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Stenographic Transcript of
HEARINGS
Before the
SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNCLASSIFIED
DEPOSITION OF OTTO J. REICH
Wednesday, July 15, 1987

United States Senate
Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition
Washington, D.C.

Deposition of OTTO J. REICH, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D.C., commencing at 10:08 a.m., the witness having been duly sworn by MICHAL ANN SCHAER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAER and transcribed under her direction.

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EXAMINATION ON BEHALF OF

WITNESS

SENATE

HOUSE

otto j. reich
by mr. smiljanich
by mr. oliver
exhibits
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for identification
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it for you. And if you want to take a break at any time, let me know. I don't anticipate this is going to go on very long, but if you do want to take a break, just let me know.

A I appreciate it.

Q Would you give us the benefit of a brief synopsis of your background, starting with your highest level of education and then your various employments and levels of employment?

A I have a master's degree from Georgetown University. That's the highest level of education. My employment started before that. After graduation from the University of North Carolina I joined the U.S. Army. I went through officer candidate school. After becoming a lieutenant I was assigned to the Panama Canal -- it was then called the Panama Canal Zone -- for two years, came back and went to graduate school.

While going to graduate school I worked on the Hill for a Congressman from Missouri part time to supplement my income and my GI Bill -- W. R. Hull.

Finished graduate school, moved to Florida, went into business with an old Army colleague, an import-export business in Miami importing seafood from various parts of the Caribbean and Central America for about a year. That didn't work out financially, so I joined the State of
Florida Department of Commerce as an international representative.

I'm giving you the major jobs. You don't want to know that I worked in a shoe store and things like that.

Q No. This is fine.

A I did a lot of that, too. Joined the State of Florida Department of Commerce in 1973. I worked with my friend from '72 to '73. '73 to '75 was international representative of the State of Florida Department of Commerce based in Coral Gables, Florida.

In '75 I was hired by the City of Miami as the community development coordinator, which is in effect economic development coordinator, until '76, when I was offered a job and accepted the job of Deputy Director of the Washington office of the Council of the Americas. It's a non-profit association dealing with U.S. corporations, membership of U.S. corporations, dealing with Latin America, and I became Director of the Washington office in '77, a year later, when the Director left.

I had that job until '81, when I was appointed as Assistant Administrator of the Agency for International Development. I was confirmed by the Senate in early '82. I held that job until approximately July 1. I say approximately because there is about three different dates when the Office of Public Diplomacy was created by the National Security Council. I think it officially became an office on July 1 of '83.

I had that job until the President named me Ambassador to Venezuela. The official designation was January of '86, but I had actually signed my papers August of '85. I had a hard time getting confirmed. I was attacked by all sides, which I think helped me a great deal. I was sworn in in May and moved on to Venezuela in May right after confirmation. I have been Ambassador to Venezuela since then.

Q Okay. Your appointments, starting with 1981, Assistant Administrator, on to AID, and then Ambassador to Venezuela, these are all political appointments?

A They are political appointments, correct.

Q Now what was your specific role as Assistant Administrator of AID? Were you the administrator?

A I was the administrator for Latin America and the Caribbean. It's the equivalent of an Assistant Secretary. It's Assistant Administrator. I was the counterpart of what would today be Elliott Abrams and at that time was Tom Enders.

Q And then when you became Director of the Office of Public Diplomacy you started off as the
Director: Is that right?
A  I started out as the staff.
Q  You were the entire staff?
A  I was the entire staff, right.
Q  At that time -- the acronym is LPO, right?
A  At that time it was S/LPD because it was in
the office of the Secretary. We can call it LPO if you
want.
Q  Let's refer to it as LPO.
A  It's a lot shorter.
Q  Because at some point later in time the office
was transferred from the Secretary?
A  That's correct, after I left.
Q  Transferred from the Secretary's office over
to Elliott Abrams?
A  That's correct.
Q  So, thereafter the acronym, instead of S/LPD
is what?
A  Thereafter ARA/LPD.
Q  And when you were directly under the
Secretary, who was your immediate supervisor?
A  On paper, George Shultz. When I say on paper,
there is actually a piece of paper that says, that
designates George Shultz as your supervisor.
Q  So you would report, if you needed to report

example, smaller land reform programs in Guatemala, Honduras, Costa Rica, et cetera -- and there were a lot of aspects of the policy also not related to AID where I thought the Administration was doing a very poor job in informing the Congress and the American people.

So perhaps as a result of all this complaining they said, fine. You go and fix it. How would you like to do this? Actually I have to go back a few months from the time that I got that job. Senator Richard Stone -- I wasn't the only one complaining. Everybody in the Administration, a lot of people, knew what a lousy job we were doing in communicating -- or let me put it this way -- not what a lousy job, because I think we were probably trying, but that we could be more effective.

Sometime in early '83, former Senator Richard Stone of Florida was given the title of Special Assistant to the President for Public Diplomacy or something to that effect. I'm not certainly exactly what he was called. He had that job only a few months because in, I believe, April, late April of '83 President Reagan addressed a joint session of the Congress where he said we've got a big problem here, folks, I need your help -- "folks" being both the Congress and the American people.

Shortly thereafter, a few days thereafter, Stone was named the special envoy for Central America.
whatever reason, and there were some that I specifically knew were either very knowledgeable about Central America, knew the issues, or were particularly good writers or articulate spokesmen.

I tried to choose people with the skills that a public outreach, public diplomacy operation would need. That took quite a few months. Frankly, I don't think we were up to speed for about a year.

Q When you finally got up to full speed how big was your staff?

A I believe that we got up to about 19, 20 people -- 18, 19, 20 people.

Q And who was your principal deputy?

A I had two deputies -- John Blacken, a career Foreign Service Officer.

Q How do you spell Blacken?

A Like black-e-n.

Q He was career Foreign Service?

A He was career Foreign Service, a member of the Senior Foreign Service. And the other deputy was Jonathan Miller. You've heard his name.

Q Between the two of them how were their responsibilities divided?

A Basically sort of Mr. Inside and Mr. Outside. John Blacken was responsible for keeping the enormous amount of information that was flowing into the office flowing. He was responsible for keeping it coming in, making sense out of it, and producing, pulling out all the stuff we didn't need and producing the documents that became, I would say, the principal activity of the office, producing documents, speeches, publications, background papers -- you've probably seen a lot of the stuff -- and also making sure that we would get additional -- if we needed something, he would try to find it, not only in the State Department but also in the other parts of the Executive Branch, whereas Miller was more the outside person.

