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DATELINE AUSTRALIA: AMERICA'S FOREIGN WATERGATE?

by James A. Nathan

“**W**ho lost Australia?” may soon be a significant debate in American politics. All over the democratic world opposition parties are gaining power. Should this happen in Australia, the alliance with America might be called into question and Washington could lose intelligence facilities indispensable for any future arms control regime.

Today, from press and Parliament, Australia is awash with accusations about illegitimate American intelligence activity. Much attention and anger is focused on the Central Intelligence Agency. There is an almost hysterical set of indictments leveled against U.S. intelligence. The CIA is charged with becoming involved in Australian politics and foreign relations, even manipulating the Australian banking system and, most astonishingly, organizing a narcotics trade from Australian soil.

Intelligent American observers' initial disbelief needs reassessing. For in Australia a plausible case is being developed that CIA officials may have also done in Australia what they managed to achieve in Iran, Guatemala, and Chile: destroy an elected government—in the case of Australia, the Labor party government from 1972 to 1975.

The fall of Prime Minister Gough Whitlam and the appointment of current Prime Minister Malcolm Fraser met with profound relief among U.S. officials. Whitlam, perhaps the best orator in contemporary Australian history, aroused deep hostility within the U.S. intelligence community. It viewed his party and politics as, at best, benighted accomplices to Soviet undertakings. The CIA feared that secrets shared with Australia were being routinely compromised, that CIA activities and agents in Australia would soon be revealed, and that the U.S. government's critical and

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irreplaceable electronic intelligence bases in Australia, vital for U.S. nuclear verification activities, could be lost.

During the Whitlam years, Australia and the United States were caught in a dialogue of distrust. The CIA was unsure of Whitlam's value as an associate, and Whitlam feared the CIA would be involved in anti-Labor party machinations. Relations improved with the arrival of a more conservative government in the Australian capital, Canberra. But a recent investigation into the 1980 failure of the Sydney-based, American-owned Nugan Hand Merchant Bank has revived interest in some of the controversies of the Whitlam era. Australian suspicions that might have seemed preposterous in 1979 are now fed by a great river of evidence. The record, at the least, gives warrant to a water-cooler aphorism: Even paranoids have enemies.

Geography and geology have conspired in directing Australia's destiny. Australia has bountiful mineral endowments and a small population-to-area ratio with a total population of 15 million. It is one of the most strategically valuable pieces of real estate on the planet. Australia sits at the southeast corner of the Indian Ocean about 2,400 miles southeast of Indonesia. Sixty-nine per cent of Japan's oil requirements, 70-80 per cent of Western Europe's, and 15 per cent of America's passes through the area between Australia and southern Africa. U.S. B-52s flying from Guam to Diego Garcia refuel in northern Australia at a base in Darwin. Australia hosts 10 American military installations. Because of their unique location, most cannot be replicated at any cost. The new U.S. Defense Guidance characterizes Australia as a critical area.

Australia has traditionally been friendly toward the United States. Tens of thousands of U.S. sailors each year are delighted to find that the computerized date-a-sailor services offered at every Australian port are overburdened with amicable Australian applicants. But things are changing. No longer do prime ministers claim, as John Gorton did in 1969, "Wherever the United States is resisting aggression . . . we will go a-waltzing Matilda with you." Evidence of a new atmosphere was the roasting Vice

President George Bush suffered at the hands of the press in his May 1982 courtesy visit to Canberra. Bush was questioned at every turn about CIA involvement in Australia's internal affairs.

On March 26, 1982, six weeks before Bush's jet landed in the bleak winter-chilled outback, the CIA released a rare public denial:

The CIA has not engaged in operations against the Australian government, has no ties with Nugan Hand and does not involve itself in drug trafficking.

In fact, the Nugan Hand bank seemed to have employed an incredible collection of former top-ranking U.S. intelligence officials. Since 1977 the Sydney police have received reports suggesting the bank served as a conduit for the drug trade. In 1980, following the apparent suicide of its chairman, Frank Nugan, the bank collapsed.

