

CIA Media Disinformation and US Proxy Wars: Fallouts of Iran-Contra's "Lost Chapter"

By [Robert Parry](#)

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In 1987, amid the Iran-Contra inquiry, investigators found that the scandal fit within a larger Republican scheme for manipulating American public opinion through CIA-style disinformation. But GOP senators blocked inclusion of the chapter in the final report.

As historians ponder George W. Bush's disastrous presidency, they may wonder how Republicans perfected a propaganda system that could fool tens of millions of Americans, intimidate Democrats, and transform the vaunted Washington press corps from watchdogs to lapdogs.

To understand this extraordinary development, historians might want to look back at the 1980s and examine the Iran-Contra scandal's "lost chapter," a narrative describing how Ronald Reagan's administration brought CIA tactics to bear domestically to reshape the way Americans perceived the world.

That chapter - [which we are publishing here for the first time](#) - was "lost" because Republicans on the congressional Iran-Contra investigation waged a rear-guard fight that traded elimination of the chapter's key findings for the votes of three moderate GOP senators, giving the final report a patina of bipartisanship.

Under that compromise, a few segments of the draft chapter were inserted in the final report's Executive Summary and in another section on White House private fundraising, but the chapter's conclusions and its detailed account of how the "perception management" operation worked ended up on the editing room floor.

The American people thus were spared the chapter's troubling finding: that the Reagan administration had built a domestic covert propaganda apparatus managed by a CIA propaganda and disinformation specialist working out of the National Security Council.

"One of the CIA's most senior covert action operators was sent to the NSC in 1983 by CIA Director [William] Casey where he participated in the creation of an inter-agency public diplomacy mechanism that included the use of seasoned intelligence specialists," the chapter's conclusion stated.

"This public/private network set out to accomplish what a covert CIA operation in a foreign country might attempt - to sway the media, the Congress, and American public opinion in the direction of the Reagan administration's policies."

However, with the chapter's key findings deleted, the right-wing domestic propaganda operation not only survived the Iran-Contra fallout but thrived.

So did some of the administration's collaborators, such as South Korean theocrat Sun Myung Moon and Australian press mogul Rupert Murdoch, two far-right media barons who poured billions of dollars into pro-Republican news outlets that continue to influence Washington's political debates to this day.

Before every presidential election, Moon's Washington Times plants derogatory – and often false – stories about Democratic contenders, discrediting them and damaging their chances of winning the White House.

For instance, in 1988, the Times published a bogus account suggesting that the Democratic nominee Michael Dukakis had undergone psychiatric treatment. In 2000, Moon's newspaper pushed the theme that Al Gore suffered from clinical delusions. [For details, see Robert Parry's [Secrecy & Privilege](#).]

As for Murdoch, his giant News Corp. expanded into American cable TV with the founding of Fox News in 1996. Since then, the right-wing network has proved highly effective in promoting attack lines against Democrats or anyone else who challenges the Republican power structure.



Image: CIA Director William J. Casey, who deployed CIA-style propaganda and disinformation against the American public in the 1980s. (Photo credit: Central Intelligence Agency)

As President George W. Bush herded the nation toward war with Iraq in 2002-03, Fox News acted like his sheep dogs making sure public opinion didn't stray too far off. The "Fox effect" was so powerful that it convinced other networks to load up with pro-war military analysts and to silence voices that questioned the invasion. [See [Neck Deep](#).]

Seeds of Propaganda

The seeds of this private/public collaboration can be found in the 84-page draft Iran-Contra chapter, entitled "[Launching the Private Network](#)." [There appear to have been several versions of this "lost chapter." This one I found in congressional files.]

The chapter traces the origins of the propaganda network to President Reagan's "National

Security Decision Directive 77" in January 1983 as his administration sought to promote its foreign policy, especially its desire to oust Nicaragua's leftist Sandinista government.

In a Jan. 13, 1983, memo, then-National Security Advisor William Clark foresaw the need for non-governmental money to advance this cause. "We will develop a scenario for obtaining private funding," Clark wrote.

As administration officials began reaching out to wealthy supporters, lines against domestic propaganda soon were crossed as the operation took aim at not only at foreign audiences but at U.S. public opinion, the press and congressional Democrats who opposed funding Nicaraguan rebels, known as Contras.



At the time, the Contras were earning a gruesome reputation as human rights violators and terrorists. To change this negative perception of the Contras, the Reagan administration created a full-blown, clandestine propaganda operation.

"An elaborate system of inter-agency committees was eventually formed and charged with the task of working closely with private groups and individuals involved in fundraising, lobbying campaigns and propagandistic activities aimed at influencing public opinion and governmental action," the draft chapter said.

Heading this operation was a veteran CIA officer named Walter Raymond Jr., who was recruited by another CIA officer, Donald Gregg, before Gregg shifted from his job as chief of the NSC's Intelligence Directorate to become national security adviser to then-Vice President George H.W. Bush.

[The draft chapter doesn't use Raymond's name in its opening pages, apparently because some of the information came from classified depositions. However, Raymond's name is used later in the chapter and the earlier citations match Raymond's role.]