He dealt with outside groups. We had a lot of outside groups who came to us for information, who were referred to us by other parts of the government, particularly the White House. There were a lot of people who wanted help or wanted to criticize or wanted to contribute ideas, information, and, as you know, there are a lot of groups in Washington that were set up both for and against the policy -- a lot more against than for.

Q Let me interrupt here for just a second. When you say "the policy", are you referring to overall Latin American policy or was there a particular focus within the Latin American policy?
A - Both. The reason why the office was designated as the Office of Public Diplomacy for Latin America and the Caribbean was because we didn’t want to just limit it to Central America, and in fact, for example, the office was in operation at the time of the Grenada rescue mission or invasion, whatever you want to call it, and we did a lot on Grenada. We put out most of the documents that eventually told the story, as we saw it, of what happened in Grenada.

Q  It would be fair to say, though, that one of the primary focuses of your public diplomacy effort was geared toward the Administration’s Central American program, particularly vis-a-vis the Sandinistas’ presence in Nicaragua?

A  It would be fair to say the first part of your statement, and eventually the second part, but if we go back in time to ’83, in 1983 and 1984 the principal issue of debate in the public and in the Congress was El Salvador, not Nicaragua. Nicaragua became the principal issue really sometime after the Congress approved the President’s request for El Salvador and after the Salvadoran elections in the spring and summer. There were two elections because there had to be a runoff -- the spring and summer of ’84.

Then the focus of attention nationwide shifted -- it was almost overnight -- to Nicaragua. And, therefore, the requests that came into the office and the demand for information shifted more to Nicaragua. But that doesn’t mean that we weren’t already working on it. We knew it existed.

Q  Who was the perceived audience of your efforts at public diplomacy?

A  We had a lot of audiences, foreign and domestic -- foreign governments, friendly governments who we felt did not have enough information about the policy, general publics, interested groups, and domestic, of course. I would say the Congress and the press. I’m not putting them in order of priority because one day it would be one and another day another. The Congress, the media, let’s say, interested groups, people who had expressed an interest in the subject and, I’d say, the general public.

Q  Okay. Getting information together and presented to the Congress was part of what you perceived as your function?

A  Yes.

Q  Let’s go to the end of your tenure there, when you left for Venezuela in January of ’86.

A  Well, when I left the office.

Q  When did you actually leave -- when did you
Q. During that time one of your deputies took over?
A. Yes. John Blacken.
Q. John Blacken took over your day-to-day functions?
A. That's correct.
Q. Was Jonathan Miller still a deputy at that time?
A. No.
Q. When did he leave?
A. He left around Labor Day of 1985.
Q. And he went to the White House?
A. That's correct.
Q. And what was his title there?
A. Well, he went to the NSC.
Q. Specifically the NSC?
A. He went to the NSC and I believe his title was Deputy Executive Secretary of the NSC, but we'd have to check on that exactly.
Q. I think that's right, and that was Labor Day, approximately September?

A. When I say Labor Day, I remember it was around that time. I think it was either right before or right after — early September, I believe it was.
Q. Who took his place as Mr. Outside, so to speak?
A. Nobody. I was going to explain what happened.
Q. Well, go ahead and tell me. Go ahead and explain what you did.
A. I started to hire a successor and it took so long that the successor did not arrive until after I was gone.
Q. Now when did you first make the acquaintance of Lieutenant Colonel North?
A. Sometime in 1983.
Q. And how did that come about? He was one of the Latin America people at the NSC?
A. I think it was probably in a meeting when I first came across him — some kind of a meeting or something like that.
Q. Was he involved at all in the discussions leading up to the creation of LPO?
A. No, not to my knowledge. Not that I know of.
Q. Okay. Now let's talk about a few of the contracts that LPO entered into. First of all, were you the contracting officer, so to speak, for LPO?
A: No.
Q: Who was?
A: We had different contracting officers. I made
the decisions eventually — we need this, we need that,
let's find somebody who can do it — but by State
Department regulations there has to be a contracting
office technical representative I believe it's called, or
some kind of liaison officer, and it was never me.
I just didn't have the time to supervise
contractors. I was trying to manage all of our inside
staff, our in-house staff, and doing a lot of traveling
because I was out on the road a lot.
Q: I realize that this is a broad question so I
would expect a broad answer. What types of contracting
services did you find yourself contracting out in generic
terms?
A: Usually we would contract out for services
that we couldn't produce in house because we didn't have
the manpower. As you said, at the beginning of the
office it was just me. For the first year we were very
much understaffed. We were promised people from other
agencies and they eventually arrived, but in some cases
it took six months. I can give you names of people it
took six months to arrive.

During that time — sometime during that time
...
Q. Was it within the first year?

A. I would say it was within the first calendar year -- I should say fiscal year, July to July -- definitely in the first year. I don't remember when our first contract was. The thing on the budget --

MR. OLIVER: Can we go off the record for just a minute?

(A discussion was held off the record.)

THE WITNESS: What I wanted to clarify was I didn't want to leave you with the impression my office had no budget at first. It didn't have an independent budget. But we could use the budget of the Office of the Secretary, and did, up until the time when we had our own budget. And I frankly don't remember when that was either. I believe it was fiscal year '84. I believe that fiscal year '84, which would have been October of '84, was when we first had some money of our own.

But up until then, for example, if I had to travel I would travel on S Bureau funds.

BY MR. SMILJANICH: (Resuming)

Q. And if you wanted to contract for services during that initial time period you had to make sure that the money was available in the S budget?

A. Yeah, sure. We went through the proper procedures, just like a travel voucher.

Q. Just very generally let me look here. I have a few of these IBC contracts here, and the earliest one I have here -- Spencer is bringing us a more complete file that he may want to refer to -- but the earliest one I have here was signed in February of 1984. You might take a look at that cover there. That's just the first document there.

MR. TUCHEY: Terry, are you going to mark this as an exhibit?

MR. SMILJANICH: No.

MR. OLIVER: Isn't that a Frank Gomez contract, not an IBC?

BY MR. SMILJANICH: (Resuming)

Q. Yes.

A. In fact, that may be the first outside contract we had. I don't recall.

Q. That's what I was going to ask.

(Pause.)

MR. TUCHEY: Terry, are you going to ask questions about this contract?

