

# Old Wealth, the Kuomintang, and the CIA's Air America

**Peter Dale Scott**

**Abstract:** *An essay of mine, with the title “Private War Enterprise in Asia: Air America, the Brook Club and the Kuomintang,” was sent by me in 1970 to Ramparts magazine. But it was impounded by the CIA, and retained in their archives until released in 2009, under three CIA cover slips (one almost fully redacted). It is now published here, under a 2022 Introduction I have written for it.*

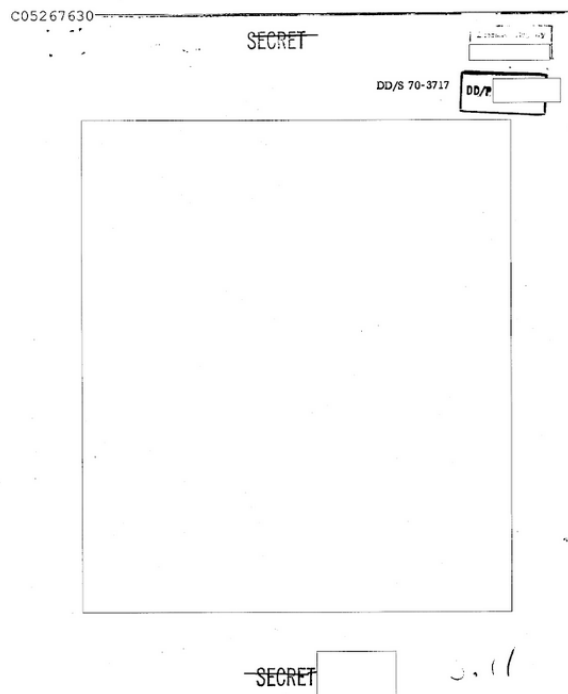
**Keywords:** *CIA, Air America, Kuomintang*

## Introduction

The essay, like the 2022 Introduction, describes two important facts about the early CIA: (1) how enmeshed the agency was in both policies and personnel with the milieu of New York inherited wealth, and (2) how the early policies of that milieu were determined by private financial interests, sometimes in direct conflict with public USG objectives.

In 2009, the CIA released three pages of their records from 1970, along with the document they referred to. One of the three CIA cover records was from the Security Directorate, classified “SECRET,” and wholly redacted except for an OS file number, presumably mine.

The document attached to these records was my long-lost manuscript essay entitled, “Private War Enterprise in Asia: Air America, the Brook Club, and the Kuomintang.”



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PRIVATE WAR ENTERPRISE IN ASIA: AIR AMERICA, THE BROOK CLUB  
AND THE KUOMINTANG  
by PETER DALE SCOTT FOR RAMPARTS (9)

It is common practice to speak of the U.S. involvement in Indochina as a chaotic muddle into which America stumbled, as Richard Goodwin has put it, "almost by accident". A chief source for this soothing notion has been those who were once in the White House under President Kennedy, and who, understandably, have been quick to tell us that an Asian ground war was never what they intended. Yet the patterns underlying the confusion are, when studied more closely, all too prevalent: America has not "blundered" erratically forwards like one who is drunk or absent-minded, but has inched inexorably down a road which many observers could foresee. At the end of that road, of course, is an ultimate confrontation with either China, the Soviet Union, or both countries together.

To speak of a society's designs or intentions is I think a false metaphor; but in our pluralistic society there have been for two decades powerful individuals whose explicit design was just such an ultimate confrontation. Many more have accepted it as a risk worth running for a U.S. presence in Asia. Few of the former have held high office, and some of the most prominent have not held public office at all. Within the government, proposals for "rolling back" Communism on the Chinese mainland have come chiefly from dissident-minorities in the CIA -- men like Chiang Ching-kuo's close personal friend Ray Cline, who was in effect "exiled" to a quiet post in Germany after proposing a Chinese Bay of Pigs operation in 1962. For years the cause of rollback has

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SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM  
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OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Deputy Director for Plans	14 SEP 1970	[initials]
2			
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4		9/15	
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APPROVAL:  DIRECT REPLY  PREPARE REPLY  
 APPROVAL  DISPATCH  RECOMMENDATION  
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 CONCURRENCE  INFORMATION  SIGNATURE

Remarks:  
 FBI - Col White has suggested Bob Bannerman might briefly note at the morning meeting.  
 Bannerman notes the point - that is a part of Rollback. This is probably a CP story.

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 O/Executive Director 14Sep70  
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APPROVED FOR RELEASE DATE: 30-Sep-2009

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: [redacted] EXTENSION NO. [redacted] DATE: 18 August 1970

TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to return. Draw a line across column after each year.)
	RECEIVED	FORWARDED		
1. Assistant to the Director Mr. Goodwin				
2.				
3.				
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I remember nothing about this essay. CIA notations suggest that I submitted it to *Ramparts* magazine in September of 1970. However, a cover sheet indicates very clearly that the article was entered into CIA records on August 18, 1970. The article was never published before now, and I have no way of knowing whether it ever reached *Ramparts*.<sup>1</sup>

It was, however, passed from the CIA's Deputy Directorate of Security to the Office of the Executive Director/Comptroller, Col. Lawrence K. White, who in September forwarded it to the Deputy Director of Plans for brief discussion

“at the morning meeting.”<sup>2</sup>

The year 1970 was a busy one for me. Earlier that year, I had three anti-war articles published in the *New York Review of Books* and two more in *Ramparts*. In June, I submitted to Bobbs Merrill the manuscript of my book, *The War Conspiracy*, which was not published until two years later in June of 1972. By then, the book contained an additional chapter, on “Opium, the China Lobby, and the CIA,” which incorporated some of the prose from this lost August 1970 essay.

A digression: The book contract with Bobbs Merrill gave them two years to publish, a deadline they missed by one week. This brought my book into the time frame of my friend Al McCoy’s monumental *The Politics of Heroin in Southeast Asia*, a book announced with great fanfare in July on the front page of the *New York Times*, along with the bonus (which of course I would have welcomed) of a vigorous CIA attack.<sup>3</sup> Al McCoy’s book was a much more definitive study than my meagre chapter, and it changed history. At the same time his thesis differed from mine: he alleged that “U.S. officials in Southeast Asia... have generally *turned a blind eye* to official involvement.”<sup>4</sup> Nor did he conceal the fact that his book was written with input from CIA veterans like Edward Lansdale and Lucien Conein (at “McClellan, Virginia,” the site of CIA Headquarters).

My book in contrast argued that the United States (including the CIA) was *consciously* using “illegal narcotics networks [ and their resources] to fight communism.”<sup>5</sup> In late 1972, the critic Paul Krassner wrote that my book was being “suppressed,” or as we now say, “privished”: that is, I could find it in bookstores in Berkeley; but most of my friends across the country could not. In retrospect I have wondered if Bobbs Merrill (whose legal counsel at the time was the notorious CIA veteran William Harvey) may not have made a

preemptive purchase.

The CIA had been aware of me since at the latest June 1970, when I consented to the request of a fellow researcher, a CIA veteran, that I let the CIA look at my book manuscript.<sup>6</sup> He told me later that a car drove over from San Francisco to Berkeley, to pick it up from him.