Nugan was found dead in sheep country on a lonely, unpaved road at 4:00 a.m., 90 miles north of his \$1 million harbor-side residence in Sydney. In Nugan's pocket was the business card of former CIA director William Colby. On the back of the card was the proposed itinerary of Colby's upcoming Asian trip. Colby was making his way to Australia in his capacity as political, legal, and tax adviser to Nugan Hand Limited. In June 1982 the chairman of the New South Wales Corporate Affairs Commission told the press that the Nugan Hand bank investigation would lead to "criminal prosecutions [that] will be commenced . . . for drug, conspiracy, perjury and passport offenses." Many people close to the investigation think there will be even more to the Nugan Hand story. For as the CIA denial indicates, Australian investigators now link the activities of the Nugan Hand bank with the fall of the Whitlam government in 1975.

The CIA Sees Red

In 1972 Whitlam formed Australia's first Labor government in 23 years. For years a conservative coalition of the Liberal and National Country parties had denounced as communist many of the unions that supported Labor. In fact, despite its tiny size the Communist party did have considerable influence

in key Australian trade unions—transport, power, oil, shipping, construction, and railroads. The Australian Communist party itself claimed in 1974 that with a Labor government it “would probably be the most influential of the political parties together with the left-wing sections of the ALP [Australian Labor Party].”

Of immediate concern to Australian conservatives and U.S. intelligence was Whitlam's heir apparent and second-term deputy prime minister, James Cairns. A so-called fellow traveler since 1945 and a leader of the Australian anti-Vietnam war protests, Cairns favored a Labor party resolution restricting the Australian counterpart of the CIA, the Australian Secret Intelligence Organization (ASIO), in 1971. ASIO's 1971 report on Cairns, according to a June 22, 1974, article in the news magazine *The Bulletin*, concluded that his behavior could bring “anarchy and in due course left-wing fascism” to Australia.

One set of Australia watchers wrote of the Whitlam years that no country has “reversed its posture in international affairs so totally without first having passed through a domestic revolution.” Whitlam put an immediate end to conscription and pulled the last elements of Australian forces out of Southeast Asia. He supported the Indian Ocean Zone of Peace, which was opposed by the United States and favored by the Nonaligned Movement. He suggested that Australia might join mineral exporting cartels. At the time of the 1972 Christmas bombings of Hanoi, Cairns and several other ministers called for boycotts of U.S. products and asked dockers not to unload U.S. ships. Whitlam suggested he might draw the Indonesians and Japanese into protests against the bombings.

The new government recognized Cuba, North Korea, the German Democratic Republic; received PLO leaders; applied for observer status in Nonaligned Movement summit meetings; voted against the United States in favor of expelling South Africa from the U.N.; voted against Portugal in the U.N. regarding Angola; bludgeoned the French over their South Pacific nuclear arms tests while virtually ignoring Chinese atmospheric testing; and welcomed Chilean refugees upon the fall of socialist Presi-

dent Salvador Allende Gossens while condemning the United States for evacuating South Vietnamese “illegally” from Saigon in the dénouement of the Vietnam war. Cairns, when in Hanoi, attended a Viet Cong reception in his honor. Further, Whitlam removed strategic controls on trade with the USSR, China, and Eastern bloc countries.

Yet even these moves were not enough for Whitlam’s left wing. The spokesperson for the ALP left said confidently in 1973, “We are looking forward to the possibility this year that the [ALP] Federal Conference will jettison the American alliance and other overseas commitments and join the third world.” As Henry Albinski, America’s leading specialist on Australian-American strategic relations, wrote: “Barely in office [Labor] had severely damaged relations with the United States, abdicated its responsibilities as a cohesive government to wild men and shown its helplessness in the face of radical trade union pressure.” Whitlam and his government with their harsh comments about the U.S. government engendered deep hostility within the Nixon administration.

Today . . . Australia is awash with accusations about illegitimate American intelligence activity.