MR. SMILJANICH: I'm not going to get into the details, no, but if anybody does he can certainly refer to it.

MR. TUCHEY: What I'm saying is we won't take
the time to read it now.

MR. SMILTANICH: I don't really need him to.

BY MR. SMILTANICH: (Resuming)

Q My first question about this is, do you recall whether or not this was the first or one of the first outside contracts that LPD would have -- 
A It certainly was one of the first.
Q Now the contract is specifically between LPD and Frank Gomez.
A That's correct.
Q How did you know Mr. Gomez at that time?
A At this time, yes.
Q How did you first make his acquaintance?
A My recollection is that I first met him after I became the coordinator of public diplomacy on the occasion of a briefing that I gave the USIA Foreign Press Center. If I'm not mistaken, he was the director at that time of the USIA Foreign Press Center. I was introduced to him. He took me out to meet the press. I gave my briefing and we said goodbye.
I may have met him another time. I have this recollection that around the time of the Grenada operation, which would have been October -- the first encounter would have been July or August --

MR. TOODY: Of what year?
right requirements.

And, frankly, Gomez' qualifications were very good. In addition to the USIA experience he had been a Deputy Assistant Secretary of State for Public Affairs and knew the region, Central America, had served in the region, spoke the language -- on and on and on -- just made to order for our office.

I don't recall whether -- I think he wanted to retire and not work for us. At first I probably said, you know, USIA owes us a detailee because we were supposed to have two. Can we have him detailed? And I have this vague recollection that no, he wants to retire, but we can hire him as a contractor, and I said fine, let's do it. And this is the result.

Q Did anybody outside your office lobby for or make a recommendation to you to contract with Mr. Gomez?

A No, not to my recollection. The only person I remember is John Scafe.

Q You then met with Mr. Gomez and negotiated this contract? In other words, how did you go about it?

A Well, I certainly met with him. I mean, he came into the office -- I don't remember when -- and said, either he said this is what I can do for you or I said what can you do for us, and it was pretty obvious right away that he could help us a great deal. He might have even brought with him some samples of writing, some things, for example, like fact sheets, etcetera.

We're now going back almost four years in time. I think one of the biggest complaints I had was that there were certain allegations about the policy which were wrong but they kept being repeated. And one of the things he said he could help us with was these misconceptions. So I think one of the first things he did for us was a paper on misconceptions, one-pagers.

I wanted to reduce the enormous amount of information we had to something that could be easily digested by busy people -- Members of Congress, editors, whatever.

Q How did you arrive at a contract price with him? Do you recall that process?

A I don't recall that. What I usually did was I would turn it over to the appropriate people in the Department. I did not set the prices -- at least I have no recollection of ever discussing the price of any contract with anyone, because I don't know what the services are worth. I don't have any experience in that.

Q So you left that up to your staff?

A I left it up to the staff and to the technical people whose job it is to do that.

Q What do you mean the technical people?
A: Well, the State Department contracting office.
Q: In other words, outside your particular staff
at LPD?
A: Oh, yes, outside. Sure. Our inside staff had
no one knowledgeable about contracting. As I said, the
most we ever had, including secretaries, was about 10, 20
people, including the people who did all the mountains of
paperwork. I had substantive people. I just could not
afford to have --

MR. TUCHEY: Let me for the record make not an
objection but a clarification. I think this is an
important one to put on the record. The contracting
officer, the procurement contracting staff, is a separate
entity within the State Department, and that's important
because -- and I will get into more of this later -- I
have discussed at some length with the Inspector
General's staff, I know some of you fellows have, the
inquiry into the contracting process, and I think it's
important that the record reflect, and the Ambassador
certainly will respond to the questions at the
appropriate time, that there was a separate contracting
officer staff that handled a lot of these negotiations
that was not under his control.

MR. SMILJANICH: I appreciate that
clarification. I think that's clear in his answer, that

Q: Now I don't know if there is a reference
within that contract or not to this. If there were, I'd
point it right out to you. Do you recall whether or not
there was any discussion of the necessity for security
clearances to Mr. Gomez in connection with that contract?
A: No, not at that time. I don't recall any at
all.

Q: Now let me see, then --
A: Wait a second. Now that you mention it, I
think I was told that Gomez had a clearance.

MR. TUCHEY: I think the question was whether
you recalled the language of the contract referring to
it, and you haven't had a chance to review it in detail,
so you just don't know.

THE WITNESS: That's right.

BY MR. SMILJANICH: (Resuming)
Q: I didn't say anything about it. I just
wondered if he recalled anything about the discussion of
whether or not he needed a security clearance in
connection with this.
A: Um-umm.
Q. The next contract that I have with me here —
and let me for the record state that I'm not at all
asking you to assume that everything I show you is every
single contract in connection with these matters. These
are just simply ones that I have been able to pull from
the file. I don't know whether they are complete or not.
But I just wanted to refer you to some specific ones.

This next document is a contract with Mr.
Gonzalez and your office. The date of signature is July 18,
1984. The contract amount is $95,000. For the record —
$95,000? $9,500.
Q. I'm sorry, $9,500. The first one's $9,500.
For the record, the first one I showed you, the date of
signature was February 27, 1984, between Mr. Gonzalez and
your office, for $9,500, and the second one is for the
same amount.

Take a moment and look at that. I'm not going
to ask you detailed questions about it. Just look at it
to familiarize yourself generally with the subject.

(Pause.)
A. Yes, this looks familiar.
Q. I just have a general question. Do you recall
how this subsequent contract came about, any discussions
about it or what led up to it?
A. Well, I'm sure — I assume that the way that
it happened was after our, say, first trial period with
Gonzalez, whom, by the way, we knew from referral but we
didn't know how he could perform for us, we felt that he
was performing very well and decided to continue the
services.

So the time of the first contract was about to
run out or had run out or whatever, and another contract
was drawn up.

Q. Okay. When did you first make the
acquaintance of Richard Miller?
A. I knew Richard Miller when he was in AID, and
I don't remember whether he was already the Director for
Public Affairs or was the Deputy Director. I believe he
was Deputy Director of Public Affairs at AID before he
was Director of Public Affairs.

I would say I don't recall meeting him before
'82. I was already the Assistant Administrator of AID.
But it could have been '81. It could easily have been
'81.

