



Part V

The Flow of Funds: The Prosecution of the Private Operatives

Overview

Amid the complexities of Iran/contra were crimes of a more common sort: those committed for personal enrichment.

Once Reagan Administration officials decided to conduct foreign policy off the books, outside of congressional funding and oversight channels, crimes of greed followed. The decision to flout Government procedures meant that private profiteers could control tens of millions of dollars without accountability, under a cover of secrecy and with the claimed cachet of the White House. The decision to employ the same profiteers in two covert but disparate operations led to the commingling of funds and to the Iran/contra diversion. In short, the privatization of Government covert operations presented fertile ground for financial wrongdoing.

The overarching money crime in the Iran/contra affair formed part of the central conspiracy charge against Lt. Col. Oliver L. North, Vice Adm. John M. Poindexter, retired Air Force Maj. Gen. Richard Secord and Albert Hakim. The four co-defendants were charged in March 1988 with conspiring to use proceeds from the sale of U.S. arms to Iran to create a slush fund that could be spent at their own discretion, although the proceeds belonged to the United States. The co-defendants were charged also with theft of Government property, by embezzling and converting to their own use the proceeds generated by the arms sales to Iran.¹

1 These central charges were dropped in January 1989 because the Reagan Administration refused to release classified information deemed relevant by the trial court to the defense case of North, the first of the co-defendants to be tried.

Other money-related crimes stemmed from the Iran/contra affair, resulting in the convictions of those most centrally involved. These included filing false tax returns, the offer and acceptance of illegal gratuities,² and fraud.

2 North's conviction for accepting a gratuity was reversed because of immunity granted to permit his congressional testimony.

CIA Director William Casey in 1984 paired North of the National Security Council staff with Secord to supply the Nicaraguan contras in anticipation of a Government funding cut-off.³ Secord and his business partner Hakim quickly seized the opportunity to graft their business interests onto the policy goals of the Reagan Administration. Former CIA agent Thomas G. Clines became the third man in this profitable venture that came to be known as "the Enterprise."⁴

3 North told Congress that Casey wanted to have "an overseas entity that was capable of conducting operations or activities of assistance to U.S. foreign policy goals that was . . . stand-alone . . . self-financing, independent of appropriated monies and capable of conducting activities similar to the ones that we had conducted here. . . ." (North, Select Committees Testimony, 7/10/87, pp. 314-15.) By the time North testified, Casey was dead.

4 In interviews with OIC and congressional investigators during 1987, Secord coined the term "the Enterprise" to describe the covert operations he and others undertook on behalf of the Reagan Administration. The phrase was not used by the participants while the operations were ongoing.

There were several funding sources for the contras' weapons purchases from the Enterprise: donations from foreign countries that had received U.S. favors, donations from wealthy Americans sympathetic to President Reagan's pro-contra policies, and later the diversion of proceeds from U.S. arms sales to Iran.

In addition to selling weapons, the Enterprise principals with the backing of North assembled a private air force of small planes, pilots and crews to supply the contras with weapons and other lethal materiel. To make deliveries in Nicaragua, they built a secret airstrip in Costa Rica and worked practically unfettered on a Salvadoran military airbase. They purchased a Danish freighter for trans-oceanic weapons shipments and for use in other covert projects. They obtained from foreign officials specious end-user certificates for weapons purchases, so that the true recipients -- the contras -- could not be identified and weapons laws could be evaded. They put at North's disposal a network of shell corporations and Swiss bank accounts, through which transactions were concealed and laundered.

In late 1985 and throughout 1986, the Enterprise became centrally involved in the Reagan Administration's secret arms sales to Iran. This proved a more lucrative business venture than supplying the contras. Tens of millions of dollars were funneled through Enterprise accounts, ostensibly in support of an effort to obtain the release of Americans held hostage in the Middle East, and secondarily to renew ties to Iran. But the profiteers of the Enterprise corrupted the legitimate humanitarian and political goals of the Iran operation by inflating the prices for the weapons and by putting business interests ahead of their duties as Government agents.

The links between the private operatives were long-standing. The Secord-Clines relationship dated back to the 1960s, when both had worked in secret Government operations in Southeast Asia. Secord and Hakim met in the late 1970s, while Hakim was seeking to do business with the United States in Iran and Secord was a U.S. official stationed there. By the early 1980s, Secord and Hakim were business partners specializing in weapons-related ventures, and Clines also had become an international entrepreneur.⁵

⁵ Before Iran/contra, all three men had been subject to investigative scrutiny. Hakim was the subject of an investigation examining whether he had bribed Iranian officials on behalf of the Olin Corporation, but he was not prosecuted. Secord was investigated while a Pentagon official for his ties to Edwin Wilson, the former CIA agent serving a life sentence for smuggling arms to Libya's General Kaddaffi; Secord was not prosecuted, but he admitted receiving from Wilson the free use of a private plane. Clines, who had been Wilson's case agent at the CIA, also was the subject of a criminal investigation probing Wilson's activities. As a result of that investigation, a corporation that Clines owned, SSI, pleaded guilty to theft of government property and paid the fine of \$100,000 with money from Secord.

Professional fundraisers also profited by the Reagan Administration's decision to finance its foreign-policy goals outside the congressional-appropriations process. They used the White House, the President's name and other accoutrements of official power to profit illegally. Beginning in 1985, North joined with Carl R. "Spitz" Channell and Richard R. Miller to solicit donations for the contras from wealthy Americans, and ultimately to divert these contributions to the Enterprise. Especially generous donors were rewarded with personal meetings with President Reagan and private briefings from North. Raising money for weapons and other lethal supplies was not a charitable activity under U.S. tax laws, but North, Channell and Miller illegally used a tax-exempt organization, the National Endowment for the Preservation of Liberty (NEPL), for this purpose.

To investigate these money trails, Independent Counsel obtained the Swiss financial records of the Enterprise, bank documents from other foreign countries, extensive domestic financial records, and also the immunized testimony of Enterprise and NEPL officers and employees.⁶ Willard I. Zucker, the Enterprise's Swiss financial manager, was given immunity to illuminate the financial structure of the Iran and contra operations.

6 All grants of immunity were preceded by proffers of testimony.

As detailed in the following sections, Secord and Hakim pleaded guilty to profit-related crimes. Clines was convicted after a jury trial for tax-related felonies. One of the Enterprise's principal corporations, Lake Resources Inc., pleaded guilty to the corporate felony of theft of U.S. Government property by diverting Iranian arms sales proceeds to the contras. Channell and Miller pleaded guilty to conspiracy to commit tax fraud, naming North as a co-conspirator.⁷

⁷ North was convicted of accepting an illegal gratuity from Secord; he was charged with but not convicted of tax fraud. His conviction was set aside on appeal.