Whitlam’s staff, as a political gesture of confidence in Labor’s left wing, was not required to undergo ASIO’s security clearances. Nevertheless, ASIO felt elements of Whitlam’s party would lead “via civil, industrial and political unrest . . . to the fascist cult of personality, to the worship of force and to the destruction of the democratic parliamentary system of government.” Whitlam’s Commonwealth police reinforced ASIO’s fears with a midnight visit on March 15, 1973, to the Canberra office of ASIO. While looking over the files, Whitlam’s attorney general, Lionel Murphy, came to “M” on one file. Murphy said to the ASIO station chief—just out of his nightclothes—“God help you if my name’s in this.” It was not.

Murphy and Whitlam were uncertain whether ASIO’s zeal to chase left-wing groups had not at best allowed right-wing groups—

even those as small as elements of Australia's Croatian community—to engage in terrorism unmolested, and at worst assisted them in terrorism. In 1963 and 1972 Australians of Croatian extraction had penetrated Yugoslavian frontiers where they were arrested and shot. Bombs had exploded on Yugoslavian diplomatic premises; and in August 1972 bombs went off in Sydney travel agencies specializing in trips to Yugoslavia.

On March 16, 1973, three days before the Yugoslavian prime minister was to pay a state visit, Murphy's police raided ASIO's headquarters in Melbourne. Murphy's raid had a rationale: The Whitlam government wished to attend the Nonaligned Movement summit meeting in Algiers at the end of the year. It was important that the prime minister's trip to Australia pass without trouble, given Yugoslavia's position in the Nonaligned Movement. Commonwealth police acted as if they were in enemy terrain and sealed ASIO safes. The *Canberra Times*, a voice for Australian civil servants, editorialized, "ASIO can no longer be said to be able to guarantee the confidentiality and absolute trust without which it loses all capacity for function. . . ."

The CIA's reaction was intense. James Angleton, legendary counterintelligence officer in the CIA, recalled during an Australian Broadcasting Commission program:

We . . . entrusted the highest secrets of counter-intelligence to Australian services and we saw the sanctity of that information being jeopardized by a bull in a china shop. . . . How could we stand aside without having a crisis, in terms of our responsibilities as to whether we would maintain relationships with the Australian intelligence services.

Angleton went on:

Everything worried us. You don't see the jewels of counter-intelligence being placed in jeopardy by a party that has extensive historical contacts in Eastern Europe. . . .

Colby apparently shared Angleton's sentiments. Colby has complained that it was a hectic time. The United States was confronted with a communist government in Chile and

“crises like . . . coups in Cyprus and Portugal . . . a nuclear explosion in India and a Left-wing and possible antagonistic government in Australia.” As the former ALP party secretary wrote in *The Bulletin* recently, “When the chief of CIA lists . . . an ALP government as a crisis of comparable priority to the Yom Kippur War, coups in Cyprus and Portugal and the unexpected entrance of India into the nuclear club, [our] concern looks less like paranoia.”

Clearly, Angleton and Colby had reason for concern. With the seizure of ASIO files, CIA overtures and connections to ASIO were subject to an unprecedented hostile environment of scrutiny. It must have seemed to the CIA and to ASIO that the Whitlam government was undertaking fishing expeditions aimed at each country's intelligence services in order to satisfy an agenda that was not in either country's long-term interests. Against this background, many Australians are willing to believe the assertion that the U.S. government played a role in the revelation of a scandal that ultimately contributed to Whitlam's fall from power.

Scandals and an Ouster

By the mid-1970s the Whitlam government was encountering financial difficulty. Falling commodity prices, 14 per cent inflation, and vastly increased energy costs were buffeting the economy. The money supply was increasing by 25 per cent per year. Unemployment had doubled since 1972 to a postwar high of nearly 5 per cent. The world's oldest Labor party had promised union tranquility. But Australia soon encountered rising resistance from labor. A tariff reduction of 25 per cent drove many leading industrial sectors to the edge of disaster. The elaborate social programs undertaken in the Whitlam years burdened the government with a projected \$4 billion deficit in 1975.