Q. Did you know whether or not Mr. Gonzalez and Mr.
Miller had any connection at the time you were engaging
in these contracts?
A. No, I did not.
MR. TUCKER: Would you state the question
again?
BY MR. SMILJANICH: (Resuming)

Q Yes. At the time you were working with these
initial contracts that I've shown you were you aware of
any connection between Mr. Gomez and Mr. Miller?

A No.

Q Richard Miller?

A No, I was not.

Q We might as well go ahead and just run some
names past 'you. Do you know Carl Spitz Chonnell?

A No, I don't.

Q You've never met him?

A I've never met him, to my knowledge.

Q Did Colonel North, to your recollection, have
anything to do with discussions concerning entering into
these specific contracts that I've shown you?

A No, not to my knowledge.

Q Let me show you a contract, date of signature
of January 28, 1985, between your office and
International Business Communications of Washington, D.
C. in the amount of, I believe, $24,400, and it shows
contractor representative Frank Gomez. Take a moment,
and again I'm not going to ask you detailed questions
about it.

(Pause.)

A Yes.

Q How did International Business Communications
come to your attention, if it did?

A Yes, it did. To the best of my recollection,
what happened was toward the end of '84, after we had had
nearly a year of what we considered to be a successful
professional relationship with Frank Gomez, I believe he
came to us and said I am -- we probably wanted to
continue working with him.

I know we wanted to continue working with him,
and he said I'm forming a corporation with Rich Miller --
I probably said with Rich Miller; I don't recall, but
there's no reason for him to not disclose that -- and
it's called International Business Communications.

And so from now on it won't be Frank Gomez
that makes the proposals or has the contract, but if we
want to continue the relationship it will be with IBC,
which is not unusual. I thought it was for tax purposes
or something, or to expand their capabilities.

Q Now were these what is referred to as sole
source contracts?

A Yes, they were.

Q In other words, you didn't put out a request
for proposals or anything like that out and accept bids?

A That is correct.

Q You were, up to this point, very satisfied
with the work Mr. Gomez was producing for you?
A: Yes.
Q: And his product again, just in general terms, the product he was producing was papers, things such as
that?
A: Papers, but not just papers. He was in very frequent contact with people in my office, particularly
John Socaf, Jonathan Miller -- who was the COTR
contracting office technical representative -- with me
less frequently. But I would see him. If he would pick
up some information that he thought would be valuable and
we should include, he would pick up the phone and call.
So it wasn't just papers but it was a lot of
papers. It was advice. It was translations. It was the
type of services described in here.
Q: Did IBC or Mr. Gomez or Mr. Miller or the
people within IBC, did they do any of the actual contact
with the outside world?
A: Oh, yes. They had contact with the outside
world.
Q: In terms of getting the message out. That's
what I'm talking about -- in terms of your overall
objective.
A: No. They came to us and suggested that we do
this or that. In some cases they had contacts, I am
sure, with the outside world, but they weren't doing it
for us. I wanted to make sure that whatever they did for
us was only things that were included in the contract.
Q: In other words, they were producing material
and information and whatever for your use. They were not
going out and acting on behalf of the Office of Public
Diplomacy and speaking to groups and saying we're here
for the Office and things such as that?
A: Not to my knowledge.
Q: Or making specific contact with targets, if I
can use that word, targets.
A: Target audiences. Well, yes. They would
identify audiences and I know that there were times, for
example, when they would organize -- I think there was a
time when they set up a press conference or, says, a
defector. So to the extent, as I understand it, they
were one of our target audiences, one of our sources. But
the press, yes, they did make contact.
I'm remembering some now that they did make
contact with some of the outside groups or a reporter who
would have asked a question, for example, who were to
call the producer of a program who wanted to -- on his
or her show a real life Salvadoran guerrilla defector,
let's say. And so Frank Gomez or someone else -- not
only Frank Gomez but including Frank Gomez -- would take
Q. Was there one person within your staff who was primarily responsible for administering the Gomez and then later the IBC contracts?

A. Yes. Well, if you mean a contracting officer technical representative, yes. They are listed. There's a requirement in these contracts that a COTR be designated, and I believe every one of the contracts has a name.

Q. And the COTR would be the person within your staff primarily responsible for overseeing the implementation of the contract?

A. Primarily responsible, yes.

Q. Did any other individuals or companies come to you and request the opportunity to provide services other than IBC?

A. Oh, yes, lots of people.

Q. How did you go about determining -- that's not a very clear question.

A. I'll give you an unclear answer.

Q. That won't do either of us any good.

You obviously reached the decision to continue on with the services of IBC during this time period as opposed to switching to other groups or allowing other groups to bid on the work. My question is, how did you arrive at what I assume was your decision in that regard.

A. Well, there were other groups or other individuals that came to us offering their services. Some were hired.

Q. Name some other groups that were hired to do services?

A. Well, individuals. One that I know that has been mentioned is Mark Richards, who we thought had unique capabilities in press relations. Another one that's been in the press is Arturo Cruz, Jr., who in my opinion had a very unique perspective into the thinking of the Nicaraguan government at a particular point in time when he was a member of it -- people like that.

There were other individuals -- I forget their names -- people who wrote papers for us, for example, on a particular subject -- terrorism. There's a whole list of contractors. We had, by the way, a lot of people who came and frankly we did not like their proposals. Either they were things that we could already do in-house or we didn't think they were qualified or they were very expensive.

You know, people would come and say I can win the war for you in Central America if you give me a $2 million contract. You know, obviously they weren't serious. I'm using that as a humorous statement.
Q. I understand.
A. That's it.

MR. SMILJANICH: Off the record for a second.

(A discussion was held off the record.)

MR. SMILJANICH: On the record.

BY MR. SMILJANICH: (Resuming)

Q. Mr. Ambassador, we just had a discussion off the record about how much the total amounts of the contracts were for both IBC and Mr. Gomez. Would you agree that as a very approximate ballpark figure $400,000 as a total contract amount sounds about right?
A. It sounds about right.

Q. We're putting Mr. Gomez and IBC together as one group, although I realize that technically we're dealing with a corporation as opposed to an individual, but putting them together. Was there any other company that had a similar amount, a similar contractual amount as IBC and Mr. Gomez?
A. No.

Q. Understanding you don't have any records in front of you to specifically refresh your recollection, can you think of who would have been the second in terms of the total amount of contracts?
A. No, I don't.

Q. Can you think of an approximate ballpark figure of what the second-largest collection of contracts would be?
A. I would say it probably would have been Mark Richards.

