

Socialists, Kissinger cronies plotted Donovan indictment

by Stanley Ezrol

The indictment of Secretary of Labor Ray Donovan Oct. 2 on charges of grand larceny and fraud has been long in preparation by a gang of conspirators from the Socialist International, the AFL-CIO, and the Henry Kissinger wing of the Republican Party. Timed to occur just weeks before the U.S. presidential election, the indictment is just the beginning of a campaign to paralyze the second Reagan administration with scandals, sources in the intelligence community report.

The ouster of Donovan, our sources state, has long been sought by James Baker III of the President's "palace guard," Secretary of State George Shultz, former Undersecretary of State Lawrence Eagleburger, Undersecretary of Defense Fred Iklé, and AFL-CIO President Lane Kirkland—all factional allies of Henry Kissinger. These individuals are seeking to orient the foreign policy of the second Reagan administration toward "covert operations" in the Third World and Eastern Europe, organized and executed by the AFL-CIO's International Division, under the auspices of Eagleburger's "Project Democracy." To do this, they want to replace Donovan with one of their own men.

Dovetailing with the efforts of Kissinger and company is the anti-Reagan mobilization of the Socialist International and the American radical left. The dismissal of Donovan follows a scenario which was laid out in Washington, D.C. in December 1980, prior to President Reagan's inauguration, when participants in a Socialist International-sponsored conference on "Eurosocijalism in America" announced their intention to radicalize the American labor movement as a battering ram against Reagan. The President would be forced to defend monetarist austerity policies and foreign policy disasters: "We'll make Reagan back [Federal Reserve chairman Paul] Volcker to spite us," said one American participant. "We'll Thatcherize him." The use of "organized crime" scan-

dals to target administration figures developed as part of this overall strategy.

The "Eurosocijalism" participants included leading figures in the "nuclear freeze" movement, among them Sen. Edward Kennedy (D-Mass.), whose staff representative to the Senate Labor and Human Resources Committee, Walter Sheridan, has orchestrated the four-year witch-hunt that produced Donovan's indictment. Other prominent members of the Institute for Policy Studies-Socialist International circuit who participated in the "Eurosocijalism" conference have also been active in the drive against Donovan.

Sheridan's role

Sheridan went after Donovan from the start, and testified against the proposed Secretary of Labor in Senate hearings in January 1981. According to one informed source, "Sheridan was the one who was responsible for holding up Donovan's confirmation . . . more or less singlehandedly. Sheridan was the one who's got contacts in the FBI, he's the one who managed to talk to his buddies and find out that Schiavone [Donovan's New Jersey construction company] made payoffs in the first place."

The proof Sheridan offered at Donovan's confirmation hearings was the unsubstantiated word of such witnesses as "Little Ralphie" Picardo, whose trial on murder charges was held up pending his testimony on Donovan and others. The FBI later admitted that it could not corroborate the testimony of Picardo, whom another defense witness called "a whacko" and "a pathological liar."

A long-time associate of Sheridan explained the motive for the probe of Donovan at that time, threatening worse to come: "Donovan's cooperation or lack of cooperation will give a good barometer as to his general outlook. . . . If

Donovan does not toe the line, there are other things that can come out.

"A witness gets a little antsy or cannot be corroborated. So, you put it back up on the back shelf and wait until things go around. In the whole Hoffa prosecution, there were all kinds of things like that."

When Donovan was nevertheless confirmed by the Senate, wheels went into motion to step up "Reagagate." Involved were sections of the FBI, district attorneys in New York, New Jersey, and Connecticut, and leftists associated with the Socialist International and the Institute for Policy Studies. This coalition between the left and the FBI was unveiled at a seminar at IPS Washington headquarters on May 28, 1981, where left-wing muckraker Dan Moldea delivered a speech on "Organized Crime, the Reagan Administration, and the Left" (see Documentation). Moldea pleaded with the assembled leftists to give up their past "prejudices" against the FBI and recognize it as their principal collaborator against "organized crime"—and President Reagan.

