

'It Was My Idea'

Dropping his didn't-know defense, Reagan takes credit for contra aid

Ronald Reagan has never made any secret of his commitment to the men he calls "freedom fighters"—the Nicaraguan contras battling the Sandinista regime in Managua. But with the Iran-contra scandal chipping away at the foundations of his presidency, he consented grudgingly to be pictured as a remote and disengaged president whose blurriness about details extended to the contras too. That role clearly chafed; and last week, when his handlers decided that the congressional hearings on the scandal had blown Reagan's cover and it was time to fall back on a new legal defense, it was just Reagan being Reagan when he burst out of his contra closet. "I was kept briefed on that," he told a group of Southern journalists. "As a matter of fact, I was very definitely involved in the decisions about support to the freedom fighters—my idea to begin with."

The president's born-again activism fell short of admitting that he had personally solicited contributions to the cause or that he condoned activities by his aides that violated congressional restrictions on aid for the contras. But the new legal line was that even if he hadn't obeyed the law, he decided it simply didn't apply to him. That was a notion that had some congressmen sputtering with indignation, though it might well stand a legal test. Perhaps more important was the political impact. With polls showing that more than half the people believe Reagan was more deeply involved in the affair than he has let on, would a confession that they are right help or hurt? His aides were clearly worried, but the president held to his trademark optimism. "I've been wounded," he conceded last week. "I haven't seen any evidence that I've been mortally wounded."

Pointing fingers: What triggered the new legal stance was last week's testimony by Reagan's former national-security adviser, Robert C. McFarlane. He told the joint panel investigating the arms-for-hostages deal with Iran and the diversion of funds to the contras that Reagan had "made clear that he wanted a job done" to keep the contras going despite the several Boland amendments limiting or banning aid. McFarlane said that he had briefed Reagan "dozens" of times on what was being done and that Reagan had been personally involved in discussing donations by Saudi Arabia and

in expediting a weapons delivery to the contras. With that, the didn't-know defense became a quibble. And with dozens of witnesses still to testify, no one at the White House could be sure what further fingers would be pointed—or what documents might back up the accusations. By one account, National Security Council aide Oliver North's secretary, Fawn Hall, smuggled papers out of the White House for him in her underclothes. That story triggered an indignant denial from the secretary and a classic tabloid headline in the *New York Post*: PANTYSCAM FUROR!

The hearings themselves were hardly great television; one relieved White House aide reported that private polls "show an overwhelming majority of the American people aren't watching." McFarlane proved a numbing witness, artful at deflecting sharp questions with a monotone filibuster or a sudden angry tirade. As the focus turns from an overview of the affair to a parade of minor witnesses delving into details, the ratings and headlines seem likely to shrink even smaller.

Still, the first two witnesses, McFarlane and retired Maj. Gen. Richard Secord, piled up impressive evidence implicating themselves and their former colleagues in what could be crimes ranging from conspiracy to obstruction of justice. They described covert operations so understaffed, amateurish and downright bumbling that lawmakers compared North and his secret agents to the Keystone Cops (box, page 18). And with Fawn Hall, North himself and McFarlane's successor, John Poindexter, still to tell their stories, there would surely be more high drama and low comedy to come. This week's testimony could be particularly damaging to the president's freedom fighters: by one account, North's courier Robert Owen will tell of money skimming and drug dealing by some contra leaders.

As Reagan told it last week, his stance has never changed and he has never disguised his knowledge about the contras. "I don't have to know more about that. I know all about that," he said. In truth, however, he had not previously been so forthcoming. At one time or another he has said that he didn't know whether North was taking orders from former CIA director William Casey, that Poindexter and North "just didn't

tell me what was going on" and that he thought he was thanking contributors to the contras in the Oval Office because they had given money for television ads. And he still maintains that he didn't know that profits from the arms deal were being diverted to the contras.

McFarlane's testimony backed the president all the way: although Reagan "had a far more liberal interpretation" of the law than McFarlane did, he never ordered or condoned any violations of the law, McFarlane insisted. But he was persistently fuzzy as to just what he had told the president in his dozens of briefings on the contras. Once, when committee chairman Sen. Daniel Inouye tried to pin him down on what he had said about Oliver North, McFarlane admitted only that he told Reagan North was "a very tireless, very hardworking, devoted officer." Still, McFarlane's story was a basic blow to Reagan's posture of detached ignorance. In two specific cases McFarlane put him at the front of the contra cause:

■ In February 1985, just after Reagan met with Saudi Arabia's King Fahd in the White House, the Saudis agreed to double their support for the contras to \$2 million a month. The administration tried to persuade Congress to agree to a \$3 billion arms deal with the Saudis. The White House and McFarlane denied there was any quid pro quo, but Reagan conceded that the king had brought up the contras—and McFarlane said he had stressed Reagan's concern for the contras to Saudi officials in setting the agenda for the conversation.