Reading the essay a half century later, I see an argument in it that I would not endorse: the suggestion that the socially prominent New Yorkers named below on the boards of CIA proprietary firms had any control over those firms, rather than merely serving as a front for the agency. However, I do believe that the article demonstrated two important facts about the early CIA: (1) how enmeshed the agency was in both policies and personnel with New York inherited wealth, and (2) how the early policies of that milieu were determined by private financial interests, sometimes in direct conflict with public objectives.

Today we have further evidence in support of the second proposition.

The date of 1970 explains certain glaring omissions in the essay. I could not then have been aware of the impending close to the era of eastern US establishment-Kuomintang cooperation, as Kissinger and Nixon, starting with the “ping pong diplomacy” of 1971, began the delicate task of guiding America towards the major policy change of recognizing Communist China and the deep diplomatic, economic, financial, technological and other relations that followed in subsequent decades.

Nor could I have foreseen the extent to which Nixon would realign the base of the Republican Party, exploiting white racist resentment in the South and thus wresting control of the party away from white establishment liberals in the northeast. That realignment culminated in the Reagan Revolution of 1981 and continuing in fundamentals to 2022. It was accompanied by the creation of a new organization called the

Council on National Policy, explicitly designed by people like the Texas oil millionaire Nelson Bunker Hunt to combat the influence of the Council on Foreign Relations in New York.

But the biggest omission reflects how little I knew then about the postwar development of US support for Kuomintang remnant troops in Burma. A key role in this was played by Paul Helliwell—a Miami lawyer and a veteran of the OSS in Kunming, China. Helliwell acted first in his role in the Far East Division of the Strategic Service Unit (1945-47), a successor to OSS. Later he was instrumental in the creation of two CIA proprietary companies: SEA Supply Inc, and CAT—the latter of which became Air America. SEA Supply and CAT were both incorporated by Helliwell, a Miami lawyer, for Frank Wisner’s Office of Policy Coordination (OPC).

This direct US support for the chief opium traffickers of the Southeast Asian “Golden Triangle” became official with Truman’s authorization in late 1950 of Operation Paper. This CIA/OPC program—which CIA Director Walter Bedell Smith had opposed—was intended to divert Chinese armed forces towards their southern frontier, away from the conflict in Korea.

A key role in this support to Kuomintang remnants in Southeast Asia had been played earlier by a private Thai trading company set up in 1946 by Willis Bird, OSS Kunming Deputy Chief over Helliwell. After mishandling a post-war mission to Korea, Bird had left OSS under a cloud, but remained a friend of OSS Chief William Donovan. Bird’s trading company is said to have been originally financed by his friend Donovan’s post-war World Commerce Corporation (WCC), and Donovan himself visited Thailand in 1948. William Stevenson writes that Donovan “turned Siam into a base from which to run [postwar] secret operations against the new Soviet threat in Asia.”<sup>7</sup>

I should have written more about the WCC in

my 1970 essay, for reasons that will become clear later in this introduction.

With Truman’s approval of the KMT-supporting Operation Paper in 1949, Bird’s trading business was subsumed under the new CIA proprietary that Bird’s old OSS mate Helliwell had incorporated in Miami, SEA Supply, Inc. But Bird himself was now well established in right wing, anti-democratic Thai military circles. He even plotted secretly with them to prepare for a Thai military coup in 1950—against, and sometimes in overt opposition to, the US Embassy’s efforts to consolidate Thailand’s fragile democracy. The 1950 coup brought to power Phao Sriyanon, the Thai general controlling the movement of KMT opium through Thailand from the rebel Shan states in Burma. It was not long before Phao was alleged to be the richest man in the world.

As I write in *American War Machine*,

Bird’s energetic promotion of Phao, precisely when the U.S. embassy was trying to reduce Phao’s corrupt influence, led to a 1951 embassy memorandum of protest to Washington about Bird’s activities. “Why is this man Bird allowed to deal with the Police Chief [Phao]?” the memo asked.<sup>8</sup>

But the uncontrollable Bird, in his de facto consolidation of the opium traffic in Thailand, appears to have conformed to the purposes of an unseen higher force which overrode the policy of the appointed officials in the U.S. Embassy. What Bird did was in concert with Helliwell in Miami, as well as with Helliwell’s CIA proprietaries, SEA Supply and CAT/Air America. Additionally, the Thai Border Patrol Police (BPP), part of General Phao’s military forces, had been receiving covert U.S.

intelligence support, training, and military aid, from as early as 1948 following their role in an earlier Thai military coup in 1947.

Bird's collusion with a major drug trafficker was in concert with other CIA-related activities at this time in remote areas, from France, Italy, and the Middle East, to Mexico and Taiwan. In later years, similar operations would be carried out in Chile, Colombia, Venezuela, Australia, and Afghanistan.<sup>9</sup>

These widely dispersed *grey alliances* with drug traffickers were interconnected, but from a base outside the United States. Starting in 1950, Ting Tsuo-shou, civilian advisor to the KMT troops in Burma, began organizing for a larger Anti-Communist League.<sup>10</sup> In 1954, ostensibly as part of the CIA operation to overthrow the Arbenz government of Guatemala, Howard Hunt (the future Watergate plotter), helped organize a Latin-American chapter for the League.<sup>11</sup> In the same year, the Asian Peoples' Anti-Communist League (APACL) was established in Taiwan, allegedly with financial support from the CIA Deputy Chief of Station there, Ray Cline.<sup>12</sup>

In 1950, the Kuomintang ambition of "rolling back" Communism in Asia was endorsed by both the Republican Party and General MacArthur at his SCAP Headquarters in Japan. But it was opposed by the containment policy devised by Truman, Secretary of State Dean Acheson, and George Kennan.

Truman and Acheson had even worse news for the KMT, now re-established in Taiwan. "In January 1950, [they] publicly announced that Washington would not provide military assistance to safeguard Taiwan."<sup>13</sup>

That Taiwan and the KMT survived was due largely to private initiatives taken by Admiral Charles M. Cooke, former commander of the US Seventh Fleet. In February 1950, Cooke flew to Taiwan, on a trip "apparently arranged by SCAP headquarters with MacArthur's

approval [while] the State Department and the U.S. Embassy in Taipei were kept in the dark."<sup>14</sup>

A month later,

Cooke worked out a draft contract, in which he proposed the formation of a "Special Technician Program" (STP) under the nominal supervision of the New York-based Commerce International China Inc. (CIC), a subsidiary of World Commerce Corporation chaired by S. G. Fassoulis, another powerful figure in the China lobby.... The CIC's complex pedigree thus imbued the STP with political intrigue from its inception. As Cooke admitted later in a congressional hearing in October 1951, he never received any governmental authorization for the STP, nor for any of the several related underground activities undertaken through these ostensibly commercial firms.<sup>15</sup>

In the same month of March, Cooke and the WCC affiliate Commerce International China began purchasing millions of dollars of munitions for Taiwan. Rumors that they would purchase 426 surplus tanks in the Philippines

...disturbed politicians at both the U.S. State Department and the British Foreign Office, who worried that these heavy weapons would eventually fall to the Chinese Communists when Taiwan was captured, thus posing a threat to the West.<sup>16</sup>

Some of Cooke's backers in the World Commerce Corporation had personal as well as

ideological reasons for covertly opposing the Truman-Acheson Taiwan policy. These backers included wealthy oligarchs from both America (Nelson Rockefeller, John J. McCloy, Richard Mellon, and David Bruce) and Britain (Sir Victor Sassoon and Sir William “Tony” Keswick).<sup>17</sup>

In this list, it is relevant that Richard Mellon and David Bruce (his cousin by marriage) were both directors of Pan Am, which Bruce had helped bring into being. Sir Victor Sassoon had been a major pre-war investor in Shanghai, where the chief British interests were represented by the trading company Jardine Matheson—headed by Sir William Keswick, a collateral descendant of the Jardine family, and a director of the Hong Kong and Shanghai Bank.<sup>18</sup> All would gain considerably if the KMT could reestablish itself in mainland China.