One avenue of funds seemed to be the Arab world, then awash with dollars and hoping to diversify investments. Whitlam instructed two of his ministers to scour the Arab world for what would have been the largest loan in history, \$4 billion. Later, the amount was reduced to \$2 billion. Minister for Minerals and Energy Rex Connor chose a curious partner, Tirath

Khemlani, a Pakistani commodities merchant in Singapore whose largest previous deal had never amounted to more than \$16 million. Khemlani had no real offices. He had to borrow telex machinery from neighboring offices. He also consorted with criminals. In 1980, "Ole Rice and Monkey Nuts," as his London associates called him, finally found rest for a while in a New York prison.

Leaks of the deal soon appeared, greatly embarrassing the Whitlam government. The ultimate avalanche came when Khemlani returned to Australia in October 1975 and released piles of telexes, including evidence that Connor had not stopped dealing with Khemlani even after Connor had assured Parliament that the loan quest was called off.

In the same search for funds, Cairns also enlisted an acquaintance to seek a \$2 billion loan, offering "a once only brokerage fee of 2½ percent deducted at the source." Cairns denied the brokerage fee letter to Parliament. He also denied that he had continued the loan forays after they had been revealed to the press and to Parliament. Yet another blizzard of telexes and letters surfaced indicating that Cairns, like Connor, had not told the truth.

Cairns, the most charismatic figure on the left in generations, was politically ruined. It was a curious affair. As the CIA's *National Intelligence Daily* noted, some of the most incriminating evidence "may have been fabricated."

These ongoing embarrassments pushed the Whitlam government against the rocks. Connor and Cairns were fired. The ALP's opposition went on the offensive. The Liberal-National Country coalition controlled the Senate, which possesses powers somewhere between those of the British House of Lords and those of the U.S. Senate. As the lesser chamber, the Australian Senate had never before voted against an authorization and appropriations bill—a supply bill—approved by an Australian House of Representatives. Malcolm Fraser, the leader of the opposition, claiming these were extraordinary times, instructed his Senate majority to oppose the supply bill. It appeared that by November 27, 1975, the government would run out of money.

As the supply crisis and the loans scandal fed

each other, the representative of the British Crown, appointed by Whitlam himself in 1974, resorted to powers never before used in Commonwealth history. Governor-General John Kerr called Whitlam to his official residence and without warning dismissed the astonished prime minister.

The British government has an ambassador to Australia. Kerr's responsibility, however, was to represent a sovereign more than 12,500 miles away for generally ceremonial purposes. The British Foreign Office was not given advance notice, nor was the queen. She was told in a midnight phone call after Kerr had finished appointing Fraser caretaker. The House passed a resolution of no confidence in the new coalition government headed by Fraser and National Country Party leader Douglas Anthony, whereupon Kerr promptly dissolved the House of Representatives and the Senate.

The immediate reaction in Australia was a numbed disbelief. There were real fears of violence. But Labor leaders and Whitlam appealed for calm. The *London Times* correspondent noted that the country was "surprisingly quiet" as Australians prepared to vote in mid-December 1975. Whitlam's party faced its second election in three years in the worst economic and social climate of the postwar era.

At this point Kerr's background encourages those predisposed to conspiracy theories to find an explanation of Whitlam's dismissal in Kerr's intelligence associations. Kerr is an Australian-born lawyer. During World War II he was sent to London on intelligence missions. He had contact there and in Washington with the Office of Strategic Services, precursor of the CIA. He was a founder of an Asia Foundation branch, LawAsia; the Asia Foundation has been a CIA conduit. LawAsia had received Agency funding for its first year of life in 1967. Kerr was also active in the Congress for Cultural Freedom, another CIA-funded enterprise. Only a day before his dismissal of Whitlam, Kerr received a briefing from the permanent secretary of the Australian department of defense. The subject of the briefing was American discontent with Whitlam, growing out of parliamentary disclosures of CIA agents' names and covers in Australia. Australia's senior permanent defense

official was alarmed because the CIA had just given an ultimatum to its counterpart, ASIO, to keep Whitlam in line or break interagency cooperation.

