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THE WHITE HOUSE CRISIS

Time of Trial

A Watergate echo: 'What did the president know, and when did he know it?'

The ghosts of history were rustling again among the marble columns and crystal chandeliers of the old Senate Caucus Room. The TV lights were positioned for another summer of congressional hearings; once again the insistent question would echo: what did the president know, and when did he know it? As in the national trauma called Watergate 14 years ago, the nation has little appetite at this point to learn whether crimes were committed in the Oval Office. But the presidency is again on trial; and after this week's opening, the hearings themselves may well quicken that appetite. And in time for the hearings, special prosecutor Lawrence Walsh quietly established last week that an aspect of the Iran-contra affair had indeed been a criminal conspiracy. With that, the odds rose that Ronald Reagan himself might be seen as part of it.

The key move came when a bit player in the scandal, conservative fund raiser Carl (Spitz) Channell, pleaded guilty to one count of conspiracy and agreed to cooperate with Walsh's investigators in tracing the web of wrongdoing. For openers, Channell admitted that he had solicited private contributions for his tax-deductible National Endowment for the Preservation of Liberty and sent them to the Nicaraguan contras. That had long been suspected, but the confession was a new hazard for the president. Until then, it was widely speculated that if he were guilty of any wrongdoing, it would be that he knew that profits from the sale of arms to Iran were being illegally diverted to the contras. But now Walsh had established that the misuse of Channell's tax-deductible status was a fraud against the government. There

were potentially several witnesses who might establish that Reagan knew what was being done with the money and thus had tacitly condoned a crime—and the first of them, retired Air Force Maj. Gen. Richard V. Secord, was to be the surprise leadoff witness in this week's hearings.

Channell's plea bargain "opened a new front, plain and simple," fretted one White House aide. Presidential spokesman Marlin Fitzwater issued a somewhat lame he-is-not-a-crook manifesto: "It is the legal view of the White House that the president is not part of this conspiracy." Oliver North, the National Security Council swashbuckler who oversaw the Iran-contra operation from the start, once wrote that Reagan "obviously knows" why he was meeting con-

tributors to thank them for their help. But as Reagan and his people continued to insist, the defense was ignorance: he was under the impression that Channell's donors had merely given money for television ads asking Congress to back contra aid. It was not a strong alibi, and White House aides were showing the strain. "We'd be fools not to be worried about this," said one.

It was North's onetime boss, former national-security adviser John Poindexter, who might do Reagan the most damage when he testifies, and Poindexter gave a preview for committee lawyers behind closed doors last weekend. Poindexter's friends have been saying he will testify that the president was informed about the diversion of funds, and White House aides privately concede that this is their working assumption. So they coached Reagan to give him a public stroking: Poindexter, said the president, is "an honorable man" who "was

being in some way protective of me" in not telling about the fund diversion. But the real message was that if it came to Reagan's word against Poindexter's, the president wasn't about to back down.

As the congressional select committees on the scandal settled in for their summer's work, it was an open question whether the hearings would turn out to be a Watergate-style barrage of political bombshells or merely a rattling bore. Going in, the public had little interest in the

whole affair. A new NEWSWEEK Poll showed that although 62 percent of a national sampling think Reagan knew more than he has let on about the scandal, a plurality of 49 percent believes the hearings will only prolong the Iran-contra scandal. Moreover, 52 percent said it is more important to make solid cases against wrongdoers than to get all the facts out. That will take some time in any case: it will be a month or more before the procession of 30 to 50 witnesses comes to a climax with the testimony of North and Poindexter, and chances are the hearings will go on until the August recess. Members and staff alike have been unusually discreet about leaking evidence, but some of them said privately that at a minimum, they expect to prove that top presidential aides violated the Boland amendment ban on federal aid to the contras. Beyond that, said Maine's

Democratic Sen. George J. Mitchell, "this was an executive branch totally committed to circumventing the law because it believed it had a higher moral duty." And that attitude, argued Hawaii's Daniel Inouye, chairman of the panel, made the Iran-contra scandal worse than Watergate itself: it was no less than "the privatization of American foreign policy," bypassing any accountability to Congress and the voters alike.