Hsiao-ting Lin’s well-researched book, published by Harvard University Press, argues emphatically:

With the advisory assistance of the retired former commander of the Seventh Fleet, Admiral Charles M. Cooke, and his “Special Technician Program” in Taiwan, Chiang Kai-shek was able to withstand a critical stage of his political career in the months surrounding the outbreak of the Korean War.<sup>19</sup>

So we see that in Taiwan with Cooke, just as in Thailand with Willis Bird, Americans backed by the World Commerce Corporation were able to further the interests of the Kuomintang, *against* the policies of Truman and his administration.

Others have argued that the World Commerce Corporation, perhaps with access to Nazi gold in Austria, played a similar role in preserving

the cadres of OSS through the difficult 1945-1947 years, after OSS was dissolved by Truman and before the CIA was created.<sup>20</sup> All in all, between 1945 and Eisenhower’s 1953 inauguration, we see two historically important trends. First, we see how private wealth—consolidated in the World Commerce Corporation—pursued policies which diverged from those of the public state. Secondly, in the matters we have discussed, the World Commerce Corporation prevailed over the public state.

That is, I believe, the core story underlying my 1970 essay.

*Peter Dale Scott*  
*Berkeley, California*  
*August 30, 2022*

**The Essay: "Private War Enterprise in Asia: Air America, the Brook Club, and the Kuomintang"**

[Minor additions and corrections to the 1970 manuscript, such as this one, will be distinguished by the use of brackets.]

It is common practice to speak of the U.S. involvement in Indochina as a chaotic muddle into which America stumbled, as Richard Goodwin has put it, “almost by accident.” A chief source for this soothing notion has been those who were once in the White House under President Kennedy, and who, understandably, have been quick to tell us that an Asian ground war was never what they intended.

Yet the patterns underlying the confusion are, when studied more closely, all too prevalent: America has not “blundered” erratically forwards like one who is drunk or absent-minded, but has inched inexorably down a road which many observers could foresee. At the end

of that road, of course, is an ultimate confrontation with either China, the Soviet Union, or both countries together.

To speak of a society's designs or intentions is I think a false metaphor; but in our pluralistic society there have been for two decades powerful individuals whose explicit design was just such an ultimate confrontation. Many more have accepted it as a risk worth running for a U.S. presence in Asia. Few of the former have held high office, and some of the most prominent have not held public office at all.

### ***[Private Activists and Covert War in Indochina]***

Within the government, proposals for "rolling back" Communism on the Chinese mainland have come chiefly from dissident minorities in the CIA — men like Chiang Ching-kuo's close personal friend Ray Cline, who was in effect "exiled" to a quiet post in Germany after proposing a Chinese Bay of Pigs operation in 1962. For years the cause of rollback has been advocated more energetically by General Claire Chennault and Admiral Felix Stump, the Board Chairmen of the "private" airline CAT Inc., since March 31, 1959, known as Air America.

For two decades these private activists have been working to break down governmental inertia. No one of their successes in this campaign has been spectacular. Cumulatively, however, they have landed us in the third largest [foreign] war of America's history.

One clear recurrent pattern in Southeast Asia has been the continuous provocations by the CIA and/or CAT/Air America, from the flying of Kuomintang guerrillas into Burma in 1951 to the recent training of Khmer Serai guerrillas and the defoliation of Cambodian rubber plantations—two major factors in the successful overthrow of Prince Sihanouk.

[Assistant Secretary of State for Far Eastern Affairs] Roger Hilsman, citing the CIA's "fiascoes" in Indochina, Burma, and Laos, admitted that by 1961 there was a recurring "problem of CIA," a problem which — from the three examples he cited — might equally well be labeled "the problem of Air America." Hilsman suggests that the problem was one of inadequate control, just as Arthur Schlesinger Jr. criticizes the actions in Laos of irresponsible CIA agents "in the field."

But the CIA continues to have as large a responsibility as ever for our billion-dollar covert war in Laos. Still more surprising, air support for this and other covert activities in Asia continues to be supplied by Air America, a "private" and hence uncontrollable airline whose capital, as we shall show, is derived in large part from Kuomintang sources in Taiwan.

### ***[The Problem of Air America]***

Worse still, though it is commonly hinted in the U.S. press that the CIA "uses" the KMT-linked Air America, I shall argue that the truth is at least as much the opposite way around. Air America is a powerful agent for an expanded war in Asia precisely because it is private, and hence not responsive to Congressional or even Presidential control. Its power, at least until recently, has been derived from that of its financial backers: a strange coalition of KMT wealth in Taiwan and the inherited Wall Street wealth of Manhattan bankers to be found in the *New York Social Register*. [I would still point to the role of KMT wealth in determining Air America policy. But the central problem on the American side, I would now say, was in fact not "inherited Wall Street wealth," but the lack of central USG control, perhaps designed for the sake of "plausible deniability."]

Air America is admittedly a marginal instrument in the present expanded Indochina war; yet it has been from the margins, the

covert operations in inaccessible places like Laos and Cambodia, that escalations have proven likely to arise. In Nixon's projected "low profile" for U.S. actions in Asia, the role of the "private" airline will almost certainly increase; and today Air America is indeed taking steps to increase its roster of pilots.

The important point is that Air America's "privateness" does not make it remote from the sources of power in this capitalistic society; it makes it close to them. And Washington's desire for peace in Asia will not have been demonstrated until such time as it ceases its contracts with an airline over which it is convenient to have no control.

For example, it is true that, in January 1970, Nixon terminated the unmanned "drone" reconnaissance overflights which had been secretly resumed in October 1969 a few days after Ray Cline's return from Germany.

Yet this constructive step is more than nullified by the actions reported on April 13, 1970 in the *Dallas Morning News*:

American pilots working with the Central Intelligence Agency (CIA) are making low-level, night-time flights over Communist China to further dissension and eventual revolution, the Dallas News has been told by a former government flier. "Our boys are doing quite a bit of flying into China," said John Wiren in an interview.

"They fly upriver at night in old PBY's [Patrol Bombers]. They drop [Chinese Nationalist] guerrillas and supplies put in there to stir things up." Wiren... who spent much of the 1960's flying for the CIA-sponsored airline "Air America" in Laos... said the clandestine flights are made into China as part of a long-range strategic plan. "The big plan is for revolution in

China," he said.