The only organization to receive a substantial increase in funding in Fraser's first budget was ASIO. The only person to receive a salary increase was Kerr—an amazing 171 per cent. Thus it was not surprising that the suspicion of an ASIO-CIA link to the Kerr coup was becoming a conviction among many responsible Australians.

Task Force 157

In subsequent years additional statements and revelations have continued to arouse public interest in the CIA's role in Australia. In 1976 one highly placed ASIO informant, who did not like Whitlam, told *The Bulletin* that the CIA was "active on the sidelines of the loans scandal." In 1981 a CIA contract employee, Joseph Flynn, told the *National Times* that he actually manufactured some of the cables under the direction of former CIA employee Edwin Wilson, now infamous because of the assistance he has allegedly provided Libya in terrorist activities. Flynn, a man of colorful background, has been deemed believable in this story, if not in others he has told, by respected members of the Washington legal community, the Australian press, and several U.S. investigative journalists. He has also claimed to have helped Wilson in preparing documents that were leaked to the press. Flynn claims he was paid by Michael Hand, a cofounder of the now defunct Nugan Hand bank.

About the same time Admiral Bobby Inman, former director of the National Security Agency and deputy director of the CIA, gave further credibility to this line of suspicion. Asked in Washington on September 30, 1980, and January 24, 1981, about the collapse of the Nugan Hand empire, Inman expressed deep concern that further investigation of Nugan Hand would lead to disclosure of a range of "dirty tricks" played against the Whitlam government. It seems that the controversial Task Force 157 was active in Australia while the Whitlam government was in power. Inman has said that Task Force 157 member Wilson

worked closely with Bernie Houghton, a key Nugan Hand official.

Task Force 157 operated out of the Office of Naval Research until Inman disbanded the task force soon after he became director of Naval Intelligence. Task Force 157 had two functions: The first was to monitor Soviet shipping; the second was to run more than 100 CIA properties. The man in charge of the latter operation was Wilson. Early in Inman's tenure as director of Naval Intelligence, Wilson approached the admiral to suggest that he, Wilson, would help secure naval intelligence appropriations through the U.S. Senate if Inman steered contracts to Wilson's properties. Wilson was soon fired.

Almost immediately, Theodore Shackley, deputy director of operations for the CIA, called Inman to appeal on Wilson's behalf. According to one source, Inman's response was, "If you need him, you pay him."

But there is more that tantalizes. Task Force 157 communicated to Washington by voice link. The messages were relayed through Los Angeles and then forwarded to Washington. A young cipher clerk, Christopher Boyce, worked in the code room of TRW, Incorporated, which handled the messages. During his trial on espionage charges, Boyce's only defense for giving codes and plans to the Soviets was that he opposed U.S. policy not only in Chile, but also in Australia. In reference to the overthrow of Allende in 1973, Boyce told his accomplice, if "you think that's bad you should hear what the CIA is doing in Australia." In other words, Boyce believed that the Whitlam government was being destabilized. As Desmond Ball, a respected expert on defense communications, noted, Boyce should have known. He monitored messages from Pine Gap, the U.S. intelligence gathering facility in Australia. In Ball's words, the messages provided a "unique insight into the plans and foibles of the Labor government—such as the communications to Iraq with respect to the loans affair."

Alice Springs is almost at the dead center of Australia. Just outside of town is the enormous U.S. facility at Pine Gap. It is supposed to be jointly run, and about one-half of the nearly 500 employees are Australian. But only 16 of

the Australians are said to have security clearances for code work. Along with Boyce's testimony, a former deputy director of the CIA has privately indicated that information from Pine Gap has never been shared with Australia. As Ball points out, there is every external indication that information is withheld routinely to this day. Whitlam claims he was ignorant of Pine Gap's capability, which, according to Victor Marchetti, former executive assistant to the deputy director of the CIA, has the ability to act as a giant vacuum cleaner, sucking up telexes, voice communications, and cable traffic over most of the Pacific.