According to the draft report, the CIA officer recruited for the NSC job had served as Director of the Covert Action Staff at the CIA from 1978 to 1982 and was a "specialist in propaganda and disinformation."

"The CIA official [Raymond] discussed the transfer with [CIA Director William] Casey and NSC Advisor William Clark that he be assigned to the NSC as Gregg's successor [in June 1982] and received approval for his involvement in setting up the public diplomacy program along with his intelligence responsibilities," the chapter said.

"In the early part of 1983, documents obtained by the Select [Iran-Contra] Committees indicate that the Director of the Intelligence Staff of the NSC [Raymond] successfully recommended the establishment of an inter-governmental network to promote and manage a public diplomacy plan designed to create support for Reagan Administration policies at home and abroad."

Raymond "helped to set up an elaborate system of inter-agency committees," the draft chapter said, adding: "In the Spring of 1983, the network began to turn its attention toward beefing up the Administration's capacity to promote American support for the Democratic Resistance in Nicaragua [the Contras] and the fledgling democracy in El Salvador.

“This effort resulted in the creation of the Office of Public Diplomacy for Latin America and the Caribbean in the Department of State (S/LPD), headed by Otto Reich,” a right-wing Cuban exile from Miami.

Though Secretary of State George Shultz wanted the office under his control, President Reagan insisted that Reich “report directly to the NSC,” where Raymond oversaw the operations as a special assistant to the President and the NSC’s director of international communications, the chapter said.

“At least for several months after he assumed this position, Raymond also worked on intelligence matters at the NSC, including drafting a Presidential Finding for Covert Action in Nicaragua in mid-September” 1983, the chapter said.

In other words, although Raymond was shifted to the NSC staff in part to evade prohibitions on the CIA influencing U.S. public opinion, his intelligence and propaganda duties overlapped for a time as he was retiring from the spy agency.

Key Player

Despite Raymond’s formal separation from the CIA, he acted toward the U.S. public much like a CIA officer would in directing a propaganda operation in a hostile foreign country. He was the go-to guy to keep the operation on track.

“Reich relied heavily on Raymond to secure personnel transfers from other government agencies to beef up the limited resources made available to S/LPD by the Department of State,” the chapter said.

“Personnel made available to the new office included intelligence specialists from the U.S. Air Force and the U.S. Army. On one occasion, five intelligence experts from the Army’s 4th Psychological Operations Group at Fort Bragg, North Carolina, were assigned to work with Reich’s fast-growing operation. ...

“White House documents also indicate that CIA Director Casey had more than a passing interest in the Central American public diplomacy campaign.”

The chapter cited an Aug. 9, 1983, memo written by Raymond describing Casey’s participation in a meeting with public relations specialists to brainstorm how “to sell a ‘new product’ – Central America – by generating interest across-the-spectrum.”

In an Aug. 29, 1983, memo, Raymond recounted a call from Casey pushing his P.R. ideas. Alarmed at a CIA director participating so brazenly in domestic propaganda, Raymond wrote that “I philosophized a bit with Bill Casey (in an effort to get him out of the loop)” but with little success.

The chapter added: “Casey’s involvement in the public diplomacy effort apparently continued throughout the period under investigation by the Committees,” including a 1985 role in pressuring Congress to renew Contra aid and a 1986 hand in further shielding S/LPD from the oversight of Secretary Shultz.

A Raymond-authored memo to Casey in August 1986 described the shift of S/LPD – then run by neoconservative theorist Robert Kagan who had replaced Reich – to the control of the Bureau of Inter-American Affairs, which was headed by Assistant Secretary of State Elliott

Abrams, another prominent neoconservative.

Another important figure in the pro-Contra propaganda was NSC staffer Oliver North, who spent a great deal of his time on the Nicaraguan public diplomacy operation even though he is better known for arranging secret arms shipments to the Contras and to Iran's radical Islamic government, leading to the Iran-Contra scandal.

The draft chapter cited a March 10, 1985, memo from North describing his assistance to CIA Director Casey in timing disclosures of pro-Contra news "aimed at securing Congressional approval for renewed support to the Nicaraguan Resistance Forces."

North's Operatives

The Iran-Contra "lost" chapter depicts a sometimes Byzantine network of contract and private operatives who handled details of the domestic propaganda while concealing the hand of the White House and the CIA.

"Richard R. Miller, former head of public affairs at AID, and Francis D. Gomez, former public affairs specialist at the State Department and USIA, were hired by S/LPD through sole-source, no-bid contracts to carry out a variety of activities on behalf of the Reagan administration policies in Central America," the chapter said.

"Supported by the State Department and White House, Miller and Gomez became the outside managers of [North operative] Spitz Channel's fundraising and lobbying activities.

"They also served as the managers of Central American political figures, defectors, Nicaraguan opposition leaders and Sandinista atrocity victims who were made available to the press, the Congress and private groups, to tell the story of the Contra cause."

Miller and Gomez facilitated transfers of money to Swiss and offshore banks at North's direction, as they "became the key link between the State Department and the Reagan White House with the private groups and individuals engaged in a myriad of endeavors aimed at influencing the Congress, the media and public opinion," the chapter said.