### ***[Joe Alsop: A Manufacturer of Crises]***

Today the excesses of Indochina, and particularly of America's recent Cambodian adventure, may well have weakened the status of those in America who still harbor such fantasies. It can however be shown that, in the genesis of the Second Indochina War, such individuals, even though "private" rather than "public," played a role that was central, carefully deliberate, and recurrent.

Take for example Joe Alsop, the man who in the not wholly playful words of Townsend Hoopes, "seemed at times to have invented the Vietnam War."<sup>21</sup> "Unexpected" crises in Indochina are not infrequently preceded by Joe Alsop's ominous visits. The last was to Vietnam in April of this year, when he wrote from Saigon to attack "the possibility that havoring and wavering in Washington can cause us to lose the golden opportunity in Cambodia," to pacify at least half of South Vietnam."<sup>22</sup>





**[Joseph Alsop in 1974. Source: *New York Times*]**

This timely visit recalls others. Alsop visited Taiwan and Indochina in late 1953, as the French were making their fateful buildup at Dienbienphu; he was the first to report USAF support for Dienbienphu before announcing his conversion to Chiang's and Macarthur's view that "there was no substitute for victory" in Asia.<sup>23</sup>

He visited Laos and Vietnam in April 1961, in time to witness "Operation Noel," the first U.S.-advised paratroop operation in Indochina (with transports piloted by Nationalist Chinese and/or American pilots of Air America)<sup>24</sup> and to "discover" a colonel in Vietnam's Kien Hoa

Province named Pham Ngoc Thao, who for the next two years was primed by an activist CIA faction as a candidate to displace the increasingly untrustworthy Ngo Dinh Nhu.

This Alsop visit preceded by one month the fateful tour in May 1961 of Vice-President Johnson, which led in turn to Kennedy's Vietnam commitments. In May 1964, finally, Alsop returned to Indochina and advocated the bombing of North Vietnam, on the eve of the June 1 Honolulu Conference which in turn preceded the Tonkin Gulf Incidents.<sup>25</sup>

But the most productive of Alsop's visits was undoubtedly that of August-September 1959, when, as we saw in an earlier issue of *Ramparts*,<sup>26</sup> America's covert war in Indochina can be said to have begun. On that occasion two cargo planes of the Taiwan commercial airline Civil Air Transport (i.e. two Air America planes) arrived in Vientiane on August 22, four days before an emergency aid program to pay for them was signed in Washington on August 26, and a week before "proof" of an August 30 North Vietnamese invasion was first brought forward.

Written "En Route to Vientiane," Joe Alsop's column of August 26 predicted "that the key city of Sam Neua will soon turn into another Dienbienphu," an absurd charge that was nonetheless echoed almost immediately by the CIA's protege General Phoumi Nosavan and by the U.S. press. Alsop arrived barely in time to interview the pretended survivors of a non-existent North Vietnamese "invasion" on August 30; his alarmist report of September 2 contributed to a secret U.S. Executive Order of September 4, under which, among other things, the first U.S. ground troops (an Army Signal unit) were apparently dispatched to "neutral" Laos.<sup>27</sup>

***[Secret Orders Adopted in Eisenhower's Absence]***

Denis Warner, another anti-Communist reporter, heard the same “survivors” as Alsop and was contemptuous: “General Amkha accepted as fact what the most junior Western staff officer would have rejected as fiction.”<sup>28</sup> Bernard Fall goes further and suggests that the evidence was not only false but deliberately staged. But those who swallowed the bait included not only Joe Alsop, who as Warner must have known had been a U.S. staff officer under Chennault in China during the war, but Alsop’s willing believers in Washington who despatched the undisclosed secret order of September 4.

Apparently, the latter did not include President Eisenhower, who on the crucial day of September 4 was isolated on a one-day golfing holiday at the secluded Culzean Castle in Scotland.

The full content of the secret order is unknown (a later column by Alsop is our only source), but may well have authorized the immediate recruiting of pilots by the “American Fliers for Laos,” a “volunteer” group “said to be negotiating with the Laotian Government for a contract to run an operation like that of the Flying Tigers.”<sup>29</sup> Such authorization was necessary to avoid prosecution under Section 959 of the U.S. Criminal Code, which penalizes anyone who hires or retains another within the United States to enlist himself in any foreign military service.

Congress should ask for the publication of this secret order, to see what it authorized, whether Alsop’s misrepresentations were incorporated into it, how and by whom it was signed, and why it was dated on the day of Eisenhower’s seclusion in Scotland rather than awaiting his return to America three days later.

It is possible that talk of a high-level limited war conspiracy in Washington, perhaps even involving members of the present administration, is not as paranoid as writers like Schlesinger would have us think.

### ***[Pan Am and the Wall Street Overworld]***

One fact is certain: Joe Alsop, along with his Washington friend Tommy “the Cork” Corcoran, was in on the planning for an earlier secret Executive Order, that of April 15, 1941, which authorized Chennault’s American Volunteer Group or “Flying Tigers.”

Nor was Alsop the only link between the two Executive Orders: behind both was the shadowy presence of Pan Am, America’s largest airline in the Far East and a frequent “private” cover for U.S. military preparations before World War II.

In 1941 a former President of Pan Am’s Chinese subsidiary CNAC, William Pawley, was President of the “Central Aviation Manufacturing Company” which “hired” reserve officers as Flying Tigers pilots. In 1959 (as today) the former Pan Am Regional Director for the Middle East and India, George Arntzen Doole, was Chief Executive Officer of Air America, where he was assisted by two other former Pan Am Executives: Amos Hiatt, Air America’s Treasurer, and Hugh Grundy of CNAC, now President of Air America’s Taiwan operation Air Asia.

More specifically, the pilots for the “American Fliers for Laos” were recruited by a veteran USAF combat pilot, Clifford L. Speer. Speer was described as a “major in the Air Force Reserve and civilian employee at Fort Huachuca, Arizona,<sup>30</sup> where Pan Am has a contract to conduct highly secret “electronics weapons” research for the USAF.

Pan Am’s links with the Flying Tigers and CAT/Air America were both intimate and profitable, since Pan Am has always picked up a major share of the supporting charter airlift behind Chennault’s wartime and postwar operations. During the war, Pan Am’s huge Chinese subsidiary, China National Aviation Co.

(CNAC), flew the bulk of what was then the world's largest airlift "over the hump" into China, using many former pilots with the Flying Tigers.

Madame Chennault identifies Gordon Tweedy, a former lawyer with Sullivan and Cromwell who served from 1941 to 1948 with CNAC, as a leading member of Chennault's "Washington Squadron," the group organized by Corcoran and Alsop to mount lend-lease for China. Meanwhile, Marion Cooper, one of the many Pan Am directors who at one time or another have belonged to New York's wealthy and exclusive Brook Club, flew out to China in 1942 to become chief of staff of what was by then Chennault's China Air Task Force.

Thus, paradoxically, Chennault, a man born in Commerce, Texas, who was never popular with the hierarchies of the War and State Departments, had personal links to the Brook Club and to Pan Am, whose other directors in those days included a Vanderbilt, a Mellon, and two Whitneys.