The plotters from Project Democracy

According to White House spokesman Larry Speakes, the decision to grant Donovan a leave of absence without pay in response to obviously politically motivated charges was arranged by White House Chief of Staff James Baker III. There is evidence that Baker, Kissinger, and others have been planning the dismissal of Donovan for at least the past several months, to pave the way for an expanded foreign policy role for Project Democracy.

Project Democracy is the plan to channel tens of millions of dollars from the United States Treasury through a layered series of "private endowments" into the AFL-CIO International Division. Although the AFL-CIO has collaborated with the nuclear freeze, with Bulgarian and other terrorist networks, and with Central American socialist guerrilla organizations, the President has been convinced by Kissinger's friend Secretary of State George Shultz that this operation can wage an "ideological battle" against communism. John Lenzowski, the National Security Council's Soviet desk officer and one of the key organizers of the Sept. 28 Reagan-Gromyko meeting, was one of the early promoters of Project Democracy.

The leading figure in the launching of Project Democracy, former Undersecretary of State Lawrence Eagleburger, is a 15-year veteran of Kissinger's semi-secret organization, the Kissintern. Kissinger has now brought him "in from the cold" and appointed him president of his Kissinger Associates consulting firm.

A consultant to the CIA and National Security Council, who also has close ties to Lane Kirkland's AFL-CIO, reported recently that Donovan would be replaced by someone acceptable to Kirkland. "Reagan is very much committed to Project Democracy. That means he will depend for his foreign policy on the AFL-CIO International Division. The AFL-

CIO knows how to play these games in Eastern Europe and in Central America that Reagan wants. The CIA has nothing like it. The State Department is a joke. If Reagan wants that, he will reckon with Kirkland and Kirkland needs a Secretary of Labor he can call on the phone and see in five minutes whenever he wants."

AFL-CIO International Division chief Irving Brown has complained to friends that although he had a "closer relationship" with Eagleburger than with any State Department official in the last 40 years, he has been unable to maintain any relationship with Donovan.

Leaders of the "neo-conservative" Coalition for a Democratic Majority (CDM) report that discussions are now under way among backers of Project Democracy, including Eagleburger, Shultz, Sen. Orrin Hatch (R-Utah), Penn Kemble (executive director of the CDM), and Brown, directed at recruiting either a "neo-conservative" or a Kissinger Republican to replace Donovan. Brown wishes Shultz were available for the job. Kirkland is said to favor "someone like Shultz or his collaborator, Harvard economist John Dunlop." Participants in these discussions say they are trying to persuade Reagan to make such a choice before Nov. 6, by telling him that such an appointment would boost his reelection chances.

Documentation

'Left must ally with FBI against Reagan'

Dan Moldea, best known as the author of the anti-Teamster book The Hoffa Wars, appeared at the Washington headquarters of the left-radical Institute for Policy Studies on May 28, 1981 to deliver a speech on "Organized Crime, the Reagan Administration, and the Left." He had worked out his speech the previous evening with Walter Sheridan, former head of the Justice Department's "Get Hoffa Squad" and later chief counsel to Sen. Edward Kennedy on the Senate Labor Committee. The following excerpts from Moldea's speech were published in EIR on June 23, 1981.

The reason for this seminar today is for me to predict in front of all of you that there is going to be a major organized-crime scandal involving top Reagan administration officials during these next few years, perhaps even in the next few months.

And in anticipation of this, I believe that it is important

for those of us on the left to begin educating ourselves and simultaneously protecting ourselves from the inevitable counterattack from the right. And that counterattack will concentrate on such liberal groups as the American Civil Liberties Union. Presidential aides Ed Meese and William Wilson have already stated publicly that because the underworld benefits from the ACLU's actions, there is reason to believe that the ACLU is being "protected by some organized group that makes their living from misdeeds against society." To date, President Reagan and his administration have shown a frightening tolerance of organized crime. . . . And predictably the left isn't lifting a finger to stop this. . . .

