuse, the agencies will self-destruct because the people won't put up with it for ever. Right now the right-wing is riled up about it. Sooner or later if something isn't done that is serious we won't have an intelligence community.

I would shorten the declassification cycle to four and eight years blocks so that people going to the ballot box really know what happened. I would like to see the polygraph test expanded and questions asked of people who would protect us from abuse. I'm not going to say that it will fix the problem but until we start taking steps like that no one will take us serious about this.

TELNO GUIDANCE 21  
OF 0616022 MAY 92  
AND TO IMMEDIATE GIBRALTAR, ASCENSION

SUPERINTENDING POSTS PASS TO SUBORDINATE POSTS  
FOR UK - BASED STAFF ONLY

AVOWAL OF THE SECRET INTELLIGENCE SERVICE

Superintending Under-Secretary

\*Sir Timothy Daunt, KCMG

1. THIS DESCRIBES THE PRACTICAL IMPLICATIONS WHICH DO AND DO NOT FOLLOW FROM THE AVOWAL OF SIS (MIP GUIDANCE).

DEPARTMENTAL DESIGNATION: Z

SECURITY

2. THE ACKNOWLEDGEMENT OF THE EXISTENCE OF SIS DOES NOT (NOT) MEAN THAT THE DETAIL OF SIS STAFF IDENTITIES, DEPLOYMENT, COVER ARRANGEMENTS, OPERATIONS AND MODUS OPERANDI ARE ANY LESS SENSITIVE THAN THEY WERE BEFORE AVOWAL. ALL THE EXISTING SECURITY AND COVER PRECAUTIONS INTENDED TO PROTECT THESE AREAS SHOULD BE MAINTAINED.

3. CORRESPONDENCE RELATING TO SIS WILL CONTINUE TO BE GIVEN AN APPROPRIATE SECURITY CLASSIFICATION. ALTHOUGH THE EXISTENCE OF THE SERVICE IS UNCLASSIFIED, MOST MATTERS RELATING TO IT TOUCH ON THE AREAS REFERRED TO IN PARA 2 ABOVE AND THEREFORE REMAIN SECRET.

4. YOU SHOULD CONTINUE TO USE THE CONVENTION 'OUR FRIENDS' IN FCO CORRESPONDENCE FOR THE PRESENT. IT HAS ADVANTAGES IN PROVIDING AN EXTRA LAYER OF PROTECTION TO PAPERS MENTIONING SIS MATTERS.

OVERSEAS REACTION

5. SIS REPRESENTATIVES WILL CONSULT HEAD OF MISSION ON RECEIPT OF PARALLEL BRIEFING FROM THEIR SERVICE ABOUT THE IMPLICATIONS OF AVOWAL AT THEIR PARTICULAR POST. MISSIONS ELSEWHERE WHO ACT FOR THE AGENCIES WITH LOCAL SECURITY AND INTELLIGENCE SERVICES SHOULD EXPLAIN THAT AVOWAL OF SIS MAKES NO DIFFERENCE TO THE CONFIDENTIALITY OF THEIR EXCHANGES. ALL UK BASED STAFF OVERSEAS SHOULD MONITOR THE LOCAL MEDIA REACTION (IF ANY) TO AVOWAL AND ALERT SIS COLLEAGUES OR PUSD(CN) OF SIGNIFICANT COMMENT.

FORMER STAFF

6. MEMBERS OF FCO AT HOME AND ABROAD WHO ARE IN CONTACT WITH FORMER COLLEAGUES (WHO WERE CONSCIOUS TO 'OUR FRIENDS') SHOULD IF NECESSARY EXPLAIN THAT AVOWAL DOES NOT LESSEN THE REQUIREMENT TO PROTECT THE DETAIL OF SIS IDENTITIES AND OPERATIONS.