■ Soon after Congress banned arms shipments to the contras, McFarlane said, the Honduran military confiscated a shipment of weapons on the way to them. He said Reagan called Honduran President Roberto Suazo, as Senate counsel Arthur Liman phrased it, "to make sure that the contras' arms were released to them."

Plain intent: The Fahd incident in particular was troubling on high policy grounds: even without an explicit bargain, should a president secretly accept favors he might have to return? But the immediate question was, had Reagan broken the law?

Both these incidents came in the time when the most restrictive Boland amendment was in effect, banning use of funds by any U.S. agency involved in intelligence activities to support, "directly or indirect-

Continued

ly. military or paramilitary operations in Nicaragua by any nation, group, organization, movement or individual." Massachusetts Democrat Rep. Edward Boland, author of the amendment, maintains that the language is clear and explicit, but lawyers say otherwise. There is debate, for instance, whether the NSC is legally an agency involved with intelligence, even though it oversees all such activity for the president. Nonsense, opponents argue, the president himself is an officer of the government involved in intelligence activities, and the plain intent of the bill was to ban just this kind of act.

Hanging tough: The new Reagan defense, worked out in an analysis by White House counsel A. B. Culvahouse, aims to slice through all such debate by making it irrelevant. The president has a constitutional right to conduct foreign policy, Culvahouse argues, and Congress can't infringe on it. Furthermore, if Congress wanted to try, it should have named the president along with intelligence agencies among those banned. So, even if Reagan had asked Fahd directly to help the cause, "there was nothing ever in the Boland amendment that could keep me from asking other people to help," the president told NEWSWEEK and three other magazines in an interview.

That theory wasn't absurd, but it reminded some of Richard Nixon's claims to executive privilege in the Watergate crisis—and of his later contention that "when the president does it, that means it is not illegal."

Sen. Patrick Leahy of Vermont, for one, said the new stance amounted to "pretending that the president is not part of the government . . . The president is not above the law." If his aides believed their actions were legal, Leahy demanded, why did they take "the enormous steps they took to hide what they were doing and even lie about those activities?"

That raised a point that McFarlane's testimony also underlined: whatever the president's liabilities under Boland, his aides stood exposed on numerous fronts. McFarlane said he had always felt the amendment meant what it said; common sense taught him that the intent of Congress was that "no one in the government" should support the contras. Boland aside, McFar-

lane seemed to expose himself and others to charges of conspiracy and obstruction of justice; he testified, for instance, that North had told him after the scandal broke that there was going to be a "shredding party"—and that he had not done anything to prevent it.

Confirming his testimony in earlier hearings on the scandal, McFarlane also said he participated in falsifying a chronology being assembled in North's office before that investigation. And in a 1985 letter drafted by North, McFarlane assured House Intelligence Committee chairman Lee Hamilton: "I can state with deep personal conviction that at no time did I or any member of the National Security Council staff violate the letter or the spirit of the law." Last week McFarlane admitted he found six documents indicating that North had in fact crossed the line, and he suggested that North prepare altered versions.

For all his monotone and evasions, McFarlane was a compelling figure. He left an overwhelming impression of sadness, a weary and broken man in the shards of his career; the honor he was trying to salvage consisted of protecting his president and his old friends as well as he could. He was also trying to stay out of jail. So he avoided direct admissions of wrongdoing; when pinned down, he preferred to say, "I think that's fair" or "I take your point." He filibustered on issues from the shortcomings of Congress to dealing with terrorism. At one point, under questioning about his failure to stop North's "shredding party," he flared sarcastically: "That's right. And I deserve responsibility and I ought to be prosecuted to the full extent of the law and sent away."

Still, McFarlane made no bones about his and his colleagues' broad errors of policy and judgment. If the goal was right, he said, "we didn't choose the right instrument to do it. Succinctly put, where I went wrong was not having the guts to stand up and tell the president that." And when Hamilton lectured him eloquently on the danger to the constitutional process if the White House deceives Congress, McFarlane said softly: "There is no rebuttal."