'Nothing to hide': As the lead witness, Secord brings both drama and suspense to the hearings. A longtime friend of North's and something of a James Bond operator who has run undercover work on three continents (page 20), he had previously refused to appear before the Tower commission, appointed by Reagan to investigate the scandal, and had invoked his Fifth Amendment rights against self-incrimination when asked to testify to congressional committees. But last week he suddenly decided, as Inouye told it, "that he has nothing to hide and that he doesn't believe he has done anything wrong"—and so, without even an offer of limited immunity from prosecution in return for his testimony, he agreed to tell his story. As a pivotal figure in both the

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Iranian and Central American operations, he is uniquely qualified to give what committee staffers said would be an "operational overview" of the arms deal and the contra supply effort, telling what happened and how. When Secord is done, former national security adviser Robert McFarlane, who oversaw the Iran initiative and carried out the climactic mission to Teheran last August, will explain the policy rationale. Privately, committee investigators predict that Secord will be both impressive and telegenic; they worry that McFarlane's dry monotone may not do justice to his material.

Like the Watergate hearings, the Iran-contra probe seems likely to develop a character and cast of its own (page 23). On the first day the 26 senators and congressmen were each to get two minutes for what threatened to be an endless drone of opening statements. The room itself, scene of national dramas from the Army-McCarthy hearings of 1954 to the Watergate drama, has been prepped for the new run with a two-tier dais for the lawmakers, reserved seats for 140 reporters and carefully planned TV lighting and camera angles. To guarantee what Inouye calls "equal opportunity under the klieg lights," he has divided the commit-

tees into questioning teams (each to consist of two senators, two congressmen and three staff lawyers). The teams will take turns grilling witnesses.

The first weeks of the hearings will focus on the contra supply operation. Next the committees will take up the Iran arms sales, and the concluding weeks will be spent exploring how the administration let things get so far out of hand. An early standout will be North's glamorous secretary, Fawn Hall, who has been immunized (with 14 other witnesses) to tell, among other things, how she shredded documents for North when the scheme was unraveling. The committees have yet to decide whether to grant immunity to North; Walsh has argued that it isn't necessary and may hamper prosecution, but the betting is that North will be immunized early next month and take the stand June 23, a week after Poindexter (who already has immunity). Committee members and staffers alike were amazed at the trail of computer messages North left behind him, believing all the time that they were being erased. "He's easily the fastest gun in the East on his computer terminal," said Maine's Republican Sen. William Cohen. "He must have been chained to the thing." But Cohen predicts that the volatile North will be an unpredictable witness with a stubborn streak a mile wide. As North put it to a TV interviewer at the weekend, "This Marine is never going to plead guilty to anything, ever." Says Cohen: "He emerges as the only five-star lieutenant colonel in the history of the military."

The money trail in the scandal will be clear by the end of this month, and Cohen predicts: "You'll find there was a lot ripped off along the way." That may well be; Secord's friends say he will testify that all told,

less than \$1 million actually made it from the Iran account to the contras' control.

Getting old: But the key questions will continue to revolve around Ronald Reagan's role in both the Iran initiative and the long effort to support the contras. The Tower commission, says one source, "told us how disengaged the president was. That is less and less the conclusion of people who have spent time on this investigation." And in an interview with CBS, Inouye said Reagan was "very much knowledgeable" about Channell's operations. "He was not just a peripheral player," Inouye said. "He was involved very deeply. People have suggested that he was getting old and he didn't know what was happening. . . . From what we have seen, for example in some of the notes [in his diary], he knew what was happening."

