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Queensland

11th July 2001

Ms Bev Forbes
Secretary
Joint Standing Committee on Electoral Matters
Parliament House
Canberra ACT 2600

Dear Ms Forbes

Submission to the Electoral Funding and Disclosure Inquiry

I refer to your advertisement inviting submissions to the Inquiry into the Electoral Funding of Political Parties, with a closing date of 3rd August 2001.

This submission outlines information relating to allegations of major impropriety involving electoral funding and disclosure. The key allegation is that in 1987 a US\$6 million donation was made to the Labor Party by a company controlled by the CIA. The donation allegedly was in return for the use of Australian soil to illegally transfer arms from the US to Iran as part of what became known as the 'Iran-Contra Affair'.

I believe that there is adequate evidence to warrant close scrutiny of whether this donation was made and what the circumstances surrounding it were. If such a large foreign donation can be made for allegedly corrupt purposes and remain undisclosed and undetected, then this exposes a major defect in Australia's political donations disclosure laws and their enforcement.

In short, the Australian Government at that time is alleged to have assisted the US Government in actions that were found to be illegal in the USA, and a payoff for that assistance allegedly went to the political party that then formed government. If the donation was an inducement or a reward for the Government's complicity in illegal arms trading, then serious questions arise as to the adequacy of the auditing regime governing political donations.

Ari Ben-Menashe

These allegations originated from claims made by Ari Ben-Menashe. Ben-Menashe is a former Israeli military intelligence officer. I have flown to Canada to interview Mr Ben-Menashe on behalf of my newspaper and have several tapes recording his allegations. He remains available to discuss his experiences. In his book *Profits of War* (see Appendices), he claims:

“In February 1987 a “contribution” was made to the West Australian Labor Party by our US counterparts in the CIA. In gratitude for the use of Australian soil for the transfer of arms to Iran, Richard Babayan, a contract operative for the CIA, received a cheque for \$6 million US from Earl Brian, who was acting on behalf of Hadron¹, a CIA “cut-out”. Babayan travelled to Perth and stayed at the home of Yosef Goldberg, an Australian businessman of Israeli origin who was well connected to Israeli intelligence and to the local Labor Party headed by Brian Burke, then premier of Western Australia. Babayan handed the cheque to Goldberg, who in turn gave it to Alan Bond in his role as the guardian of the John Curtin Foundation funds. This money was passed on by one of Robert Maxwell’s companies in Australia to be held by the Pergamon Press Trust Fund in Moscow. Babayan later corroborated the details of this operation in a sworn affidavit.”

The publishers of Ben-Menashe’s book have confirmed that they hold an affidavit from Babayan supporting Ben-Menashe’s account of his role in the making of the donation.

In my taped interview with Ben-Menashe he elaborates on the detail of these events. He is adamant that senior members of the ALP at that time knew about this payment. He claims that Prime Minister Hawke was aware of it, but was at pains to say that Treasurer Keating did not. No mention was made about whether or not the Minister for Defence, Mr Beazley, knew of the payment.

Ben-Menashe also suggests that a bribe was involved.

It is a fact that arms were transferred through concealed routes from the USA to Iran. As a close ally of the USA, it is quite plausible that Australia was part of one of those routes. Ben-Menashe claims that payoffs and bribes were a routine part of these illegal arms deals throughout the world, and in that respect there was nothing unique about the payment to the Labor Party.

US\$ 6 million from the CIA to the ALP

- Hadron Inc is a US company with ties to the CIA.
- Hadron Inc’s Earl Brian gives \$6 million cheque to Richard Babayan, a contract operative for the CIA.
- Babayan gives cheque to Yosef Goldberg, an Australian businessman of Israeli origin well connected to Israeli intelligence and the ALP.
- Goldberg gives cheque to Alan Bond in his capacity as guardian of the ALP’s John Curtin Foundation fund-raising entity.

¹ Hadron Inc. is a US company

The Credibility of Ari Ben-Menashe

Given the seriousness of Ben-Menashe's allegations, it would be in the interests of those affected to attack his credibility. Many claim that he was simply a low-level translator.

Attached to this submission are four letters of reference regarding Ben-Menashe from officials in the Israel Defence Forces, including Colonel Arie Shur, then Chief of External Relations. These letters confirm that Ben-Menashe occupied 'key positions' in the Israel Defence Forces External Relations Department.

When Ben-Menashe applied for asylum in Australia, the Department of Immigration, Local Government and Ethnic Affairs ("DILGEA") was provided with an affidavit, sworn before a US attorney on May 24 1991, which detailed his intelligence record.

Ben-Menashe was subpoenaed by the US Congress to give evidence against CIA Director Bush and President Reagan over the Iran Contra affair. I have spoken to the Special Prosecutor who took Ben-Menashe's claims very seriously. More recently Ben-Menashe has given evidence to the United Kingdom Parliament.

I spent some time with Ben-Menashe and taped several interviews with him. He has detailed knowledge regarding the illegal shipment of arms to Iran. In many cases I have independently obtained information that is consistent with information he has provided. It leads me to the conclusion he is both truthful and credible.

Further Lines of Inquiry

As a starting point, there are several people from whom the Committee may wish to seek further information.

Ari Ben Menashe is still available and willing to talk to an inquiry.

Andrew Palmer and Chris Rowe, lawyers in Perth, were investigators for the WA Royal Commission into the Commercial Activities of Government and Other Matters and may be able to offer some assistance. They interviewed Ben-Menashe and undertook some preliminary investigations but were later instructed that the matter was not within their terms of reference and were ordered to discontinue the line of inquiry. Documents obtained under FOI show that DILGEA was aware of Ben-Menashe's desire to appear before the Royal Commission. He was forced to leave the country before he was able to do so. I would be happy to elaborate on the questionable circumstances surrounding his removal if the Committee so desires.

The investigators prepared a report for the WA Department of Public Prosecutions, in which Ben-Menashe was mentioned. It is suggested that the Committee request the **West Australian Director of Public Prosecutions** to provide this document (or relevant extracts) to the Committee.

The Committee may also seek further information from those allegedly involved in the making of the donation:

Richard Babayan, the CIA operative (now living in Paris), has already sworn an affidavit supporting Ben-Menashe's account and confirming his own role in making the donation.

Yosef Goldberg (believed to be in Sydney), Earl Brian (in jail for fraud) and Alan Bond (now in London) were also alleged to be involved in the transaction.

Ben-Menashe also claims that **Bob Hawke** knew of the donation.

Darryn Jenkins was at the time the Collector of Customs for WA. He was interviewed as part of the attached Sydney Morning Herald article and conceded it would be possible for arms to be brought into Western Australia under a false description. I have located Mr Jenkins in Zambia, but he is reluctant to discuss anything to do with alleged arms shipments through Western Australia.

Finally, I have considerable information relating to this affair and would be happy to assist the Committee in any way possible.

The allegations outlined in this submission are of the most serious nature. It is alleged that a major political party accepted a very considerable sum of money either in return for or in appreciation of the participation by the Australian Government in illegal arms trading.

If true these allegations demonstrate the need to ensure that an effective accountability regime is in place regarding political donations, particularly those from foreign shores. The Parliament must ensure that no organisation or foreign government can influence our government's policies by corrupting our political parties.

Yours sincerely

Marshall Wilson