But the problem goes deeper: as McFarlane said himself in his opening statement, men and women in power must change their attitudes and behavior. Why, after all, had McFarlane not told the president what he thought? "To tell you the truth," he said, "probably the reason I didn't is because if I'd done that, Bill Casey, [former U.N. ambassador] Jeane Kirkpatrick and [Defense Secretary] Cap Weinberger would have said I was some kind of commie, you know." Any administration where that kind of macho bluster passes for debate is in deep trouble. And the buck stops with the boss who permits it.

LARRY MARTZ with RICHARD SANDZA,
ROBERT PARRY, THOMAS M. DEFRANK and
MARGARET GARRARD WARNER in Washington

Continued

Oliver North and His Merry Band

On the trail of 'the gang that couldn't shoot straight'

The casting for the Reagan administration's Iran-contra fiasco was dubious from the beginning. When the contra-support operation was put in the hands of the National Security Council, it fell to Robert McFarlane—a man with no covert experience—and his overly gung-ho aide, Marine Lt. Col. Oliver North. North in turn recruited a motley crew of ex-agents, mercenaries and fortune hunters characterized more by unbounded enthusiasm than expertise. "This," marveled New Hampshire's Sen. Warren Rudman, "is the gang that couldn't shoot straight." And in truth last week's congressional testimony on the scandal revealed an almost comic element of bumbling, amateurism and downright incompetence. The testi-

mony showed that "going off the books" with a privately financed foreign policy involves not only questions of the law, but of effectiveness.

According to documents and testimony from the hearings, CIA Director William Casey memoed McFarlane as early as March 1984 supporting the idea of seeking funds from third countries and setting up foundations to collect donations from private U.S. citizens. North got cracking on it. Then Gray & Co., a Washington public-relations firm, was approached by the contras for help. Although Gray never took on the contras, it was a Gray suggestion that private "proprietary" companies be formed to handle the funds and supplies. But, as North learned, reliable opera-

tives to run such delicate businesses are scarce at best. North found a can-do head man in retired Air Force Maj. Gen. Richard V. Secord but had to accept the fact that Secord and several of the associates he brought in were tainted by past contacts with the rogue CIA agent Edwin Wilson. Other recruits were rank amateurs, like Robert Owen, a Gray & Co. employee who had been spurned by the CIA. Still others, like cargo handler Eugene Hasenfus, were aging Vietnam retreats.

The tone was set by North: hugely energetic, impatient with delays, boyishly taken with code names that carried messages of their own. North was "Steelhammer," among other noms de guerre. Contra leader Adolfo Calero was

"Sparkplug." Weapons were "toys," and the despised State Department was "wimp." Later, when the mission had expanded to trade arms to Iran for help in getting hostages home from Lebanon, North took three Iranian officials on a private, late-night tour of the White House. It was a

harmless stroking to persuade them they were dealing with truly important people, but it seems oddly distasteful in retrospect. Maine's Sen. William Cohen compared it to tours of the U.S. Embassy in Moscow allegedly conducted for KGB agents by Marine guards.

There were moments of

cloak-and-dagger intrigue. Owen, the public-relations man turned courier, told the committee about converting thousands of dollars of traveler's checks from North's safe into cash payments for contra leaders. One transaction took place on a cold and rainy night outside the Old Executive Office Building. Owen waited for a contra leader to come by in a car, then handed him a wad of cash. On at least one occasion there was so much money to launder that Owen enlisted then State Department aide Johnathan Miller to help cash the checks. That tidbit led Miller, who had since moved on to the White House as an aide, to resign last week.

Lost millions: The foul-ups were both minor and major. Once North ordered some military maps for Owen to sneak to the contras in Nicaragua; they arrived mounted on huge panels of poster board. Even more embarrassing was the sultan of Brunei's lost \$10 million, which vanished immedi-

ately after he tried to deposit it for the contras in one of North's Crédit Suisse accounts. Somebody garbled the number of the secret account and the money was mistakenly wired to the account of a Geneva businessman, who used it to buy a certificate of deposit. The funds, plus \$253,000 in interest, are expected to go back to the sultan.

The sloppy work extended to the highest levels. McFarlane testified that there was no real policy discussion when top officials approved an abortive plan to pay \$2 million in ransom for some of the hostages. And on the crucial trip to Teheran in May 1986, McFarlane testified, the U.S. group had not nailed down who would be negotiating with it or even that hostages would be released in exchange for the arms. "So much time was spent on secrecy," said Cohen, "that there was little time for competence."

RICHARD SANDZA and
DAVID NEWELL in Washington

Bundles of cash in the rain: Owen (right) tells his tale

JOHN FICARA—NEWSWEEK

