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Profit from Iran sales made way to Nicaragua

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WASHINGTON—A covert intelligence operation run directly out of the White House used money earned from the sale of weapons to Iran to fund the war by Nicaraguan rebels against the Sandinista government.

The arms were shipped to Iran from Israel at U.S. direction and some profits from the sales were funneled to the Central American war through secret bank accounts in Switzerland set up on behalf of the "contra" forces by the CIA.

The White House-directed covert aid to the contras began in 1984 after Congress adopted a law forbidding the U.S. government to support the war against the Managua regime, but specific payments disclosed Tuesday by the White House took place in 1986.

President Reagan said Tuesday he had not been told about the operation to divert money from the Iran arms sales to the contras, and he ordered the Justice Department to conduct an investigation to see if White House aides had committed crimes in carrying out the scheme.

In a briefing for reporters on early Justice Department findings by Atty. Gen. Edwin Meese and through interviews with administration officials who asked not to be identified, a partial account of this series of events began to take shape.

Details of the secret network still were sketchy, Meese said, and investigations of the transactions are planned by the Justice Department, a special White House review board and several congressional committees.

At the center of the operation, according to Meese, was Marine Lt. Col. Oliver North, a National Security Council staff member who directed the operation that funneled arms to Iran and money to the contras. Well-placed sources also said North was in charge of White House liaison with the contras since October, 1984.

North was dismissed from his White House post Tuesday.

Sources familiar with the operation said North directed the arms operation that secretly transferred U.S. weapons from Israel to Iran in quantities far in excess of the value of the weapons set by the Defense Department.

Meese said that from January to September of this year, three to four shipments of arms were sent to Iran from Israel at the direction of U.S. officials. In one to three of the shipments, he said, surplus money was diverted to the contras.

The total amount of U.S. weapons shipped to Iran were valued at \$12 million, according to several sources. There are varying estimates of how much the Iranians actually paid for the arms, but Meese said it engendered \$10 million to \$30 million in surplus that wound up in the contras' Swiss bank accounts.

The U.S. government was repaid, Meese said, for the \$12 million it set as the worth of the weapons.

From Switzerland, the surplus money was drawn by "cut-outs," or middlemen, associated with the contras, then used to buy weapons on the thriving underground arms market in Portugal, according to administration sources familiar with the arrangement.

North made several trips to Portugal over the last two years to help arrange arms purchases for the contras, the sources said. From Portuguese ports, the weapons were shipped clandestinely to Central America, where they were distributed to contra base camps in Honduras, they said.

Retired Air Force Maj. Gen. Richard Secord, a staunch supporter of anticommunist causes, was described by some knowledgeable administration officials as a "key player" in helping North maintain the Switzerland-Portugal supply route for the contras.

Attempts to reach North and Secord were unsuccessful. Associates said North told them Tuesday that he thought he was acting in the best interests of the President. But according to Meese, North acted alone within the administration in arranging financing and arms shipments for the contras.

Meese said Vice Adm. John Poindexter, Reagan's national security adviser, was the only other U.S. official who had an inkling of what was being done in the name of the White House.

"The only persons in the United States government that knew precisely about this, the only person, was Lt. Col. North," Meese said. "Adm. Poindexter did know that something of this nature was occurring, but he did not look into it further."

Poindexter's predecessor as national security adviser, Robert McFarlane, became aware of the diversion of the funds to the contras some time last spring, Meese said.

McFarlane, who was an architect of the arms sales to Iran before leaving his White House post last December, traveled with North last May to Iran as a private envoy representing the Reagan administration.

Meese acknowledged that the Central Intelligence Agency also played a role in helping arrange the secret U.S. weapons shipments through Israel to Iran.

Meese said the CIA acted as the U.S. government's "agent" in ensuring the Pentagon was fully reimbursed for the cost of the American weapons that Israel sent to Iran. Meese said, however, that the agency did not know about North's diversion of funds to the secret Swiss bank accounts.

But other informed administration and intelligence sources said the CIA was deeply involved in both of North's principal covert operations, sending weapons to Iran and channeling aid to the contras in violation of a congressional ban.

These sources, who spoke on condition they not be identified, said the contras' Swiss bank accounts were established by the CIA in 1984, shortly after Congress cut off U.S. military aid to the rebels.

"The boys [at the CIA] had to know what Ollie [North] was doing," said one well-placed administration official. "If not, they're just plain incompetent."

Meese said the Pentagon was fully reimbursed for all the U.S. weapons shipped to Iran through Israel since last Jan. 17, when Reagan signed an "intelligence finding" that authorized the covert arms deliveries and superseded a previous U.S. arms embargo against Iran.

House Democratic Leader Jim Wright [D., Tex.] said Meese told congressional leaders at a private White House briefing that negotiations were carried out by Israel and the Iranians to reach a price on the arms shipments, which was greater than the cost of the weapons to the U.S. government.

In his closed briefing to congressional leaders, Wright said, Meese described at least one of the transactions this way: Arms were sold to the Iranians for \$19 million, after which the CIA reimbursed the Pentagon \$3 million, covering its costs.

Of the \$16 million "residue," Wright said, \$12 million was deposited in a numbered Swiss bank account for the contras. Ultimately, he said, this money became available to contra leader Adolfo Calero.

In Miami, Jorge Rosales, a spokesman for the United Nicaraguan Opposition, an umbrella group for contra organizations, was asked about the Iranian-con-

tra money connection.

"We have no information on that," he replied. "This is an internal problem of the United States. We have nothing to do with it."

One intelligence source said the schemes were so complex that U.S. officials were not certain how much money the Israeli middlemen, described by Meese as "representatives of Israel," received for the arms shipped to Iran. It was also not clear whether the Israelis who handled the transactions were government officials or private citizens.

Officials here remain unsure whether the Israeli government, or arms dealers sanctioned by Israel, made a profit from the arms sales, the source said.

This source said the Israelis in this operation typically sold U.S. weapons to Iran from their own Israeli Defense Force stocks, then requested replacements. The price the Israelis paid for the replacements was negotiated with the Reagan administration, the source said, and it was less than the Iranians paid for the weapons.

In Jerusalem, the Israeli government issued a statement acknowledging that it had served as a middleman for the weapons shipments to Iran, but it strongly denied the money was passed through Israel to the contras.