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President Personally Approved Ransom Plan, McFarlane Insists

Unreported Covert Operation Said to Involve CIA Funds

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Former national security adviser Robert C. McFarlane, contradicting White House denials, insisted yesterday that President Reagan personally approved a secret operation to free U.S. hostages in Lebanon by paying \$2 million in bribes and ransom.

Testifying for the fourth day before House and Senate panels investigating the Iran-contra affair, McFarlane said he had discussed the matter with the president, Vice President Bush and "probably Mr. [Donald T.] Regan," who was then White House chief of staff. Attorney General Edwin Meese III, McFarlane added, provided legal clearance for it. McFarlane said he would have to "think about" the extent of knowledge by Secretary of State George P. Shultz.

Congressional investigators have pursued the ransom episode because it apparently involved another covert intelligence operation by the administration which, contrary to law, was neither formally authorized with a presidential "finding" or reported to Congress. It was also disclosed yesterday that the Central Intelligence Agency had donated \$50,000 to the project without the necessary notification to congressional watchdogs.

McFarlane's remarks about Reagan's authorization of ransom came after White House spokesman Marlin Fitzwater reported that the president said he "did not know there was ever a plan for ransoming hostages," and had never discussed the matter. Fitzwater reaffirmed the statement yesterday.

McFarlane said government record-keeping on the matter had been "fully above board and in writing," but then added he did not know if it was "written down on paper or not." A White House official familiar with the documents said the president's aides have found no evidence to support McFarlane's claim that Reagan approved the ransom plan.

A spokesman for Meese said the attorney general would have nothing to say yesterday about the ransom plan. "If and when the attorney general is called to testify before the committees, that will be the appropriate time for him to discuss this and all other matters," he said.

McFarlane's four days of testimony constantly veered between detailed congressional questioning on his own activities and McFarlane's often meandering ruminations on broad foreign policy questions. When pressed on particular documents or actions, the former top foreign policy adviser in the White House several times lost his usual composure and responded angrily. He appeared more at ease when given the chance to philosophize about government, education and foreign affairs.

House committee Chairman Rep. Lee H. Hamilton (D-Ind.) summed up by noting the irreconcilable "disparity" between McFarlane's broad appeals for administration honesty in dealing with Congress, and McFarlane's actual performance in specific instances, in which administration activities in Central America were concealed from legislators.

These discrepancies left members with enough questions for Sen. Sam Nunn (D-Ga.) to say late yesterday that some witnesses, including McFarlane, might be called back to clear up contradictions.

One significant conflict with McFarlane's testimony emerged with the very next witness, Assistant Secretary of State Gaston J. Sigur Jr. Sigur said that while working for McFarlane at the National Security Council (NSC) in the summer of 1985, Sigur solicited a contribution for the Nicaraguan contras from an Asian country and had told the national security adviser of his efforts.

Sigur said that in June or July 1985 he was approached by Lt. Col. Oliver L. North, then an NSC aide, who said that "he and Mr. McFarlane were interested in finding out what the situation was" with regard to obtaining a contribution from "Country Three," identified privately as Taiwan. The Taiwanese representative told Sigur that such assistance, if given, would have to be channeled through the U.S. government.

But when Sigur reported this stipulation back to McFarlane, the national security adviser said the money transfer could not be handled that way.

Asked by Senate committee counsel Mark A. Belnick whether McFarlane expressed surprise, Sigur said, "No, because I prefaced my remarks by saying, 'in accordance with what Col. North had said you and he wanted me to do.'"

Asked whether McFarlane had warned him against soliciting funds, Sigur said, "Not to my knowledge. I don't recall that at all."

Monday, however, McFarlane testified concerning the same episode. But he said that when Sigur "reported this to me—and I'm a little hazy on the results—but I do know I was very firm in saying to him, 'Absolutely no participation by you or any other staff member in any kind of approach to this country. If they want to make a gift, it's their business and they must do it bilaterally themselves, not with us.'"

Sigur testified that eventually North asked him to arrange a meeting with the Taiwanese official to introduce him to a contra leader. Some time later, the Taiwanese official advised Sigur that his government had decided to provide \$1 million in humanitarian assistance to the contras.

In October 1985, North again asked him to approach the Taiwanese and eventually another mission was contributed.

In connection with Sigur's testimony, Sen. Warren B. Rudman (R-N.H.) disclosed that the \$2 million Taiwanese contribution was transferred into the Swiss bank account of "that great world humanitarian organization, Lake Resources." It was a sarcastic reference to the main account controlled by Albert A. Hakim, and used to finance military purchases for the contras by the "enterprise" of retired Air Force major general Richard V. Secord.

"Country Three might be somewhat disturbed that their several million dollars presently, conceivably, may be in a certificate of deposit in the name of Albert Hakim," said Rudman.

Textiles Bill Woven Into Picture

A new element was added yesterday to the controversy over the Reagan administration's solicitation of foreign countries on behalf of the contras when Rep. Ed Jenkins (D-Ga.) noted that the White House was seeking funds from Country Three (Taiwan) at the same time Congress was debating a bill limiting textile imports from that same country.