In its conclusion, the draft chapter read: "The State Department was used to run a prohibited, domestic, covert propaganda operation. Established despite resistance from the Secretary of State, and reporting directly to the NSC, the [S/LPD] attempted to mask many of its activities from the Congress and the American people."

However, the American people never got to read a detailed explanation of this finding nor see the evidence. In October 1987, as the congressional Iran-Contra committees wrote their final report, Republicans protested the inclusion of this explosive information.

Though the Democrats held the majority, the GOP had leverage because Rep. Lee Hamilton, D-Indiana, the House chairman, wanted some bipartisanship in the final report, especially since senior Republicans, including Rep. Dick Cheney, R-Wyoming, were preparing a strongly worded minority report.

Hamilton and the Democrats hoped that three moderate Republicans - William Cohen of Maine, Warren Rudman of New Hampshire and Paul Trible of Virginia - would break ranks and sign the majority report. However, the Republicans objected to the draft chapter about Ronald Reagan's covert propaganda campaign.

As part of a compromise, some elements of the draft chapter were included in the Executive Summary but without much detail and shorn of the tough conclusions. Nevertheless, Cohen protested even that.

“I question the inordinate attention devoted in the Executive Summary to the Office of Public Diplomacy and its activities in support of the Administration’s policies,” Cohen wrote in his additional views. “The prominence given to it in the Executive Summary is far more generous than just.”

Long-Term Consequences

However, the failure of the Iran-Contra report to fully explain the danger of CIA-style propaganda intruding into the U.S. political process would have profound future consequences. Indeed, the evidence suggests that today’s powerful right-wing media gained momentum as part of the Casey-Raymond operations of the early 1980s.

According to one Raymond-authored memo dated Aug. 9, 1983, then-U.S. Information Agency director Charles Wick “via Murdoch [sic] may be able to draw down added funds” to support pro-Reagan initiatives.

Raymond’s reference to Rupert Murdoch possibly drawing down “added funds” suggests that the right-wing media mogul was already part of the covert propaganda operation. In line with its clandestine nature, Raymond also suggested routing the “funding via Freedom House or some other structure that has credibility in the political center.”

Unification Church founder Sun Myung Moon, publisher of the Washington Times, also showed up in the Iran-Contra operations, using his newspaper to raise Contra funds and assigning his CAUSA political group to organize support for the Contras.

In the two decades since the Iran-Contra scandal, both Murdoch and Moon have continued to pour billions of dollars into media outlets that have influenced the course of U.S. history, often through the planting of propaganda and disinformation much like a CIA covert action might do in a hostile foreign country.

Further, to soften up the Washington press corps, Reich’s S/LPD targeted U.S. journalists who reported information that undermined the pro-Contra propaganda. Reich sent his teams out to lobby news executives to remove or punish out-of-step reporters – with a disturbing degree of success. [For more, see Parry’s [Lost History](#).]

Some U.S. officials implicated in the Iran-Contra propaganda operations are still around, bringing the lessons of the 1980s into the new century. For instance, Elliott Abrams. Though convicted of misleading Congress in the Iran-Contra Affair and later pardoned by President George H.W. Bush – Abrams became deputy adviser to George W. Bush’s NSC, where he directed U.S.-Middle East policy.

Robert Kagan remains another prominent neocon theorist in Washington, writing op-eds for the Washington Post. Oliver North was given a news show on Fox. Otto Reich advised Republican presidential candidate John McCain on Latin American affairs. Lee Hamilton was a senior national security adviser to Democratic candidate Barack Obama.

Enduring Skills

Beyond these individuals, the manipulative techniques that were refined in the 1980s – especially the skill of exaggerating foreign threats – have proved durable, bringing large segments of the American population into line behind the Iraq War in 2002-03.

Only now – with thousands of U.S. soldiers and hundreds of thousands of Iraqis dead – are many of these Americans realizing that were manipulated by clever propaganda, that their perceptions had been managed.

For instance, the New York Times pried loose some 8,000 pages of Pentagon documents revealing how the Bush administration had manipulated the public debate on the Iraq War by planting friendly retired military officers on TV news shows.

Retired Green Beret Robert S. Bevelacqua, a former analyst on Murdoch's Fox News, said the Pentagon treated the retired military officers as puppets: "It was them saying, 'we need to stick our hands up your back and move your mouth for you.'" [[NYT, April 20, 2008](#), or see Consortiumnews.com's "[US News Media's Latest Disgrace](#)."]]

Bush's former White House press secretary Scott McClellan described similar use of propaganda tactics to justify the Iraq War in his book, *What Happened: Inside the Bush White House and Washington's Culture of Deception*.

From his insider vantage point, McClellan cited the White House's "carefully orchestrated campaign to shape and manipulate sources of public approval" – and he called the Washington press corps "complicit enablers."

None of this would have been so surprising – indeed Americans might have been forewarned and forearmed – if Lee Hamilton and other Democrats on the Iran-Contra committees had held firm and published the scandal's "lost chapter" two decades ago.

*Investigative reporter **Robert Parry** broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his new book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)).*

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