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\$3.5 Million From Iran Used as Contra Aid, Secord Testifies

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P Retired Air Force major general Richard V. Secord, ending months of silence, revealed at the opening of congressional hearings into the Iran-contra affair yesterday that about \$3.5 million of the \$18 million profit from the 1985-86 sale of U.S. arms to Iran was used to finance the airlift of military supplies and equipment to the rebels fighting in Nicaragua.

Secord, the pivotal private operator in the affair that has haunted the Reagan administration since it was exposed last November, also told the opening joint session of the Senate and House select committees that some of the money went to three other operations at the direction of then-White House aide Lt. Col. Oliver L. North.

These, he said, included purchase of \$100,000 in radio and telephone equipment for an unnamed Caribbean country, procurement of a small ship in April 1986, and payment of Drug Enforcement Administration agents working on a separate project to locate and rescue some American hostages in Lebanon.

The Caribbean expenditures were used to support a covert project directed against Castro's Cuba and the ship purchase last year was intended for clandestine transmission of signals into Libya, according to a source familiar with earlier investigations into the Iran-contra affair.

The Iran arms sale profits became a "slush fund" for covert projects worldwide run by North from the White House, the source said. He added that the \$8 million that Secord testified was in Swiss accounts still controlled by his partner, Albert A. Hakim, originally was to be available for the North operation.

Secord appeared as the leadoff witness at the unusual joint hearings and immediately leveled a bitter attack on Attorney General Edwin Meese III for "prematurely [going] public with grossly inaccurate disclosures about our operations" last November.

"The decision of Mr. Meese, and possibly others, to succumb to anxiety and ignorance is particularly unforgivable in light of the fact that had he been receptive he could have been advised of the facts surrounding these events before his announcement" that funds from arms sales to Iran had been diverted to aid the contras fighting the government of Nicaragua.

"This reasonable option was rejected, and we were, instead, betrayed, abandoned and left to defend ourselves."

Patrick Korten, a Justice Department spokesman, said yesterday that the department had no comment on Secord's testimony. Korten called attention to Meese's statement at the November news conference that "the president directed that we make this information immediately available to the Congress and to the public."

A Secord also testified yesterday that then-CIA Director William J. Casey and a handful of other high government officials in both the Central Intelligence Agency and the State Department did give support to his activities on behalf of the contras. For the first time, Secord

disclosed that he had met privately with Casey to plead for assistance to his operation during a time when Congress had barred the CIA from providing such assistance.

On one occasion, Secord testified, Casey said he would look into the matter. Secord said he had no evidence that Casey had done anything, but in a final meeting Casey mused that Secord could get \$10 million from a foreign country, and believed "George could make such an approach."

It was a reference to Secretary of State George P. Shultz, who has acknowledged that he authorized the solicitation of a \$10 million donation from an unidentified government that has since been identified as Brunei.

Secord's testimony began after a largely ceremonial morning in the Senate Caucus Room where, for more than two hours, members of the two committees gave opening statements, a number of which referred to the "historic" nature of their inquiry.

The statements of the Senate and House chairmen made clear that they had already reached some tentative conclusions about the affair based on the vast amounts of testimony and documents they have seen during four months of preliminary investigations.

"The story is one . . . not of secret diplomacy, which Congress has always accepted, but secret policy-making, which the Constitution has always rejected," said Senate select committee Chairman Daniel K. Inouye (D-Hawaii). "It is a tale of working outside the system and of utilizing irregular channels and private parties accountable to no one on matters of national security, while ignoring the Congress and even the traditional agencies of executive foreign policy-making."

Inouye added, "The story is not a pretty one. As it unfolds in these proceedings, the American people will have every right to ask, 'How could this have happened here?' . . . It should never have happened at all."

"High officials did not ask the questions they should have asked," said Chairman Lee H. Hamilton (D-Ind.) of the House select committee. "Activities were undertaken without authority. Checks and balances were ignored. Important meetings occurred without adequate preparation. Established procedures were circumvented. Accurate records were not kept, and legal questions were not addressed."