Just how damning that appraisal might be will depend on how closely the testimony links the president to Channell and his operation. Under the law, a foundation like NEPL must use donations only for "religious, charitable, scientific, testing for public safety, literary or educational purposes" if it wants to keep its tax deductibility. With

at least some of his contributors, Channell made no secret of the true purpose of the funds: E. Thomas Clagett, a retired coal-mining executive, has boasted that he gave Channell \$20,000 to buy arms for the rebels against the "Sandinista commies." In all, staffers for the special prosecutor said Channell had collected more than \$2 million to provide military and other nonhumanitarian aid for the contras. Arguably, funds to buy clothing and medicine might qualify as charitable contributions—and for his cover story, Channell pretended that some of the funds went to buy Christmas toys for the contras' children. But the real use was "clearly a non-tax-exempt purpose," the prosecutor said, and thus a conspiracy to defraud the Treasury of taxes.

Stroking sessions: Who was in on the plot? In court, Channell named North and Richard Miller, president of a Washington public-relations firm said to have been used to transfer funds to a Swiss bank account (Miller has denied wrongdoing). Channell is known to have contacted the offices of Vice President George Bush, Attorney General Edwin Meese III, former White House chief of staff Donald Regan, Senate GOP leader Robert Dole and Richard Perle, a former assistant secretary of defense. In addition, he hired Lyn Nofziger, a former White

House official and close associate of the president, for \$240,000 as a consultant, and paid David Fischer, who had been Reagan's personal assistant until April 1985, to help arrange Oval Office visits at which the president could personally thank big contributors. Sources close to Channell say Fischer at first got \$50,000 for each session; later the fee became a \$20,000 monthly retainer. The Washington Post said there were seven such meetings, for donors who gave sums ranging from \$100,000 to more than \$1 million. The New York Times quoted congress-

sional investigators who said they had found "talking points" prepared for Reagan for two of the meetings. Pointedly, the pa-

pers told him to thank Channell's contributors for helping with television commercials—and not to mention weapons at all.

It also remains to be detailed just how closely North worked with William Casey, the former director of central intelligence who is now said to be near death following surgery for a brain tumor, and with North's contacts in the FBI. At Senate hearings last week on the confirmation of FBI Director William Webster to succeed Casey at the CIA, Webster confirmed that North had requested FBI help from his friend and liaison, Oliver (Buck) Revell, to get a delay for Richard Miller's testimony in a grand-jury investigation. Webster also effectively confirmed a NEWSWEEK report that North had been sent copies of FBI reports about investigations of the contra operation, acknowledging that North had received three documents about a case he was interested in. In the end, the Senate Intelligence Committee unanimously voted to recommend Webster for the CIA job.

Lurking bombshells: No one can predict for sure where the trail will lead, or what bombshells lurk in the volumes of material already assembled by the investigators. For one thing, there are strong hints that North's unlogged after-hours meetings and phone calls with Reagan were more extensive than previously acknowledged. Walsh's staff has conducted more than 800 interviews and pored through 200,000 pages of CIA documents and hundreds of boxes of papers from the White House and the NSC offices; more indictments will surely come, and under their pressure new witnesses may well emerge. In a report on his investigation so far, Walsh said last week that the work was "accelerating" and added, "Except perhaps for Watergate, the situation is virtually unprecedented."

Almost surely the Watergate parallel stops there: even if Ronald Reagan were firmly linked to the plot, the idea of impeachment in his last year in office is all but unthinkable. A House Judiciary subcommittee is said to be looking into six laws that the president might have tripped over, but in practice, legal proof would probably hinge on the crucial and blurry question of whether he intended any crime. Still, the president is a long way from home free. As his people see it, he must be telling the truth about his role if only because he is so vehement; the problem is that after months of trying to recover from the scandal's damage, the hearings and Walsh's continuing drumfire can only revive perceptions of the "sleaze factor" in his administration. And with them comes the worst blow of all for Reagan's image and effectiveness: the idea that he is just another politician after all, doing one thing and saying another.

LARRY MARTZ with THOMAS M. DEFRANK,
ELEANOR CLIFT, ANN MCDANIEL and
ROBERT PARRY in Washington