The FBI's Abscam probe is a perfect example. As soon as the sting operations were revealed, the left's immediate reaction was that it was entrapment. The FBI's Abscam and post-Abscam operations like Brilab and Pendorf may prove to be the most effective challenge ever against organized crime. Some of the most dangerous criminals in this country are, for the first time in their crime-proof career, in very deep, very serious trouble. . . . It should be pointed out that those officials who are most dedicated to the war against the underworld are those who were appointed by the previous Democratic administration [the Carter administration], particularly FBI Director William Webster and Dave Margolis, the head of the strike force against organized crime. . . .

Today, President Reagan and his appointees have shown a frightening power [inaudible] organized crime in the United States. And this power is consistent with the growing list of embarrassments officials in the Reagan administration have experienced as a result of innocent, and, I believe, not-so-innocent associations with organized crime figures.

For instance, **Sen. Paul Laxalt** of Nevada, Reagan's campaign manager and described as his best friend, has been openly using his influence in the Republican Senate to cut back probes into organized crime in Nevada. Laxalt is brazen in admitting his friendship with organized crime boss Morris Dalitz, who contributed \$1,000 to Laxalt's senatorial campaign. Dalitz is one of 10 organized crime figures who have contributed thousands of dollars to Laxalt's political campaign since his 1966 gubernatorial campaign. . . .

Attorney General William French Smith, Reagan's longtime personal attorney, attended a party late last year hosted by Frank Sinatra—who has numerous crime connections. William Safire observed in the *New York Times*: "It seems to me that the nation's chief racket-buster should not lend his presence to a man long associated with racketeers, and who now seeks from the Reagan administration the respectability he needs to re-enter the Las Vegas casino scene." Sinatra, of course, has re-entered the Las Vegas casino scene, with the personal help of President Reagan, who wrote a letter to the Las Vegas Gaming Commission about his good friend Sinatra. Also present at the Sinatra party, but overlooked by nearly all press accounts, was Sidney R. Korshak, who has been described by the *New York Times* as "the most

important link between organized crime and legitimate business." One of Korshak's closest friends, according to a June 1976 article in the *Times*, is Lou Rothaman, chief executive for MCA, the entertainment conglomerate. Rothaman also served as the exclusive agent for actor Ronald Reagan for the duration of his acting career.

Secretary of Labor Ray Donovan has been accused by several respected government informants of being associated with a variety of East Coast underworld figures. He is also accused of violating [inaudible] from the Teamsters for a construction firm. He has admitted to hiring a no-show Teamster, which has been argued as having been an admission of making payoffs. On May 22, a Teamster official was indicted for shaking down Donovan's former construction company. However, it should be noted that it takes two to make an extortion scheme happen: the party who received the payoff and the party who makes it. Donovan, who was recommended to Reagan for Secretary of Labor by William French Smith, is far from being off the hook in this matter. Many are predicting that he will be indicted sooner or later. Meantime, Donovan is in charge of the Labor Department and all its businesses, including the numerous investigations and suits pending against the Teamsters' union.

Interior Secretary James G. Watt, who has financed the anti-environmentalist crusade in his previous career, with the help of funding from oil companies, also received several thousands of dollars in contributions from Las Vegas casino operators.

Donald Regan, Secretary of the Treasury, has led the support of his department to Senator Cannon's bill to exempt gambling profits from taxes. According to the Treasury Department, taxes are not an effective deterrent to gambling, and it is wasteful and inefficient to try to collect them.

Finally, what can be said about **President Reagan** himself? Any investigation of the possible association between the underworld and Ronald Reagan should initially concentrate on Ronald Reagan's personal relationship with one man: Sidney Korshak. The *New York Times* described Korshak as "a senior [inaudible] for and senior adviser to organized crime groups in California, Chicago, Las Vegas, and New York. He directs their investments, their internal affairs, their high-level decision making." . . . In the next few weeks and months, FBI Director William Webster will increasingly become at odds with the Attorney General and the entire Reagan administration over the organized crime issue. I believe that Webster should not fight this battle alone. I believe that Webster has distinguished himself as a man of decency and fairness, who has refused to believe there's some mythical Soviet terrorist plot. . . . As a result of this independence from the administration, he is being now attacked by the right. . . . I firmly believe and continue to advocate that the left will be best served to consider what was once unthinkable by sharing a degree of common cause [with] the director of the FBI, particularly in his war against organized crime. . . .