Q. And approximately how much was the value of his contract?
A. I don't remember.

Q. Less than $100,000?
A. Well, he worked for us as a contractor for over two years. He might have gotten...

MR. TUCKER: You don't want to speculate. Do you know?

THE WITNESS: No.

BY MR. SMILJANICH: (Resuming)

Q. If you know. So it would be fair to say that IBC, even excluding Mr. Gomez, that IBC was the largest contractor for LSD during your tenure?
A. Yes. It appears that way.

Q. Do you recall how and when the subject of security clearances ever came up in connection with IBC?
A. Yes.

Q. Tell me about it.
A. I've tried to reconstruct this. I knew you would be interested in it. First of all, Frank Gomez had been handling, let's say dealing, with defectors for us,
taking them around, for a long time. But sometime in the
summer of 1985 we started getting

Q Okay. Stop. Let's go off the record a
second.

(A discussion was held off the record.)

THE WITNESS:

UNCLASSIFIED

 DENIED IN

TOTAL

82 730 755
Jonathan Miller had left, who had been the COTR for most of the IBBC contracts.

In Jonathan Miller's absence —

MR. TUCHEY: Can we step outside for just a second?

(Witness conferring with counsel.)

MR. TUCHEY: I just want to explain something, and this can be on the record. One of the confusing aspects of this period of time, which the Ambassador will explain in some detail and you can ask him anything you want about it, I just want to make sure the record is clear because none of us know where this transcript is going when it leaves this room.

MR. SMILJANIC: I can answer that.

MR. TUCHEY: Eventually. The Ambassador is going to explain that at the time these conversations and the ultimate decision to tell Gomez to handle this matter was taken care of, there was a contract proposal on the table not yet approved. It's the contract which is later classified as Secret, which I'm sure you are going to ask questions about. But that's on the table and, as the Ambassador will explain and I just want clear on the record, in the time sequence, at the time the decision was made to allow Mr. Gomez or his entity to handle this matter, thereby committing funds of the Department of State, the contract proposal on the table to handle just such a situation, defectors, the decision was made to go ahead and have Mr. Gomez handle it, even though the contract was not approved.

The Ambassador will tell you he did it on the advice of others. But that's the sequence we're in. It's a very confusing time and I just want that clear. I'm not trying to testify in his behalf. He will explain it in detail, but I just want you to understand the period.

BY MR. SMILJANIC: (Resuming)

Q. I appreciate that and I think, you know, the Ambassador, as he goes through the narrative, you know, he's approaching this, which is frankly what I would like, a general narrative approach to this. If you want to explain the context or I would assume you would want to talk about some of the matters your counsel just referred to, please go ahead.

A. I just want to get your overall story about this.

Q. What I started to tell you was that when Jonathan Miller had been the COTR, had left the office, let's say September 85 -- Labor Day, is what I mentioned earlier, around that time -- the position was vacant. The second Deputy position was vacant. I asked a
detailed, one of my detailed from the Defense
Department, an Air Force Lieutenant Colonel, to help me
deal with the bureaucracy in the management of contracts
in general.

Q Please give me his name.

A Jake Jacobowitz -- actually David, but we
never called him David. Colonel Jacobowitz, therefore,
started dealing with the contracting office on what
became the final IRC contract. What else?

Q Go ahead.

A Okay. Sometime in the fall of '85, sometime
after September -- I believe October or November -- and
this has all been reminded to me, you know, because of
all the various questions I've been asked by different
people -- Jacobowitz came to me and said somebody
suggests -- and who the "somebody" is is not clear in my
head, if he ever told me -- it has been suggested that
this contract be classified because of the handling of
defectors.

Q And again this conversation with Mr.
Jacobowitz is in approximately what time frame?

A
Q Was there a primary source of this information from the Agency? Was it himself.
A I don’t think it was him but it was people under him.
Q Go ahead.
A So they said something to the effect of get ready and, frankly, I thought well, this is good because these people are resources and they will prove that what the Administration is saying is true about Soviet-Cuban presence in Nicaragua or human rights violations. or the other elements of the lines of arguments we were following.
So I said, great, let the defectors come. But it concerned me, of course, a great deal that the Sandinistas were also aware of this and the damage that was being done to their government by the statements of these defectors and were perfectly capable of killing them, as in effect they had killed a lot of people.

We had no money. I mean, I couldn’t go up to SSEX and say, hey, I need money for a coat. They would say, that’s not in the budget.

And I think that’s a disgrace, frankly -- the fact that the most powerful country in the world is not prepared to deal with the people who trust their lives to us, and it doesn’t surprise me at all what happened with Yurchenko, the Soviet defector, who went back. He figured, you know, these guys are so disorganized I don’t want to be associated with them.

MR. TUDER: You were talking about the process by which the decision was made to classify it.

THE WITNESS: When, I believe, Jake came to me -- I say "believes" because to the best of my recollection he was the one who came to me, and, by the way, he has told me that that’s what he also believes -- and said this should be classified, I said fine, go get it classified.

BY MR. SHLJANICH: (Resuming)
Q Okay. Now the fact that you were going to contract with IBC for services that included handling of defectors was something that was already on the table at the time this particular subject came up about this particular defector: is that right?
A. Yes. And they had already done it before.
Q. And they had already done it before in the
previous contract?
A. Yes.
Q. Now in the middle of your story you said you
wanted to add something.
A. [Cut off]
Q. We have no kitty. Maybe that
shouldn’t even be in here, because I think it’s so
embarrassing to the United States that it would
discourage future defectors. If I was a potential
defector, I would think twice.
Q. We’ll worry about that.
The previous defectors that Comes and IBC had
helped you out with, the problem with regard to security
clearances didn’t come up in connection with those
services?
A. No.
Q. During these discussions you have just related
leading up to a decision to classify this contract was
there any discussion, to your recollection, with anyone
about the relationship between the classification of the
contract and the requirement to go outside of a sole
source approach to this matter?
A. Not to my recollection.
signed for several months later.

Q Was IBC performing services from October '85 to the time you left in January '86 pursuant to that contract?

A It appears that they were. It appears that they were performing services in anticipation of the signing of that contract.

Q And do you know what it was that was taking place during the time frame of September-October of '85 to January of '86 that prevented there being a final signed contract? What was going on?