Jenkins helped draft the textile bill which passed the House in October 1985, the Senate in November and was vetoed in December by Reagan on grounds that it was protectionist legislation.

According to Sigur, the second solicitation was made just as the bill was being debated in Congress. The State Department, according to Jenkins, lobbied vigorously against the legislation.

"I could go back to my district or around the country and say while I was fighting for this bill, unbeknownst to me, one of the nations that was severely impacted was secretly giving millions of dollars to the Executive branch that later vetoed the bill," said Jenkins. "That ought to be disturbing to me, don't you think?"

"I agree, sir," said McFarlane.

Presidential spokesman Fitzwater asserted yesterday that any solicitations by Reagan of third countries to help the Nicaraguan rebels would have been legal, regardless of restrictions imposed by Congress. "I don't think we have ever felt it's against the law to solicit money from third countries—for humanitarian [purposes] or arms," Fitzwater said.

The controversial ransom operation, mentioned only in passing last week during questioning of Secord, is emerging as a problem for the president and his aides. According to testimony and documents, it involved the use of Drug Enforcement Administration (DEA) officers and informants to locate Americans held in Lebanon and their captors, and developed over an 18-month period in 1985 and 1986.

According to a June 1985 memorandum written by North, the operation was to culminate in the bribing of guards and delivery of the hostages off the coast of Cyprus in May 1986, after a ransom payment provided through \$2 million donated by Texas businessman H. Ross Perot.

Sen. Paul S. Trible Jr. (R-Va.) said DEA had told investigators that the operation had been initiated by Edward Hickey, former director of the White House military office, and now chairman of the Federal Maritime Commission. DEA initially provided \$30,000 and two agents for the White House-directed operation. Later, the CIA contributed its funds to "keep the project going," Trible said.

He said that other money was transferred from bank accounts under the effective control of North and Secord in Switzerland, and distributed to DEA agents.

Trible said Congress should have been notified as required by legislation on covert intelligence operations. He added that the ransom program was clearly contrary to the official administration position against dealing with terrorists.

At the time of that memo by North, Reagan gave a speech after the release of victims of the

June 1985 hijacking of a TWA jetliner in which he said that the United States gave terrorists "no rewards." He added, "We make no concessions, we make no deals."

Congress was not notified, and no hostages were ever rescued as a result of the ransom plan.

A Justice Department source said yesterday that Meese and DEA director Jack Lawn had detailed two agents to the NSC, but that it was with the understanding that the agents were to be used for intelligence gathering and not operations. The two agents involved have provided information to the congressional committees and the federal grand jury run by independent counsel Lawrence E. Walsh.

DEA utilizes a global network of undercover agents and local informants, and is reported to have sources in Beirut. DEA officials assumed that such sources could be useful in locating hostages but did not realize the extent of the operational program as conceived by North, according to persons knowledgeable about the agency.

Hickey could not be reached for comment.

On his final day of testimony before the House and Senate committees investigating the Iran-contra affair, McFarlane said he stood by his story that he had not solicited funds from Saudi Arabia on behalf of the contras. A story in yesterday's editions of The Washington Post reported that McFarlane had twice solicited Saudi officials for contributions, the second time after Congress had terminated military aid to them.

McFarlane made an unannounced visit to the McLean, Va., residence of Saudi Ambassador Bandar Bin Sultan to see King Fahd during his Washington visit in February 1985, according to The Post's account. Afterwards, according to a diplomatic source, McFarlane asked Bandar for a \$15 million Saudi contribution to the contras.

"I remember no such meeting, sir," McFarlane told Rep. Jack Brooks (D-Tex.) . . . "I don't believe there was any meeting at the residence."

McFarlane revealed that Reagan called him Tuesday night and told him he had watched the hearings and found that they "shed more light than anything up to now."

Corrected

Testimony Gets Modification

Addressing the overriding question of his four days of testimony—the president's involvement in actions that might have violated congressional restrictions on aid to the contras—McFarlane yesterday modified his Wednesday statement that the president "had a far more liberal interpretation" of the restrictions than McFarlane.

That had been "probably a poor choice of words on my part," he said. He only wanted to suggest that Reagan strongly believed that the tradition of helping "freedom fighters" was an old one in the United States.

One of the more striking examples of Reagan's help for the contras came in McFarlane's description of Reagan's intervention to free up a shipment of arms to the contras in early 1985. On that point, also, his testimony underwent changes.

Monday, McFarlane said that Reagan had called the head of a Central American country after a local military commander had seized a contra arms shipment following the congressional ban on further military aid to the rebels. McFarlane agreed with Senate counsel Arthur L. Liman that the commander had taken the vote as a "license" for him to take the contras' arms.

Yesterday McFarlane gave another reason: The country "had become very, very unwilling to serve as a transit point for weapons going to the contras because they thought it might engender Nicaraguan attack of them." They wanted "assurance" from the president of U.S. military support in such an event, he said.

Reagan's phone call to the head of the country, identified by sources as Honduras, resulted in the release of the arms.

Staff writers David Hoffman, Howard Kurtz and Mary Thornton and staff researcher Michelle Hall contributed to this report.