In the 1950s and 1960s, Pan Am again supplied a trans-Pacific back-up to various CAT/Air America operations, starting with the Korean War. For example, it was on May 5, 1953, that Civil Air Transport, using planes and pilots "loaned" by the USAF, arrived in Hanoi to begin its airlift to Dienbienphu. Seventeen days later, on May 22, Pan Am began its "commercial service" to Hanoi, a service opened with the assistance of the U.S. government "in the national interest," and a service which became a chief money-earner for Pan Am during the accelerated Vietnam War buildup.

The Wall Street interest in CAT, however, altogether transcended the profits to be reaped from military airlift contracts alone: CAT was the logistical backbone for the new post-Korean formula to stop Communism in Asia. As Eisenhower put it, "If there must be a war there, let it be Asians against Asians, with our

support on the side of freedom."

The world had been simpler before the war. As the U.S. Navy recorded then in its pamphlet, *The United State Navy as an Industrial Asset — What the Navy Has Done for Industry and Commerce*,

In the Asiatic area a force of gunboats is kept on constant patrol in the Yangtse River. These boats are able to patrol from the mouth of the river up nearly 2,000 miles into the very heart of China. American businessmen have freely stated that should the United States withdraw this patrol they would have to leave at the same time.

After World War II gunboat diplomacy was no longer respectable. Overt intervention was giving way to covert, just as the warship was being replaced by the airplane. In China, above all, there were numerous reasons why the United States wished to avoid too conspicuous an identification with the moribund regime of Chiang Kai-shek. Yet the demands of U.S. businessmen for protection in Asia were as great as ever.

### ***[Civil Air Transport: A Corporate-State Amalgam]***

All of these factors must have influenced the decision of the U.S. State Department indirectly to subsidize General Chennault in the establishment of his post-war "private" Chinese airline, Civil Air Transport (at first called Chennault Air Transport). Kuomintang capital was undoubtedly involved as well, reportedly that of T.V. Soong and his sister Madame Chiang, and assuredly that of the Chinese industrialists Wang Yuan-ling, Hsu Kuo-mo, and

Wang Wen-san (today's CAT Chairman), then Manager of the Kincheng Bank which also invested in CAT.<sup>31</sup>

But CAT's 47 U.S. Army Air Force transports were supplied by the U.S. relief agency UNRRA, for less than a tenth of their original cost, and for no cash. UNRRA gave Chennault contracts for Chennault and his men, including former OSS officers under Chennault such as Malcolm Rosholt

to fly relief supplies into the interior. When his bill for flying the supplies at high emergency rates equaled UNRRA's low charge for the surplus planes, they became his.<sup>32</sup>

At first, UNRRA Director LaGuardia turned down this proposal after he and all other responsible UNRRA officials opposed it as wasteful and unnecessary. However, LaGuardia "was called in for consultation by the State Department and told that both Soong and Madame Chiang had insisted on the need for the airline. LaGuardia reversed himself."<sup>33</sup> The Kuomintang clearly wanted Chennault to stay on to support its widely scattered armies; and indeed when Chennault "got full support of the line, he used it in semi-military support of the Kuomintang."<sup>34</sup>



**[Mail being loaded onto a CAT plane.  
Source: CAT Association.]**

But the U.S. Government was also represented in CAT through Chennault's partner Whiting Willauer, a graduate of Exeter, Princeton, and Harvard. Willauer had first been used as a trouble-shooter to fight Communists in the Criminal Division of the U.S. Justice Department in the 1930s (when he worked with Benjamin Mandel of the Martin Dies-led HUAC Committee). He went on to help overthrow Jacobo Arbenz in Guatemala in 1954 and to represent the State Department in the 1960 planning for the Bay of Pigs.

Willauer was until then a representative of the Foreign Economic Administration engaged in "economic intelligence" in the Far East. During the war, he had worked with Chennault as an employee of the Delaware corporation China Defense Supplies Inc., and as Special Assistant to its President, W.S. Youngman—the postwar partner of Tommy Corcoran. The Chairmen of China Defense Supplies had been T.V. Soong and Frederic Delano, uncle of Pan Am director Lyman Delano.

Another important member of CAT was its treasurer James J. Brennan, a wartime member of Chennault's Washington squadron, who after

the war became a personal secretary to T.V. Soong in China.

CAT in other words, like the Flying Tigers before it, represented a covert alliance between Soong KMT elements and key elements around Tommy Corcoran in the Democratic Administration. This “private” arrangement left Chennault free in 1948 and 1949 to lobby against the State Department in favor of greater aid and airlift to China—particularly to the Chinese Moslem armies of General Ma Pufang in the northwestern Qinghai Province which CAT was then supplying through Lanchow.

By 1949 Chennault’s views and activities were visibly much closer to Nationalist China’s than to the State Department’s. For example in November 1949, Chennault, shortly after a similar visit by Chiang, flew up to Syngman Rhee in Korea, “to give him a plan for the Korean military air force”; at this time it was still U.S. official policy to deny Rhee planes and to arm his men with light defensive weapons only, to remove any temptation to invade North Korea.<sup>35</sup>

### **[1949: US Governmental Involvement in CAT Grows]**

Yet, beginning in this same month of November 1949, covert U.S. government links with Chennault’s Chinese-backed airline began to be markedly increased. At first this new U.S. support was for *ad hoc* rather than long-term strategic purposes. The State Department feared that China’s civil air fleet, if it continued to serve under the new Chinese People’s Republic, would soon be used to mount an invasion against Taiwan.

Thus on November 30, 1949, the day of the fall of Chungking, a dummy Delaware corporation, Civil Air Transport, Inc., was set up to “buy” over 70 planes of Nationalist China’s two

government airlines then taking refuge in Hong Kong. This served to keep the planes (by a process which Madame Chennault has since frankly called a “legal kidnapping”) from being acquired by the newly constituted Chinese Peoples’ Republic.

The State Department could now exert pressure upon the Hong Kong and British authorities on behalf of “an American company,” and it did so energetically. Meanwhile, former OSS Chief William Donovan flew out to Hong Kong with Chennault’s old lawyer Tommy Corcoran, now CAT Counsel as well. The U.S. Consulate in Hong Kong (and its air force attaché, Col. Leroy G. Heston, who had served with Chennault in China) played a particularly active role on CAT’s behalf.

One by-product of the deal was that Pan Am, unlike the other U.S. companies in China, secured compensation for its 20% investment in the airline CNAC. In fact, Civil Air Transport Inc.’s action in writing a check directly to Pan Am in New York, rather than to the CNAC offices in China, was one of the weakest links in its rather transparent case (or what Madam Chennault called “one last anti-Communist ‘miracle’”).<sup>36</sup>

Legally the new Delaware corporation, which supplied \$4.8 million for the deal, issued only two of an authorized 2,000 shares — not to Chennault, but to former T.V. Soong employees Willauer and Brennan. It is possible that the \$4.8 million really came from the CIA; for when the British Privy Council finally awarded the planes to Civil Air Transport, Inc. (overruling the Hong Kong courts), the seventy planes, which had been “bought” for a fraction of their real value, came home to the United States for repairs on the U.S. Navy aircraft carrier *Windham Day*.<sup>37</sup>

But the legal work on the dummy corporation was handled by Tommy Corcoran’s law firm, whose business address was that reported over the next seven years by all of Civil Air

Transport Inc.'s Washington directors: Tommy Corcoran, his law partner W.S. Youngman, whom Willauer had served as Special Assistant in China Defense Supplies, Corcoran's brother Howard F. Corcoran, Duncan C. Lee who had flown out to China for OSS during the war,<sup>38</sup> and Annetta M. Behan, the Notary Public who notarized the company's annual reports filled out by herself.