A What I was told was -- and I asked -- was that there were a lot of bureaucracy problems. I didn't deal personally directly, as I said, with the contracting office or any other office. This was a very busy time and we're dealing with a lot of different issues, and this was only one. I'd say it was maybe one percent, two percent of what took up my time.

But Jake Jacobowitz would keep coming back to me saying well, now we need another piece of paper, and now they need this and now they need a site security clearance, now they need this.

Q Who is "they"?

A Well, "they" would be different. See, "they" was anybody outside our office practically because we dealt with a lot of different people, different offices and different individuals. I mean, there was so much turnover. One day we'd be dealing with the contracting officer, with one person, and the next day it could be somebody else. So I didn't even bother to learn the names, except, you know, the supervisors.

Q But the entity dealing with the negotiations or working up this contract was the contracting officer entity outside your LPD staff; is that right?

A Among others.

Q Among who else?

A Well, this is what I'm not clear, because "they", as I say, "they" included the contracting officer. At times it included the legal people. Sometimes it included security people. At one point the Office of Security had to be involved because we were told or they told us -- "they" being I don't know which one of those entities -- told us that IBC was going to need a site security clearance if they were going to have -- if the contract was going to be classified.

So "they" referred to a lot of different people. And Jake Jacobowitz or his predecessors and successors were the ones who dealt with "them".

Q And his predecessor was Jonathan Miller?

A No. Yes and no. His predecessor --
Q. On this subject.

A. Well, his predecessor -- that is to say, the liaison officer with ICB was Jonathan Miller. But not his predecessor as liaison with the contracting office. What happened was our administrative officer, Frank Gardner, who was one of a whole series of administrative officers we had in a short period of time, left the office about the same time Jonathan Miller did. He retired after many years, after 40 years. It was a coincidence. So I had a double-bind. Not only did I lose my contracting office technical representative, I lost my administrative officer just about within weeks or days of each other. And Jake Jacobovitz frankly ended up with both of those responsibilities dumped on him, willingly. I mean, he volunteered. I'm not saying that I channeled him and said you have to do this. He was willing to do it because he knew the job had to get done, and I don't think anybody anticipated having this many problems.

We thought it was a matter of getting all of the proper forms signed, all the proper procedures, and eventually, like all the other contracts, this one would also be signed.

Q. To your knowledge was there any other fact --

A. Can I add something on the administrative officer's business?

Q. Please do.

A. I think it's important -- and I'm not trying to dump on the State Department, but since I'm here and this is not the normal position of an Ambassador of having to come and explain all these things -- when the office was created I did not know what it was going to turn out to be like. As I said, I was the only person in the office for a while, and then people started coming. It started growing. It started becoming more and more a source of information that people turned to.

And without blowing our own horn, it got to the point where the President of the United States, the Secretary of State, the National Security Advisor, Cabinet officials and lots of other people relied on our information and used it verbatim. I mean, it was that good. My principal concern, frankly, was the credibility of our product. That's what I spent most of my time on.

I'm not a contracting officer. I'm not a lawyer. I couldn't possibly substitute for the people I thought were supporting us, you know, our principal job, which was to get information out that was credible and that was accurate, et cetera.

So at a point when the office started growing -- I think late '83 -- I said I can't handle all of this
I need an administrative officer in the office as part of the staff. We had not anticipated this because this was a brand new office, the only Office of Public Diplomacy that has ever existed, had ever existed until a couple of years after that. And there were no administrative requirements in our office — I mean, even things like they'd ask me, for example, for job descriptions for each one of the people. I said I don't have time to write up job descriptions.

They asked me to draw an administrative, a diagram of where everybody fit.

Q  An organization chart?
A  An organizational chart and all these things.
I said who's going to do the public diplomacy job while I do this kind of thing? So I said, listen, please give me as one of the detailees from somewhere, give me somebody who's knowledgeable in administration. State couldn't come up with one. AID came up with Matthew Friedman. In other words, what I did was I would call the four agencies that I had been told would support me, and the first one that came up with some administrative support was AID, so Matthew Friedman came.

Fortunately for Matthew Friedman and for us, he also didn't know State Department administrative procedure because he was a political appointee who had done some administrative work at AID and who volunteered to do it for us, and who was very bright and picked up very quickly, but then he left sometime in, around Labor Day of '84 as opposed to -- I don't know why people decide to leave around Labor Day, but it's a logical time at the end of the summer.

We were without administrative support -- I would say I would have to go back and look at the records — but I would say for at least half the time that the office was in operation and I was the director of it. That is not conducive to good management. I asked repeatedly for and I begged, I pleaded, for an administrative officer to be assigned to the office precisely so we would avoid contract problems.

We were contracting out for services. We were swamped with requests for this, that, and we didn't have anybody in house who could do it. The support we were getting from SSEX, which was the office that I was told would support us, was not adequate and, in fairness to them, they never expected that they would have to support us. They also had the Office of the Special Envoy, the Kissinger Commission, all these other offices were created just for Latin America, in addition to all the other offices that they had to support for the rest of the world that were just created. They were swamped.
Eventually I got a State Department administrative officer. I don't even remember who he was at the time. We had a series of very short-term people. We had a young lady who all of a sudden got assigned to Rome, so she left, so we were vacant. We had a young man, very bright, who got a job in INR. Brent Blasky was his name. If we could have kept him we probably wouldn't have had any problems at all, because he knew the system. There were long periods of vacancies. This was one of the periods of vacancies -- as a matter of fact, three months.

Q It sounds like you had an easy go of it. Was there, to your knowledge, any other factor other than what you have described involved in the decision to classify the final IBC contract?

A Not to my knowledge or not to my recollection.

Q Did anyone -- I apologise; I think I asked you this in connection with Mr. Gomez, but let me ask you about IBC, and particularly, specifically, the final contract with IBC -- did anyone other than IBC which would have wanted to have a contract, did anyone other than IBC come to you or bring any information to you asking that IBC be allowed to have another contract for fiscal year 1986?

A No, not that I can remember.

Q Let me just ask the general question. Did Oliver North, Lieutenant Colonel North, have any involvement at all in any of the discussions about security clearances or the contracting for services with IBC, to your recollection and knowledge?

A I have been trying to think. I anticipated that question, and it is possible that he may have asked me about it once very late, but I'm not even sure of that, and that would not have surprised me because people knew that Gomez particularly was doing work for us and had done a good job.