Pine Gap's importance lies in its versatility and range of missions. Its capability is due to its location. It is in a uniquely stable geological formation, in an area free of electronic clutter with some of the lightest cloud cover in the world. Except for Alice Springs—population 14,000—the region is almost uninhabited. The Australians have accorded the facility remarkable hospitality. People and cargo routinely fly in and out, entering and exiting without the burden of customs or immigration checks. The place enjoys almost extraterritorial status.

The suspicion of an ASIO-CIA link to the Kerr coup was becoming a conviction among many responsible Australians.

The agreement to renew the Pine Gap lease expired December 10, 1975, and was renewed by Fraser. Whitlam had said in April 1975 that he might not renew the agreement or that at least the terms of the lease should be changed. Whitlam may or may not have been serious about this threat. But his own intelligence services, as well as the American intelligence community, were alarmed.

Perhaps the ultimate sin against Australian and American security guardians occurred when Whitlam accused the head of the smaller section of the opposition, National Country Party's Douglas Anthony, of receiving CIA funds and favors from a former CIA officer once in charge of Pine Gap. This charge linked alliance intelligence facilities indirectly to alleged

covert operations that would be intolerable to any Australian government.

During a 1973 interview in Australia, Marchetti noted in passing that he “heard from my good friend Dick Stallings about how things are being done down there in Australia.” Brian Toohey, then working for the *Australian Financial Review*, overheard the remark. Toohey found out that Stallings had worked at Pine Gap in the late 1960s. Toohey’s interest was piqued by two facts: First, Stallings had no technical background; and, second, Stallings had become a close friend of Anthony. Toohey’s investigations reached Whitlam, who asked the U.S. embassy for a list of all CIA employees acting in Australia in the late 1960s. Stallings’ name was not on the list. Toohey learned of this fact and published a background article on Stallings for the *Financial Review*.

The ALP had always believed that Pine Gap was built and manned by U.S. Defense Department officials. That it was a CIA facility giving Pentagon cover to CIA officers was a real shock. The resulting static grew when it appeared that one of the officers, Stallings, had established not only a friendship with an opposition figure but, charged Whitlam, had helped to finance the ALP’s opposition.

The CIA was enraged. On November 10, 1975, the day before Whitlam was sacked, ASIO’s new director general (DG), a bureaucrat who owed his appointment to Whitlam, received a formal *démarche* from the CIA. The cable was published in the *Financial Review* in 1977 and has been widely reprinted in Australia. Its authenticity has never been denied. It read, in part:

On 2 November the PM of Australia made a statement . . . to the effect that the CIA had been funding Anthony’s National Country Party. . . .

On November 6, the Prime Minister publicly repeated the allegation that he knew of two instances in which CIA money had been used to influence domestic Australian politics.

Simultaneously press coverage in Australia was such that a number of CIA members serving in Australia have been identified. . . .

CIA can not see how this dialogue with continued reference to CIA can do other than blow the lid off those installations in Aus-

tralia where the persons concerned have been working and which are vital to both of our services and countries, particularly the installation at Alice Springs. . . .

CIA can understand a statement made in political debate but constant further unraveling worries them.

Is there a change in the Prime Minister's attitude in Australian policy in this field?

This message should be regarded as an official demarche on a service to service link. . . .

CIA feel [sic] that . . . if this problem can not be solved they do not see how our mutually beneficial relationships are going to continue.

The CIA feels grave concern as to where this type of public discussion may lead.

The DG should be assured that CIA does not lightly adopt this attitude.

Australia's permanent secretary of the department of defense tried to get Whitlam to stop a scheduled November 11, 1975, parliamentary debate about CIA agents and Alice Springs. But passions were high. Both Whitlam and Anthony refused. On November 11, the day after the telegram was received and before Whitlam could have acted—had he wanted to—Kerr fired Whitlam.