7. PLEASE ADDRESS ANY AVOWAL RELATED QUERIES, CONCERNS OR SUGGESTIONS TO PUSD(CN).

HURD

UNCLASSIFIED  
FM FCO  
TO IMMEDIATE GUIDANCE ALL DIPLOMATIC POSTS  
TELNO GUIDANCE 20  
OF 0615542 MAY 92

AVOWAL OF THE SECRET INTELLIGENCE SERVICE

1. THE PRIME MINISTER ANNOUNCED IN THE HOUSE OF COMMONS ON 6 MAY THAT THE GOVERNMENT HAS DECIDED TO ACKNOWLEDGE THE CONTINUING EXISTENCE OF THE SECRET INTELLIGENCE SERVICE (SIS) AND INTENDS TO INTRODUCE LEGISLATION TO PLACE THE SIS ON A STATUTORY BASIS.

LINE TO TAKE

2. YOU MAY DRAW FULLY ON THE TEXT OF THE STATEMENT, WHICH WILL FOLLOW IMMEDIATELY IN THE VERBATIM SERIES.

3. IT IS NOT POSSIBLE AT THIS STAGE TO ELABORATE ON THE POSSIBLE NATURE OF LEGISLATION. PARLIAMENT MUST BE THE FIRST TO SEE THE PROPOSALS. A BILL WILL BE INTRODUCED AS SOON AS POSSIBLE.

BACKGROUND

4. AVOWAL OF SIS IS THE FIRST STEP IN PLACING SIS AND THE SECURITY SERVICE ON THE SAME STATUTORY BASIS. THE GOVERNMENT HAS PREVIOUSLY ONLY ACKNOWLEDGED THE HISTORICAL EXISTENCE OF SIS UP TO 30 YEARS AGO, THROUGH THE RELEASE TO THE PUBLIC RECORD OFFICE OF PAPERS WHICH MENTIONED SIS (THIS WAS KNOWN AS 'ROLLING AVOWAL'). GCHQ WAS AVOWED IN AN ANSWER BY THE THEN PRIME MINISTER TO A PARLIAMENTARY QUESTION IN MAY 1983. THE SECURITY SERVICE WAS PUT ON A STATUTORY BASIS BY THE SECURITY SERVICE ACT 1989.

5. THE LEGISLATION AND SURROUNDING DEBATE MUST INEVITABLY BRING SOME DETAILS OF SIS INTO THE PUBLIC DOMAIN. BUT A WIDE RANGE OF INFORMATION WILL NOT (NOT) BE ABLE TO BE REVEALED. OPERATIONAL DETAILS, SOURCES, PERSONALITIES ETC MUST REMAIN SECRET.

6. PREPARATION OF THE LEGISLATION IS BEING COORDINATED BY A LEGISLATION UNIT ATTACHED TO PUSD WITHIN THE FCO, WHICH HAS PREVIOUSLY BEEN ESTABLISHED FOR THIS PURPOSE. QUERIES FROM PARLIAMENTS OF OTHERS SHOULD (PREFERABLY) BE DISPOSED OF ON THE BASIS REFERRED TO NEWS DEPARTMENT IN THE USUAL WAY. NEWS DEPARTMENT WILL REMIND THE MEDIA THAT IT IS NOT HMG'S POLICY TO DISCLOSE SECURITY AND INTELLIGENCE ISSUES, ADDING THAT AVOWAL OF SIS IS NOT THAT EITHER. (SEE TEXT OF THE PRIME MINISTER'S STATEMENT).

7. THE STATEMENT IS BEING SENT TO STAFF OF SIS.

PERMANENT UNDER-SECRETARY'S DEPARTMENT  
(PUSD)

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Unfortunately, Robin Ramsay has not allowed me access to back copies of Lobster. Despite this setback, I will supply photocopies of all back issues. The first eight issues were produced in A5 format. These were the naive beginnings of Lobster and some of the material no longer stands up; we have moved on from then. However, there are good articles and a mass of interesting snippets which I had largely forgotten about. Please allow 28 days for delivery.

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