Neither Corcoran nor the CIA seems to have done anything at this stage to help CAT solve its own financial and operating problems. In early 1950 Chennault had to advise his pilots that they would be put on half-pay and were free to look for jobs elsewhere. The outbreak of the Korean War on June 25, 1950 saved CAT, which promptly began to fly the bulk of the U.S. military airlift inside Korea. On July 10, a second Delaware corporation was chartered: CAT Inc., later renamed Air America Inc. The older Civil Air Transport Inc., having served its limited purpose of "kidnapping," was quietly dissolved in 1956.

Control of the new corporation remained with the officers of the Chinese airline Civil Air Transport, who held four out of seven directorships. The remaining three went to the officer-directors of the holding company Airdale Corp., also chartered on July 10, 1950, allegedly as a pass-through for CIA funds. Airdale Corp. (in 1957 renamed Pacific Corp. has ever since held 100% of CAT Inc./Air America's stock. With fresh capital, specially-recruited pilots, and its Korean charter contracts, CAT was soon prospering, possessing assets of some \$5.5 million, and income in the order of some \$6 to \$12 million a year.<sup>39</sup>

But CAT's new American backing did nothing to change its status as the sole flag air carrier of Chiang's Republic. On the contrary, from as early as October 1950, the Taiwan Foreign Ministry exchanged notes with various Asian countries to confirm the landing and loading

rights of the burgeoning commercial airline CAT.

At some point in the 1950s, at the insistence of the Chiang Government, a 60% controlling interest in the commercial airline (CAT Co., Ltd., or CATCL, a Taiwan company) was granted or returned to the KMT interests who had originally invested in it. Thus, Wang Wen-san—previously Chairman of CAT's Policy Board—replaced Chennault as Chairman of the CAT Board, a post he holds today. He was joined by Henry K. Yuan, a CAT employee, and by Y.C. Chen, apparently a former section chief in the KMT Ministry of Information and Director of the KMT's Overseas Affairs Division.

A 40% interest was retained in the name of Airdale Corp., which in 1957 was renamed the Pacific Corporation. Legally speaking, CAT Inc./Air America Inc. (the Delaware corporation) and CATCL (the Taiwan company) are separate entities. In practice it is difficult to distinguish between Air America's Taiwan subsidiary, Air Asia, and CATCL: the two operations shared directors, officers, facilities, pilots, and above all planes.

### ***[The CIA and "Plausible Deniability"]***

In the typical year 1963, for example, the World Aviation Directory attributed 4,600 employees and 300 pilots to CATCL at the same address. According to a former CATCL publicist, Air Asia "holds a service contract with CAT, which is the way the Americans operate the 'Chinese-owned' airline."<sup>40</sup> CAT's commercial "Mandarin Jet," which crashed in 1968, was leased from the CIA-front "Southern Air Transport" in Miami, which flew in the Caribbean at the time of the Bay of Pigs and also worked with Air America in Laos and Vietnam.

Southern Air Transport's attorney, Alex E. Carlson, also represented the Double-Chek

Corporation (same address) which hired American pilots to fly at the Bay of Pigs.<sup>41</sup> And Whiting Willauer, who in 1960 was the State Department's senior representative on the Bay of Pigs Operation, later testified that CAT pilots trained the Cuban pilots involved.<sup>42</sup>

Meanwhile, it would appear that in February-March 1952, the CIA ended the anomaly of its direct subsidy to the prospering commercial Taiwan airline, [Civil Air Transport]. This was an outfit whose officers were lobbying against State Department policy in the hopes of overthrowing Mao. The airline seemed to have sold its financial interest in Airdale Corp. and CAT Inc. to a closely allied group of New York businessmen, of whom two (later three) were Joe Alsop's club-mates in the Brook Club: Samuel Sloan Walker and William A. Read Jr., joined in 1958 by Robert Guestier Goelet. Walker, Read, and Goelet are still the controlling directors of Pacific Corp. and of Air America.<sup>43</sup>

It is possible of course that the data in the companies' annual reports is misleading, that the Walker-Brook Club group is merely a front, and that the Airdale Corp. continued to be what is technically known as a "proprietary" directly owned by the CIA.<sup>44</sup>

But the support given by the CIA to Air America, such as the recruitment and security clearance of pilots from the military for covert operations, seems overall to reflect a contractual rather than a proprietary relationship, like the links between CIA and Lockheed in the development of the U-2 Program.<sup>45</sup>

Air America, like CATCL, is clearly also engaged in private business for profit, and is said to make on the order of \$10 million a year. According to the *New York Times*, the airline,

...flies prospectors looking for copper and

geologists searching for oil in Indonesia, and provides pilots for commercial airlines such as Air Vietnam and Thai Airways and for China Airlines [Taiwan's new Chinese-owned flag airline which since 1968 has taken over CAT's passenger services].<sup>46</sup>

It is the practice of the CIA to disengage itself from embarrassingly distasteful covert war enterprises it has helped to establish, such as Interarmco, the huge small-arms purchasing firm headed by former CIA agent Samuel Cummings (which imported *inter alia* the Mannlicher-Carcano said to have been used in the assassination of J.F. Kennedy).<sup>47</sup>

In the case of CAT Inc., the divestment seems to have been handled by Walter Reid Wolf, the CIA's Deputy Director for Administration between 1951 and 1953. Wolf was a trustee of the small Empire City Savings Bank in New York, of which Samuel Sloan Walker was Chairman and Arthur Berry Richardson, a third trustee. A fourth trustee, Samuel Meek, was a director of *Time*, in those days strongly pro-Chiang, and later served on the CIA-front "Cuban Freedom Committee."

In early 1952, Walker and Richardson became directors of Airdale (now Pacific Corp.) and CAT Inc. (now Air America) along with a third director, William A. Read, who was Walker's wife's former brother-in-law. Wolf was also a Vice-President of the National City Bank, and Senior Vice-President of its investment affiliate City Bank Farmers' Trust, along with Walker's cousin, Samuel Sloan Duryee. In addition, Wolf and Duryee sat on the American boards of Zurich Insurance and related Swiss companies. About the time that Wolf became CIA Deputy Director, Desmond FitzGerald, a member of Duryee's law firm, joined the CIA and became for years in charge of its covert Indochina operations, working in conjunction with Air America. FitzGerald is said to have spent much of his time in Asia, yet he apparently never

condescended to become a lowly CIA desk officer or station chief. Instead, his cover was that of a private lawyer with a downtown Washington address...

[The manuscript continues. For more of this detailed essay [click here](#).]

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See a [German translation of this article](#) by Lars Schall.