But the reason I say I can't remember is because a number of people were aware of the IBC-Gomez relationship at the NSC, people who had a need to know and who knew about it and who were satisfied. And they may have asked about it as well, like what's happening or what's Frank Gomez up to and that kind of thing, but it would have been that kind of an inquiry, not any pressure or anything like that.

Q Did you have any belief or even a suspicion that Colonel North had a connection with or reason to wish that IBC or its people would get a contract with the State Department?

A I had only one occasion where I very late, right before leaving for Venezuela, during my
consultations long after leaving the S/IEO, when I was at the National Security Council in the Old Executive Office Building, and I happened to walk into North's office --

Q Excuse me for interrupting. Are you talking about when you were Ambassador?

A I was Ambassador-designate. I can't remember the date, but I would think it would have been April or May already, right before I left. I was sworn in May 12 and left May 16, so it would have been before that. I walked into North's office unannounced and saw Miller and Gomez walking out. But, once again, you know, at that time I didn't give it much thought because they were sources of information for us on Central America.

Everybody knew that Ollie North was working on Central America. It seemed like a logical connection.

Q Now I've gotten confused here. You said this would have been approximately April or May of '85?

A Right, right before I left.

Q I thought that you were originally told you were going to become Ambassador or designated Ambassador in late '85 and it was January of '86 that you were confirmed?

A That's correct -- no, no, that I was announced. See, what happened -- can I give you the chronology?
history books and economics and stuff and trying to run
the office. So January of '86, when the announcement was
made, I then by memorandum informed everyone in the
Department that I was no longer the coordinator.
I wrote a memo to my staff saying the
President has appointed me, as you know. I mean, I had
told them before. And said some nice things about them,
at cetera, at cetera, and said John Blacken will be
Acting Coordinator until a new coordinator is appointed
by the Secretary, the President, whoever.
So from January of '86 to May of '86 I
concentrated on my confirmation hearings and getting out
of here. It takes a while. During that time I visited
people in the Executive Branch -- Commerce Department,
Treasury, everybody that would have something to do with
my Venezuela assignment. During one of those visits to
the NSC is when I happened to see these guys come out of
Ollie's office.

Q Were you there to see North?
A No, I didn't have an appointment with him that
I recall because, frankly, he wasn't going to have
anything to do with Venezuela that I knew of. But I
always used to drop by and say hello to Fawn, you know.
She was a friend. Poor Fawn. She's gotten a bad rap and
doesn't deserve it.

Q I don't feel so sorry for her. She's gotten

MR. OLIVER: She's also got immunity.

THE WITNESS: So the best of my recollection -
- and, as I said, it was not the kind of thing that would
have stuck in my mind. So it's vague, but it's around
that time, I would say.

BY MR. SMILJANICH: (Resuming)

Q I just want to ask you about your duties.
A My duties were to go to the White House, go to
the NSC, I had a number of meetings in the fall of
'85. Wait a second. I must have because in January of
'86 I said I don't want to see another cable about
Central America that doesn't have to do with Venezuela.

MR. TÜNEY: '85 or '86?

THE WITNESS: '85, when I was officially

nominated, because I wanted everybody -- I knew what was
going to happen. People were going to still come to me
and say could you do this, could you do that, and I was
going to say no, I'm sorry.
Q. But you think it was prior to January of '86 that you started reading the traffic?
A. Yes. I'm almost definite. Yes. As I said, I started to get ready for Venezuela in about August of '86, and I started reading cable traffic.

MR. TUCHEY: August of '85, you mean.

THE WITNESS: August of '85.

Q. Who was the prior Ambassador to Venezuela?
A. George Landau -- L-a-n-d-a-
Q. Was there a hiatus between his leaving and your coming?
A. Eleven months.

Q. Who was the DCM during that period?
A. The Charge, Kim Flower, as in a rose.
Q. Okay. And that was an eleven-month period?
A. That's correct -- June of '85 to May of '86 -- incredibly long.
Q. Kim is a neutral name.
A. A man.
Q. Were you involved at all in the process or discussions leading up to the switch of LPO from the Secretariat to ARA?
A. Yes, I was.
attaching them to the regional bureaus, a lot of different things which I don't remember.

But what was finally decided -- and I think it was decided during the period between January and May of '85 -- was to attach S/LPD to ARA and we became ARA/LPD.

Q Now at that time Elliott Abrams was Assistant Secretary of ARA.

A That is correct.

Q Did you have any discussions with him about the fact that ARA didn't want LFD transferred over there?

A Oh, sure, yes.

Q What were the reasons he gave you?

A Oh, he agreed with me, for example. Budget was one reason. By that time our office had a budget of something like $750,000 -- I don't remember -- and the staff. I was concerned that the budgetary constraints being what they are if the budget was transferred from the Secretary, which is a very high priority, to a regional bureau that the office would eventually shrink. I thought, frankly, we had broken ground. I thought we had done something that the U. S. Government should do more of, and that is to talk directly to the American people, to communicate with the American people, to produce information. I was very upset with, and I communicated this to my superiors back in '81, '82, '83, 1984.

which is why I got the job, that so many of our officials would go to the Congress and be asked something about Central America and say sorry, I can't share that with you because it's classified information.

Now it's true, and everybody who has a clearance knows, that there are sources and methods to be protected, but I also knew that with a concerted effort, with a lot of work, and with some high priority that you could get the intelligence community to declassify and you could also go out to the unclassified world and gather information that would support what we already had but that was classified.

MR. TUCHEY: The question, though -- we're getting off the question -- is did you agree with Abrams and, if so, why?

THE WITNESS: Yes, I agreed because I thought the office would be downgraded by virtue of the budget and the positions that eventually the Bureau would have to absorb. The ARA Bureau would have to absorb the budget and the positions and it would atrophy.

BY MR. SMULAVICH: (Resuming)

Q Getting back to one of the initial topics we discussed -- that is, the overall objectives of the Office of Public Diplomacy -- and I hope that this isn't too much of a loaded question and tell me if it is -- was
part of your objective during this time frame -- as you
know, we're talking about right in the middle of the
severest form of the Boland Amendment, complete cutoff of
funds, was part of your overall objective or job to try
to get Congress to change its mind about that matter and
to start funding?
A It was to support the Administration's
request.
Q To get Congress to fund further in that area?
A Yes.
MR. SMILJANICH: Okay. Off the record.
(A brief recess was taken.)
MR. SMILJANICH: On the record.
BY MR. SMILJANICH: (Resuming)
Q I was going to move on to Venezuela, but let
me back up for a second. You have described one occasion
in which you happened to be over where North's office was
at the Old Executive Office Building and saw Gomez and, I
believe, Richard Miller, I think you said, there. What
happened in that connection? Did you all then have a
general discussion?
A I was in the building. I stuck my head in
like I always used to stick my head in to a lot of people
if I happened to walk by their office, and they were
walking out, and I said what are you guys doing,
this is before the fact or after the fact -- an entry of
meetings in which it shows Otto Reich, Richard Miller,
Frank Gomez.

