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Contra Corruption Said to Worry North

Rebel Leader Confronted in Miami Meeting, Secord Testifies

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While President Reagan and his administration publicly embraced the contras as the modern-day equivalent of the "founding fathers," Lt. Col. Oliver L. North fretted over reports of possible waste and corruption within the movement, retired Air Force major general Richard V. Secord testified this week.

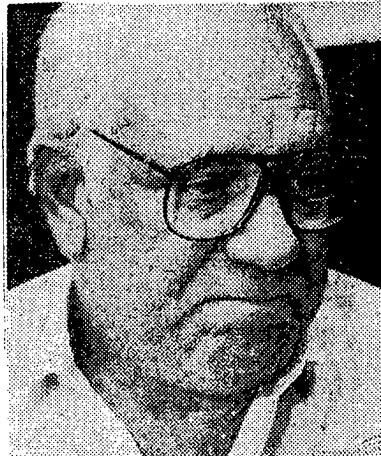
"He was afraid that if anything like this was going on . . . the image of the resistance could be badly damaged, it could be ruinous, in fact," Secord told the congressional Iran-contra committees.

At a late-night meeting in July 1985 at a Miami airport hotel, North confronted contra leader Adolfo Calero directly with the allegations, according to Secord's account.

Calero, in a telephone interview, denied this week that funds were misspent and said the Nicaraguan rebels will be able to provide Congress with a complete accounting. Calero confirmed that he attended the Miami meeting, but said he does not recall North raising the issue of possible misuse of funds.

Another U.S. government official involved in the contra program yesterday confirmed that North had serious concerns about how Calero and his organization were handling the funds. The official suggested that North's concern may have been a factor in the decision in the latter half of 1985 to have Secord play a greater role in disbursing private contributions to the contras.

Secord testified that after November 1985 nearly \$2 million in private donations raised for the contras under North's auspices were deposited in a Swiss bank account that was also used for \$30 million in funds diverted from the secret Iranian arms sales. Between July 1984 and March 1985, about \$32 million allegedly from Saudi Arabia had been turned over directly to



ADOLFO CALERO

... does not recall North's question

Calero's group, the Nicaraguan Democratic Force (FDN).

Secord's testimony, as well as documents released by the select Senate and House Iran-contra committees, also renewed questions about the role U.S. officials in Central America played with the Salvadoran-based contra air resupply operation Secord set up at North's request.

Secord testified at yesterday's hearing that on a trip to El Salvador in April 1986 he discussed the resupply operation with Edwin Corr, the U.S. ambassador to El Salvador. "I know that he was sympathetic with our operation, and I know that he kept track of it," Secord said. But, he said, Corr simply provided "moral support."

A senior embassy official in El Salvador said yesterday that Corr has previously stated that "he would not be doing his job if he did not know about" the operation, but the official added that Corr did not play any active role.

Army Col. James Steele, then the senior U.S. military adviser in El Salvador, provided the air resupply operation "a lot of good guidance and information," particularly in dealing with Salvadoran military officials, Secord said, but refused to pass on intelligence information.

"His rules simply would not permit it," Secord said.

Secord said the Central Intelligence Agency's senior official in Costa Rica at that time, who has been identified under the pseudonym "Tomas Castillo," was the most cooperative U.S. official and provided intelligence to the operation, including where troops were deployed inside Nicaragua. Secord said that Castillo "worked very hard" to try to "keep us as informed as possible and to forward as much information to us as he could." Castillo, who was given a special government encryption device that he used to communicate directly with North about contra air drops, was recalled and disciplined by the CIA after his role was revealed.

At the time the air resupply was under way, Congress had banned U.S. military assistance to the contras. But beginning in January 1986, the CIA was permitted to exchange intelligence with the rebels. A former congressional intelligence committee staffer said the CIA was allowed to provide general intelligence, including information regarding the deployment of troops, but it could not advise the contras on how to carry out a specific military action.

Throughout 1984 and 1985, Reagan sought to contrast the Nicaraguan Sandinista government—which he called a "communist dictatorship"—with the contras, whom he called the "moral equal of our founding fathers."

In a radio address on June 8, 1985, Reagan, singled out contra leader Calero by name and quoted him as saying "true peace can only come with democracy."

Less than a month later in the

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Miami meeting, North confronted Calero with reports that the rebels' dwindling funds "might be getting wasted, squandered or even worse, some people might be lining their pockets," according to Secord, who was present.

Secord said that North specifically expressed concern about the fact that Calero's brother, Mario, a businessman based in New Orleans, was purchasing and shipping clothes and other nonlethal items to the contras in Central America.

North said this was a "potential sore point" because "unless this was carefully handled . . . it could turn into a real mess for [Adolfo] Calero," Secord said.

Mario Calero, in a telephone interview, said he was unaware of any concerns North may have had about his role, but said he can document that there were no improprieties. "If retired general Secord is implying anything," Mario Calero said, "I believe he is . . . talking through his hat."