However, both the Democratic chairmen acknowledged that Congress also was being tested because congressional oversight had not been vigorous.

"Can we avoid asking whether we were vigilant enough in carrying out our oversight function?" Inouye asked.

The two ranking Republicans, while acknowledging that government failed, clearly differed in their emphasis.

Sen. Warren B. Rudman (R-N.H.), vice chairman of the Senate select committee, said that there already was "sufficient evidence to establish that this is an

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inexcusable fiasco of the first order."

Striking a note that was also hit by several other Republicans, Rep. Dick Cheney (R-Wyo.), vice chairman of the House committee, suggested that Congress, because of its own indecision and changes of heart about assisting the contras, helped set the stage for any abuses that took place.

"One important question to be asked is to what extent did the lack of a clear-cut policy by the Congress contribute to the events we will be exploring in the weeks ahead," he said.

For three hours yesterday in the first of what is expected to be several days of questioning, Secord gave his version of how his involvement in aiding the contras and, later, in providing support for the U.S. arms sales to Iran, began. Under questioning from chief House counsel John W. Nields Jr., Secord said that he first seriously discussed private assistance to the contras with North at a meeting in North's office in July 1984.

At the time, North was a National Security Council staff aide with responsibility for the contras, who were about to lose U.S. military funding. Secord had retired a year earlier after being a deputy assistant secretary of defense, and gone into business with Hakim.

North introduced Secord to contra leader Adolfo Calero, who soon contacted him about selling military equipment. Over the next year, Secord worked out four arms deals with Calero, and gradually developed his own team. After two arms deals that had been arranged through a Canadian company called Trans World Armament, Secord said, problems developed and he brought in an old ex-CIA operative, Thomas G. Clines, whom he described as having "a great deal of experience in Latin America as a counterinsurgency expert and an expert on the procurement of arms."

Clines, Secord said, obtained weapons from "East bloc" countries and in Western Europe.

Arranging for the deliveries in Central America for Secord was another member of his team: Rafael Quintero (alias Ralph), a Cuban American who fought at the Bay of Pigs and reportedly had taken part in covert CIA operations under the direction of Clines. In the early 1980s, Secord, Quintero and Clines were investigated by federal authorities looking at the activities of Edwin P. Wilson, a former CIA agent who was later convicted of selling explosives to Libya. Secord was not charged in the probe but said yesterday that his military career had been cut short unjustly because of the investigation.

Under the arrangement with Calero, Secord said, the profit margin on the weapons sales averaged 20 percent, which he said was low in the arms business. Secord said he shared the profits with Hakim and Clines and by July 1985 had accumulated "several hundred thousand dollars."

At that point, he said, he had a change of heart about accepting the money. "It seemed to me that if I did perform a good service [in Latin America], I would have a good chance of going back into the government." Not wishing to appear to have profiteered on the contras in anticipation of a return to government service, Secord told Hakim that he was renouncing his share, he testified.

During the period of the arms sales to Calero, Secord said, he had the impression that North was only "in the information collection business." Secord said North wanted to be kept informed of what arms were going to the contras, "but he had no further involvement," and Secord said he did not see him very often in the early part of 1985.

But in mid-1985, this changed, he testified. In early July 1985 he met with North and Calero at an airport hotel in Miami in a session that lasted until dawn. North, he said, confronted Calero, complaining about rumors of money being "wasted, squandered, and even worse, some people might be lining their pockets." Secord said that North warned that such reports, if true, could be "ruinous."

Calero, in a telephone interview last night, said he does not recall North raising the issue of squandered funds and that the contras are able to account satisfactorily for how they spent the money.

As a result of the meeting, it was decided to launch a private airlift in support of the contras to replace the U.S. government-sponsored support that had been terminated the previous October.