The CIA's concern to halt Whitlam's revelations is especially peculiar in its timing. There was not that much more to say about Pine Gap, as the cable notes. It had been revealed as a cover for U.S. CIA personnel and as a CIA station. In Australia many conclude there could be only two more CIA concerns: that the Pine Gap lease would not be renewed—but Whitlam had privately insisted that the CIA had no worries and they probably would not have had until the provocative cable was sent—or, that CIA funding of other operations aimed at Australia's unions and parties was about to be revealed. It is widely believed that Nugan Hand was a bursar for such operations.

The Merchant Bankers

Nugan was an Australian and Hand is an American. If quick profit is a guide, Nugan and Hand were a match made in heaven. Nugan started off in the fruit and vegetable business in the Australian country town of Griffiths, a place where people have been killed for speak-

ing to authorities about the huge crop of illicit drugs grown in the region. In Sydney in 1969 Hand established Australian and Pacific Holdings Limited. Of the 19 founding shareholders, 10 worked with Air America or Continental Air Services, an airline subsidiary of U.S. Continental Airlines under CIA contract in Laos.

In early 1973 Nugan and Hand became merchant bankers. They immediately made money as financial advisers to American servicemen passing through or living in Australia. The bank's founders, along with Nugan and Hand, were four officials of Air America, a CIA property.

Nugan Hand quickly expanded from a \$1 million capitalization to an estimated \$1 billion operation with offices in 22 countries, mostly in Asia. One, in Chiang Mai, northern Thailand—the Golden Triangle—was in an area where the frontiers of Thailand, Burma, and Laos join. The director of the Chiang Mai office claimed on Australian television that he handled \$2.6 million in less than six months. The money was garnered from the drugs transiting the area. The bank, he put it starkly, was a “laundry” for Meo tribesmen and other poppy growers. The Bangkok office was run by the former CIA chief of station in Bangkok. Back in Sydney, when Nugan died, records from the Bangkok office were full of descriptions of troop deployments and arms sales in the region. Investigators found it hard to believe Nugan Hand was just a bank and not an abettor of U.S. intelligence.

Some of the branch locations were peculiar, in the words of one investigator. And the management was of a caliber and number to “run a small sized war.” It included Air Force General LeRoy Manor, chief of staff of the entire Pacific Command and a specialist in counterinsurgency; Army General Edwin Black, the commander of U.S. forces in Thailand; Rear Admiral Earl Yates, former chief of staff for policy and plans of the Pacific Command; and Patry Loomis, a CIA employee who helped Wilson recruit a team of Green Berets to train Libyans. Loomis was on the board of directors under an alias, according to a highly placed CIA source.

The activities of the bank—drug charges

aside—were strange. Yates attempted to relocate 3,000 Meo tribesmen—refugees who had assisted the U.S. war effort in Vietnam—to the Caribbean, using the Nugan Hand offices in the Cayman Islands to disperse funds sought from the U.S. government. Kent Crane, an arms merchant on close terms with current high White House officials, made a number of trips to Sydney, one in the company of Yates. Crane, a former CIA operative, was said to be handling Shah Mohammad Reza Pahlavi's investments. Wilson also assisted the shah in moving money from Iran to a Nugan Hand branch in Switzerland. And Wilson was a close associate of the Nugan Hand Saudi representative, Bernie Houghton. Houghton was a member of Task Force 157 until it disbanded. Wilson and the man who signed off on the CIA *démarche* sent to Australia on November 9, 1975—Shackley, then head of the East Asian division of the CIA—were also associated with Task Force 157. Shackley has also had a long, close relationship with the Nugan Hand bank, according to Australian sources.