## Notes

<sup>1</sup> The Wikipedia article on Operation CHAOS lists *Ramparts* as one of five “targets of Operation CHAOS within the antiwar movement.” However CHAOS was a Counterintelligence operation. My essay appears to have been handled in Langley by the CIA’s Office of Security (under DD/S Robert Bannerman), rather than the Counterintelligence Center (under James Angleton). This would suggest that it was impounded as a security matter, rather than as part of Operation Chaos, the counterintelligence project directed at antiwar activists.

<sup>2</sup> Two marginal queries on the second page of my MS suggest that a senior CIA officer may not have been aware of the facts I was reporting, including the very relevant one that some Air America planes, despite being funded through a CIA proprietary, were not fully under CIA control.

<sup>3</sup> Seymour M. Hersh, “[C.I.A. Aides Assail Asia Drug Charge](#),” *New York Times*, July 2, 1972.

<sup>4</sup> Alfred W. McCoy, with Cathleen B. Read and Leonard P Adams, *The Politics of Heroin in Southeast Asia* (New York: Harper & Row, 1972), 353, emphasis added.

<sup>5</sup> Peter Dale Scott, *The War Conspiracy: The Secret Road to the Second Indochina War* (Indianapolis: Bobbs Merrill, 1972), 213.

<sup>6</sup> I am often asked why I consented. My chief reason is that I believed in acting transparently, and declined many offers of software to make my computer inaccessible. My second reason was my conviction that, if the CIA wanted my MS, they would be able to obtain it anyway.

<sup>7</sup> William Stevenson, *The Revolutionary King*, 50-51; quoted in Peter Dale Scott, *The American War Machine*, 72. Cf. William O. Walker III, *Opium and Foreign Policy: The Anglo-American Search for Order in Asia, 1912-1954* (Chapel Hill, NC: University of North Carolina Press, 1991), 184-85: “[By 1947,] the United States increasingly defined for Thailand a place in Western strategic policy in the early cold war. Among those who kept close watch over events were William J. Donovan, wartime head of the OSS, and Willis H. Bird, who worked with the O.S.S in China.... After the war, Bird,... still a reserve colonel in military intelligence, ran an import-export house in Bangkok. Following the November [1947 Thailand coup] Bird...implored Donovan: “Should there be any agency that is trying to take the place of O.S.S.,... please have them get in touch with us as soon as possible. By the time Phibun returned as Prime Minister, Donovan was telling the Pentagon and the State Department that Bird was a reliable source whose information about growing Soviet activities in Thailand were credible.”

<sup>8</sup> Peter Dale Scott, *American War Machine: Deep Politics, the CIA Global Drug Connection, and the Road to Afghanistan* (Lanham, MD: Rowman & Littlefield, 2010), 83; citing Foreign Relations of the United States, 1951, Vol. 6, Pt. 2, 1634. The memo described Bird as “the character who handed over a lot of [US] military equipment to the Police, without any authorization as far as I can determine, and whose status with CAS [local CIA] is ambiguous,

to say the least.”

<sup>9</sup> In the 1990s, Dennis Dayle, a retired senior DEA official, said on camera in my presence that “In my 30-year history in the Drug Enforcement Administration and related agencies, the major targets of my investigations almost invariably turned out to be working for the CIA.” (Peter Dale Scott, *American War Machine*, 149); Peter Dale Scott and Jonathan Marshall, *Cocaine Politics* (1998 edition), xviii-xix).

<sup>10</sup> Bertil Lintner, *Burma in Revolt*, 111-14.

<sup>11</sup> Peter Dale Scott, *Deep Politics and the Death of JFK*, 109. The Conference convened to cement this alliance was chaired by Antonio Valladares, the Nicaraguan lawyer for New Orleans mobster Carlos Marcello.

<sup>12</sup> Scott Anderson and Jon Lee Anderson, *Inside the League*, 54-55; cited in Jonathan Marshall, Peter Dale Scott, and Jane Hunter, *The Iran-Contra Connection*, 65. In 1967 the APACL became part of a larger World Anti-Communist League (WACL). According to Wikipedia, Both Hunt and Cline were stationed by OSS in China, where in 1946 they collaborated with OSS Kunming Chief Paul Helliwell (“Ray S. Cline,” Wikipedia). I have not been able to confirm this. I learned much by studying the American delegations to the annual conferences of the APACL, which included the names of young people from America who later became noteworthy for other reasons. Let me cite in particular:

- Spas T. Raikin, the Secretary-General of the American Friends of the Anti-Bolshevik Bloc of Nations., who is named in the Warren Report (p. 718) as the “representative of the Traveler’s Aid Society” who met Lee Harvey Oswald and Marina when they landed in Hoboken after their voyage from Russia in 1962;
- Tom Huston, later briefly famous as the nominal author of the “notorious Huston Plan” of 1970 “for expansive surveillance of domestic protest movements during the Nixon presidency” (“Spying on Americans: Infamous 1970s White House Plan for Protest Surveillance Released,” National Security Archive, June 25, 2020, );
- Douglas Caddy, later briefly famous as the first attorney for the seven men arrested for the 1972 Watergate burglaries.

<sup>13</sup> Hsiao-ting Lin, *The Accidental State: Chiang Kai-shek, the United States, and the Making of Taiwan* [Cambridge, MA: Harvard University Press, 2016]. 141). Earlier, in March 1949, “the White House adopted NSDC 34/2, in which it declared its desire to maintain contact with the CCP [Chinese Communist Party]. In so doing, it hoped to draw the Chinese communists away from the Soviet Union” (Victor S. Kaufman, “The United States, Britain and the CAT Controversy,” *Journal of Contemporary History*, 40:1, January 1, 2005, 96).

<sup>14</sup> Lin, *The Accidental State*, 144: “They were told that the purpose of [the] visit to Taiwan was to conduct private business, including ‘selling fertilizer’.” I presented a version of the Cooke-Fassoulis story in *The War Conspiracy* (279), adding the detail, not reported by Lin, that “Fassoulis, accused of passing bribes as the vice president of Commerce International, was under indictment ten years later when he surfaced in the syndicate-linked Guterma scandals.” Such collaboration between overworld and underworld is not infrequent, leading me to write on occasion of “The Dark Quadrant” (Peter Dale Scott, *Crime and Cover-Up*, 46).

<sup>15</sup> Lin, *The Accidental State*, 145-46. The STP proposal was implemented by Cooke, but not initiated by him. In November 1949, a proposal for such a technician mission had been

proposed in a letter to Acheson by William Pawley, who before the war had been President of Pan Am's Chinese Affiliate CNAC, and who was in business after the war with WCC director John J. McCloy. Pawley asked for "approval or acquiescence" of private American citizens going to Taiwan, if their civil services were contracted directly by the Nationalist government and if the United States took no part therein. Although Acheson gave Pawley the "acquiescence" he requested, nothing substantial followed (Lin, *The Accidental State*, 141-42). At the same time Pawley participated in the elaborate legal scheme devised by Donovan and OPC to transfer ownership of China's civil air fleet (including CNAC planes) from Chinese government ownership to an ad hoc Delaware corporation owned by Claire Chennault and his partner Whiting Willauer (Alfred T. Cox, "[Civil Air Transport \(CAT\): A Proprietary Airline 1946-1955](#)," CIA, Clandestine Services, Historical Paper, April 1967, I, 95ss.