Secord said that Clines and Quintero both advised him against leading such an operation, but North's position was, "Somebody needed to do it. It had to be done, or they [the contras] were going to be defeated."

Thereafter, Secord said, he met with North periodically, and began organizing the private airlift with the help of the companies of a former Air Force associate, retired lieutenant colonel Richard B. Gadd. Secord said the main problem—money—was discussed with North. Sometime after the July meeting, North told Secord that he would contact donors about depositing money in the Swiss account then under the control of Hakim, Secord's partner.

From then until February 1986, some \$2.2 million was donated to the account, Secord said. These funds were used to purchase second-hand aircraft, pay pilots and crews and begin building an emergency landing strip in Costa Rica.

Once the operation got going, Secord attempted to hire foreign pilots and crews to get around the problem of exposing Americans in case of an accident or a capture. Secord said he contracted with a British firm for two pilots and a loadmaster.

Secord testified that one of the cargo planes used to deliver humanitarian aid to the contras under a State Department program was also used to carry military supplies because it was conveniently in the region. According to documents released by the committee, the direction to carry out the military mission came from North.

In a related matter, President Reagan declared yesterday in a brief comment at the White House that he did not know how money raised from donors to aid the contras was used. He added that he had "no knowledge that there was ever any solicitation by our people with these people," an apparent reference to the fund-raising for weapons purchases that led to last week's guilty plea by Carl R. (Spitz) Channell, the subject of independent counsel Lawrence E. Walsh's first criminal charge.

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Secord's testimony, as well as documents released yesterday, revealed that there was internal dissension in the private airlift operation. Secord singled out a Cuban-American by the name of Felix Rodriguez as a problem because "he voiced all kinds of dissatisfaction with the overall operation, believed that, or at least said that we were profiteering at the contras' expense."

At one point, Secord said, Rodriguez reported they were selling old munitions when in fact they were "shiny new and functioned beautifully." Rodriguez, a former CIA operative who served in Vietnam under Vice President Bush's current national security adviser, was recruited by North to help in the resupply project.

Later, in August 1986, one of Secord's assistants, Robert Dutton, attended a meeting with North and Rodriguez to discuss Rodriguez's claims about shoddy material. "The meeting, however, did not go so well and it was reported to me [that] Mr. Rodriguez had a subsequent meeting with the assistant to the vice president, Mr. [Donald] Gregg, and, I was told, with the vice president as well.

Bush's office yesterday denied knowing of such a meeting. In the past, Bush has claimed that he never discussed the contra resupply program with Rodriguez.

Secord said the private operation did receive support from U.S. Ambassador Louis Tams and "a senior CIA field officer."

"They were simply giving us the right advice and the right contacts and trying to be very helpful," Secord testified.

Secord, in response to a request from Nields for examples of U.S. government officials who gave support to his contra resupply operation,

also listed the U.S. ambassador in El Salvador as well as "a senior CIA official in Honduras," another CIA official in Costa Rica and Col. James Steele, the chief of the U.S. military assistance group in El Salvador.

Secord called Steele "a good moral supporter, a friend, a good officer, but his rules were such that he felt he couldn't give us any material support of any kind, including intelligence information."

However, Secord had already testified yesterday that Steele was one of the six individuals in the contra resupply effort to whom North had given an encryption device used for secure communications. Messages sent on that network reported and directed secret drops of material to the contras.

Another U.S. official with a device was the CIA station chief in Costa Rica, Secord said.

Secord said he had three meetings with Casey between December 1985 and May 1986 during which he described the needs of his contra operation.

Casey, who resigned from the CIA after brain surgery last winter, told Secord at their first session that "they were appreciative of what I was doing . . . and asked what he could do." In the end, however, Secord said Casey was "noncommittal. He didn't promise me anything, but he said he would look into it."

Secord is scheduled to resume his testimony today at 10 a.m.

Staff writer Joe Pichirallo contributed to this report.