The portents are ominous. Since 1977 the Labor party has officially and consistently entertained the proposition that the CIA was involved in the Whitlam coup. Labor is ascendant in the polls. The Labor party in Australia, now led by former Queensland police officer Bill Hayden, has already spoken about U.S. bases, claiming he would demand joint control. When Hayden met Bush in April 1982, the issue of CIA involvement in Australian domestic politics dominated their conversations. Hayden is being pushed by the newly elected Labor party based in Melbourne to repudiate the Australia-New Zealand-United States security pact (ANZUS) altogether. Other state Labor parties may well follow suit. The party of the state of Victoria recently told the acting Melbourne Consul General that it would prefer that no U.S. Navy forces, whether or not they might carry nuclear munitions, visit Melbourne. Some of Australia's most respected strategic thinkers are currently urging a re-evaluation of ANZUS and have embarked on tireless public education campaigns concerning the functions of U.S. bases and their capacity to draw Soviet atomic fire in the event of East-West hostility.

The technical education and evaluation surrounding U.S. installations have been sober and judicious. Pine Gap's functions have been convincingly documented. Since the United States lost its intelligence stations in Iran, Pine Gap is called one of the last reliable means of verifying any Soviet-American strategic arms accord. U.S. installations on the Australian Northwest Cape provide the means of coordinating any U.S. nuclear retaliatory strike against Soviet targets. These installations are also said to be the most sophisticated antisubmarine warfare monitoring facilities in the world. Three hundred miles northwest of Adelaide, the capital of South Australia, lies Nurrangar, an early warning monitoring station linked with a geostationary satellite high above Borneo.

A former deputy director of the CIA has privately indicated that information from Pine Gap has never been shared with Australia.

These bases have always been seen by the Australians as a quid pro quo for the ANZUS pact. Australia could afford only with difficulty the logistics, manpower, and weapons of currently defined interests in the Indian and Pacific oceans. A continental defense, one alternative to a withdrawal from ANZUS, could be even more expensive. The bases were a bargain, as Australian strategist Hedley Bull has pointed out; for the bases symbolized an American stake in Australia, visibly binding the United States to Australia. The bases assuaged a fear of abandonment. They were such a blessing that the Harold Holt government of the 1960s charged but one peppercorn for rent of the Northwest Cape naval facility.

Yet U.S. intelligence bases and security agreements are increasingly considered less an asset and more a liability. They seem to place Australia's survival at stake by making what had been an area free of nuclear phobia a strategic target. Such fears are heightened by U.S. counterforce strategies—especially since they would almost have to involve the detection and coordination capability located in Australia.

Bases not only make Australia a potential strategic target but a political hostage as well.

Even if all the charges against the CIA's activities in Australia are false, no U.S. administration can eagerly undertake an investigation to bring out the truth. The facilities in Australia are crucial to U.S. security. An investigation opens up opportunities for irresponsible as well as properly motivated critics.

At the same time, refusing to cooperate in an investigation to clear the air now seems to carry even higher risks for U.S. security. Any left-leaning government may well think it better to cut ties with the United States in light of the fate the Australian left feels befell Whitlam. No future Labor government will feel secure that the whole story has been told if the past has not been cleared up convincingly. In the mid-1970s Cairns was barred from even visiting Pine Gap, and the three prime ministers who preceded Fraser have complained that not only were they incompletely informed about U.S. bases but that they were also misled.

The bases are coming to represent to Australians a badge of weakness and vulnerability. Whitlam's deputy was barred from entering Pine Gap, and Whitlam could not know that the U.S. electronic feed from Pine Gap to Washington was handled by a commercial firm in Los Angeles—TRW—until the Boyce trial. The Australian government did not know what Boyce, a 23-year-old dope-smoking college dropout, could sell for a song to the USSR.

Substantive questions need answering before balance and amity can be restored to the relationship. If it can be proved that Washington was more than a bystander, relevant documents ought to be released. If the CIA was guilty of any of the serious charges being aired in Australia, corrective steps are necessary to reassure Australians that the United States will never undertake similar activities in the future. Perhaps, given the CIA's reticence in making painful disclosures in the past, the matter ought to be taken up by Congress.