

DEAK & CO. CITED

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By Tad Szulc

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Most of Lockheed Aircraft Corp.'s secret payments to agents in Japan and to Japanese government figures between 1969 and 1975 were transmitted by Deak & Co., a New York-based firm of international currency dealers that for many years has also served as a covert channel for worldwide financial operations of the CIA.

That Deak was used by Lockheed in its Japanese dealings is shown in documents in the hands of the Senate subcommittee on multinational corporations and the Securities and Exchange commission. Deak's involvement with the CIA is a matter of guarded knowledge in Washington's intelligence community.

Therefore it is likely that the CIA was aware all along of Lockheed's secret activities in Japan, including the payments of millions of dollars to the leader of an extreme right-wing Japanese political faction and still unidentified senior Japanese government officials.

ACCORDING TO well-placed American sources familiar with the ongoing investigations of these links, the CIA may have even orchestrated many of Lockheed's financial operations in Japan pursuant to covert U.S. foreign policy objectives. This, then, may be what investigators have called the "missing link" in the wider mystery of secret overseas payments by U.S. corporations.

Between June 1969 and January 1975 Lockheed used Deak & Co. to transfer at least \$8,279,894 in 27 separate transactions to Lockheed representatives in Tokyo for the secret payments. Of this amount, close to \$7 million went to Yoshio Kodama, the most powerful Japanese rightist leader, *eminence grise* and a maker and breaker of a succession of prime ministers.

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Linked Firm Sent Lockheed Cash
to Japan" (CIA Japan)

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Lockheed payoffs in Japan relating to sales of commercial and military aircraft added up to \$12.6 million, but some payments — about \$4.3-million — went through other non-Deak channels. Deak & Co. became Lockheed's hidden transfer agent in June 1969, six months after the aircraft company signed its initial contract with Kodama to be its Tokyo "consultant."

DEAK'S FIRST transfer coincided with the signing of an expanded contract between Lockheed and Kodama. And intelligence sources say that Kodama had a working relationship with the CIA from the time he was released from a Japanese prison in 1948 after serving a three-year term as a war criminal.

Deak & Co., which occasionally handles Lockheed funds through its offices in Geneva and Basel, Switzerland, as well as through Hong Kong and Los Angeles, was founded shortly after World War II by Hungarian-born Nicholas Deak, a wartime officer in the Office of Strategic Services in the Far East. He is not believed to have joined the CIA after the OSS was disbanded, but, according to intelligence sources, he

has continued to have close personal ties with senior agency personnel.

With headquarters in New York City (Deak's own home is in Scarsdale) the company operates through some 20 offices in the U.S. and abroad. These include Zurich, Geneva, Vienna, London, Tokyo, Hong Kong, Macao, Honolulu, Guam, San Juan, P.R., Washington, San Francisco, Los Angeles, Miami, Vancouver and Toronto. It thus offers an ideal network for what are known in the trade as "discreet" transactions, and, according to reliable sources, the CIA repeatedly availed itself of Deak's help.

FOR EXAMPLE, Deak is said to have handled CIA funds in 1954 when the agency overthrew Iran's Premier Mohammed Mossadegh and restored the Shah to the throne. During the Vietnam war, Deak & Co. allegedly moved CIA funds through its Hong Kong office for conversion into piastres in Saigon's unofficial market.

Deak officials in Hong Kong and Macao helped the CIA investigate Far East gold smuggling in mid-1950s.

As in all secret CIA dealings, no documentation is available to prove the reported links between Deak & Co. and the agency.

Lockheed spokesmen refused to discuss the company's connections with Deak & Co. They would not say, for instance, whether using Deak had been suggested to Lockheed by any agency of the U.S. government. Lockheed's international payments are currently under investigation by the SEC. This is one reason, according to the company, that Lockheed refuses to comment on the Deak connection.

Nicholas Deak refused to make any comments about his company or his own background when asked questions about services performed for Lockheed. A

CIA spokesman refused comment, suggesting the CIA would respond to inquiries only if they were made formally under the Freedom of Information Act.

ANOTHER ELEMENT in this complex situation is Lockheed's own traditional relationship with the U.S. intelligence community. The company designed and built the U2 and SR71 spy planes for the CIA. More recently, according to sources, Lockheed has been involved in the production of classified equipment for U.S. intelligence agencies.

Lockheed's internal documents, in the possession of the Senate subcommittee on multinational corporations, state that the company had no knowledge of the ultimate disposition of its payoff funds — including the money paid Kodama. Nevertheless Lockheed was able to provide the SEC with the names of Japanese government officials who received bribes.

All these payments, designed to help Lockheed sell aircraft in Japan, appear to have come from the company's sales profits; Lockheed's auditors have found no secret payoff funds, except in one minor instance.

One intelligence source pointed out that "Lockheed, who had been paying fees anyway to the Japanese to sell planes, would have been a perfect channel for the CIA to move funds secretly to people like Kodama." That Deak & Co. was used as a conduit would make it easier for both Lockheed and the CIA to carry out an operation of such magnitude, especially since 1969.

IT IS UNKNOWN to what extent Lockheed executives knew about a possible CIA tie-in in the company's Japanese operations. Likewise, it is not known whether senior Japanese officials, who are said to have been recipients of Kodama's largess over a six-year period, were aware of the possibility of a CIA role.

Nor is it known how the CIA operated financially in

Tokyo prior to Lockheed's massive entry on the Japanese scene in 1969.

On Jan. 15, 1969, however, Lockheed signed the first contract with Kodama, naming him as its Japan agent and "consultant" for the sale of Tristar passenger jets. On June 1, 1969, the contract was expanded to provide Kodama with consultant fees as well as commissions on sales of planes. In 1973, a new contract added South Korea to Kodama's field of operations. Simultaneously, an amendment added the P3 Orion naval patrol aircraft to Kodama's marketing responsibilities.

Documents in the possession of the Senate subcommittee show that the first receipt signed by Kodama for money received from Lockheed was on Jan. 9, 1969. The first transfer of Lockheed money through Deak & Co. was on June 11, 1969 — for \$67,204. The last known Deak transfer — it was made through a Lockheed bank account in Basel to the order of Deak's separate Far Eastern chain — was on Jan. 20, 1975, and the amount was \$163,934.

IN MOST CASES, however, Lockheed made the payments to Deak & Co. of Los Angeles, Inc., identified as "Agents of Deak & Co. of California, Inc.," for direct transfer by cable to Deak's Tokyo office. About \$4 million of Lockheed-Deak remittances in 1973 and 1974 went from Los Angeles to Deak's Hong Kong office. Checks were then hand-carried from Hong Kong to Tokyo by a Spanish-born priest named Hose Aramiya (whose original name was Jose Gardeano).

Deak did not violate any laws in handling Lockheed funds, but, as a Deak official recently told an inquiring client, "we don't broadcast it" when a transfer is made. A customer can be assured of discretion, the Deak official said.