<sup>16</sup> Hsiao-ting Lin, "[Taiwan's Secret Ally](#)," Hoover Digest, 2012 No. 2, April 6, 2012, cf. Lin, *The Accidental State*, 148.

<sup>17</sup> The Australian scholar Greg Poulgrain has written that the Rockefeller family controlled the Dutch firm Nederlandsche Nieuw Guinea Petroleum Maatschappij (NNGPM), which in the 1930s discovered in New Guinea what may be the world's largest and most profitable copper and gold mine, and for decades took conspiratorial steps to conceal the scope of this discovery. After the bloody Indonesian coup and massacre of 1965, the new Indonesian dictator, Col. Suharto, signed an agreement for the mine's development with Freeport Indonesia, where the Rockefellers also had an interest and sat on the board. See Greg Poulgrain, *JFK vs. Dulles*, 19-20, 23. I am very impressed by Poulgrain's life-long research into the Asian part of the story, but I have issues with his claims about the American part.

<sup>18</sup> The fortunes of the Sassoon family and of the Keswick family both derived from the major trafficking of opium through Shanghai (and Jardine Matheson) in the 19th century, when (at least in the eyes of British law) it was still legal.

<sup>19</sup> Lin, *The Accidental State*, 8.

<sup>20</sup> E.g. John Loftus and Mark Aarons, *The Secret War Against the Jews*, 110-11: "The money for the opiates would eventually come from Nazi gold that had been laundered and manipulated by [Allen] Dulles and [Sir William] Stephenson through the World Commerce Corporation." Cf. Scott, *American War Machine*, 72: "Helliwell acquired a banking partner in Florida, E.P. Barry, who had been the postwar head of OSS Counterintelligence (X-2) in Vienna, which oversaw the recovery of SS gold in Operation Safehaven. And it is not questioned that in December 1947 the NSC created a Special Procedures Group "that, among other things, laundered over \$10 million in captured Axis funds to influence the [Italian] election [of 1948]." Note that this authorization was before NSC 10/2 of June 18, 1948, first funded covert operations under what soon became OPC."

<sup>21</sup> Hoopes, *The Limits of Intervention*, 149.

<sup>22</sup> Alsop, *Washington Post*, Apr. 26, 1970, A23. This column of Alsop's appeared the day that the National Security Council was scheduled to discuss Cambodian proposals from the Special Action Group that had been convened on April 22, and four days before the intervention was finally approved. A column by Evans and Novak on the same day, written from Phnom Penh, also spoke of a "golden opportunity."

<sup>23</sup> [Alsop, *Washington Post*, June, 1954; reprinted in *Congressional Record Appendix*, June 14, 1954, A4366. Cf. Alsop's report (*Washington Post*, Nov. 2, 1953, 8) of an interview with

Chiang Kai-shek: “If the United States remains on the defensive in Asia for another two years, it will be needless to talk about Free China being in danger, for the U.S. and the whole free world will then be in deadly danger.’ It must be added that every fact of the situation in Asia appears to support and confirm this grim forecast by the Generalissimo.”]

<sup>24</sup> [Alsop, *Washington Post*, Apr. 6, 1961, A9; Apr. 7, 1961, A8, A17.]

<sup>25</sup> [Alsop, *Washington Post*, May 22, 1964, A19.]

<sup>26</sup> [*Ramparts*, Vol. 8 no. 8, February 1970.]

<sup>27</sup> Alsop, *Washington Post*, Sept. 10, 1959, A9; *London Times*, Sept. 11, 1959, 12. An official DOD spokesman said only that a signal corps unit had been assigned to Admiral Felt, CINCPAC, for use “in that area” as he saw fit. However, the *Bangkok Post* reported the next day that the unit “actually was en route to Laos.”

<sup>28</sup> Warner, *The Last Confucian*, 210.

<sup>29</sup> *New York Times*, Sept. 25, 1959, 4. Nine of the fliers were soon reported to be in Laos, including one active USAF officer (*New York Times*, Sept. 27, 1959, 16).

<sup>30</sup> *New York Times*, Sept. 27, 1959, 16.

<sup>31</sup> *New York Times*, Nov. 11, 1949, 14; *Free China Review*, Nov. 1953, 31. Air America pilots still repeat the rumor that “Madam Chiang owns the planes and we lease them from her” (*San Francisco Chronicle*, April 2, 1970, 31).

<sup>32</sup> Frillman and Peck, *China: The Remembered Life*, 288-89.

<sup>33</sup> [Wertenbaker, “The China Lobby,” *Reporter*, 9.]

<sup>34</sup> Peck, *Two Kinds of Time*.

<sup>35</sup> House Committee on Un-American Activities, *International Communism: Consultation with Major General Claire Lee Chennault*, 85th Cong., 2nd Sess., Apr. 23, 1958, 9-10; U.S. State Dept., *U.S. Policy in the Korean Crisis*, 1950, 21-22.

<sup>36</sup> *Congressional Record*, Senate, Mar. 28, 1950, 4226.

<sup>37</sup> *Aviation Week*, Feb. 2, 1953, 54.

<sup>38</sup> [Ironically, Duncan Lee, who was OSS Assistant General Counsel and before that in General Donovan’s Wall Street law firm, was denounced by Elizabeth Bentley as a Communist Party member and informer in the celebrated HUAC Hearings of 1948. Her testimony seems to have been intended to discredit in that election year not only the Democratic Administration, but also the OSS elements who were returning to it in the infant CIA (despite the bitter opposition of FBI Director J. Edgar Hoover) and the so-called “liberal” or “Rockefeller” faction of the Republican Party (opposed by the Chicago or “Taft” faction, who for a while were able to help Hoover block the formation of the CIA).]

<sup>39</sup> *Colliers*, Aug. 11, 1951, 35.

<sup>40</sup> [Dibble, “The Nine Lives of CAT-II,” *Saturday Review*, 50.]

<sup>41</sup> Wise and Ross, *The Invisible Government*, 1965, 156.

<sup>42</sup> U.S. Cong., Senate, Committee on the Judiciary, *Communist Threat to the United States through the Caribbean, Hearings*, July 27, 1962, 875.

<sup>43</sup> [It is now clear that what I wrote in this and later paragraphs was wrong; and that indeed, as I speculated in the next paragraph, Walker, Read, and Goelet were merely providing a respectable front for a CIA proprietary. In 1975, when the CIA finally privatized its proprietary aviation assets, Air America, Air Asia, and Southern Air Transport were all sold off—the first two to the CIA-linked firm E-Systems. The reported information does however

illustrate correctly how deeply embedded the early CIA was in the northeastern hereditary culture and milieu of the Brook Club and Wall Street.]

<sup>44</sup> [I believe this now to be the case. But in fronting for the CIA, Air America fronted even more significantly for the power which brought both agencies into being: the New York financial interests into whose milieu Air America's controlling directors were born.]

<sup>45</sup> [Air America pilots, like U-2 pilots, are mostly recruited from the USAF, and are said to have the same rights of return into the USAF at the end of their "civilian" tour.]

<sup>46</sup> [*New York Times*, Apr. 5, 1970, 22.]

<sup>47</sup> [Thayer, *The War Business*, 43-112.]