A Together?

Q Yes. As an example, a date which he shows on
his calendar -- Reich, Gomez, Miller. Now maybe Miller
is Jonathan Miller on occasions, but that shows up on his
calendar. Let me make that representation to you and
just ask you if you can recall any occasions where that
took place. I know I've already asked you, but given
that information is there any further recollection you
have of any such meetings?

A No.

MR. TUOHY: Do you have the calendar and we
could pinpoint the date?

MR. SMILJANICH: As a matter of fact, Spencer
has a summary of the dates and he can give you some
specific ones.

THE WITNESS: You mean there's more than one?

MR. OLIVER: These are dates when you appear
on his calendar. I don't know who else is in the
meetings during those times.

THE WITNESS: I would probably appear on his
calendar.

BY MR. SMILJANICH: (Resuming)
MR. OLIVER: It's confusing whether there was a meeting with Rich Miller which may have been just before the lunch.

THE WITNESS: He was not at the lunch.

MR. OLIVER: That's what I have on the calendar. I've got Ollie's notes here that have a number of reflections.

BY MR. SMILJANICH: (Resuming)

Q So what we end up with here is --

MR. TUCHEN: Two definitely.

THE WITNESS: Lunch I can tell you for sure.

MR. TUCHEN: February 11, '85 and 3:30 --

Raymond, Raich, Miller, Gomez -- June 5, '85, in the IBC office -- North, Miller, Raich, Gomez for lunch is what was on the calendar.

MR. OLIVER: Right. There's another one here.

MR. SMILJANICH: I remember this now. Well, I'll show it to him.

(Document handed to the witness.)

THE WITNESS: Yes. I remember this.

MR. TUCHEN: Is there any date on this?

MR. SMILJANICH: No, there's no date.

BY MR. SMILJANICH: (Resuming)

Q Okay. Let's approach each one one at a time.

First of all, you recall the lunch. Tell us about that.
2/11/85 at 3:30 in the afternoon — Raymond, yourself, Miller and Gomez.

A I have no recollection of that. Now Walt Raymond I met with all the time, and Ollie North I met with all the time. Miller in that case probably would have been Jonathan because, as I said, I don't remember, other than the time when I saw Rich Miller coming out, I don't remember seeing him at any other meeting. But I just have no recollection.

Q Okay. Then June 3, '85.

A Isn't that the lunch?

MR. TUCKER: That's the one we just talked about.

MR. OLIVER: We have two separate lunches. We have lunch -- I'm sorry. That's Jonathan Miller. This is Rich Miller. Frank Gomez, Jonathan Miller and Otto Reich at the ICS office, June 3, 1985.

THE WITNESS: I remember having lunch there. I remember having lunch at the ICS offices, I believe twice -- twice, period. And so that must be one of those times. Now I don't remember Ollie North ever showing up at any one of those lunches.

BY MR. SHULMAN (Resuming):

Q So what we have, then, is one appointment that shows up on North's calendar for February 11 of '85 which you just have no recollection of.

A Which may have taken place.

Q And that wouldn't have been the one where you saw Rich Miller and Gomez coming out because that was much later, when you already knew you were going to Venezuela, right?

A In '86, right.

Q Okay. Now moving on to Venezuela, first of all, you've seen the press reports concerning alleged attempts by General Secord to receive some kind of assistance from the Embassy in Caracas to approach the Venezuelan Air Force for purchase of some C-123s.

A I have seen them. I wish I could bring you the front page of every Venezuelan paper of that week, because that was the story.

Q First of all, the time frame when this is supposed to have occurred is, as I recall, very late '85, early '86.

A I don't know. All I know is what I've read in the paper, and it said fall of '85. Most of the stories I have read have said fall of '85.

Q For your benefit, I've seen other documents in other matters connected with that, and I believe the time frame of those alleged events is the fall of '85 until early '86. First of all, you don't have any direct
knowledge or information concerning any approach by
General Secord or anybody on his behalf in connection
with these purchases of C-123s?
A I do not.
Q Who is your DCM?
A Jeffrey Davidow.
Q Did Kim Flower leave as DCM when you became
Ambassador?
A That's correct.
Q Have you at any time up to today talked with
Kim Flower to determine whether or not he has any
recollecton of this event?
A Yes, I did.
Q And when did you talk with him?
A I talked to him on the phone about a couple of
months ago.
Q Where is he now?
A National Security Council.
Q Detailed from State as a career Foreign
Service Officer?
A That's correct.
Q What did he tell you he knew about it?
A He said he knew absolutely nothing about it
and in fact I called him because I told him that this was
a very big issue in the Venezuelan press, and we were
going all kinds of questions and, of course, the
implications were that not only was the Embassy involved
but the Venezuelan government was involved, and the
headlines were written in a very inflammatory fashion.
And wanted to, frankly, put an end to the
story that was damaging U.S.-Venezuelan relations. And
he said I'm telling you you can tell them that I knew
absolutely nothing. As far as I know, that never
happened, or words to that effect.
Q Have you discussed this issue with any
Venezuelans to determine whether or not they know
anything about any such approach that may have bypassed
the Embassy?
A Well, the Foreign Minister, and he said that
they have absolutely no -- in fact, he made a public
statement that the Venezuelan government was never
approached.
Q Have you ever discussed this with anyone
connected with the Venezuelan Air Force?
A No, I have not.
Q Has anyone on your behalf done that?
A No, I don't believe so.
Q You were requested -- by "you" I mean the
State Department was requested to search its cables.
A That's correct.
Q. To determine whether or not anything shows up in the cable traffic about this, and I believe you sent a cable back to the Legal Advisor's office at State Department that you made a search.

A. I was in Washington at the time and so Davidow sent it.

Q. Your officer at the Embassy sent a cable stating that a search had been made and that no such cables could be found?

A. That's what I'm told.

Q. Okay. That's simple enough. Do you have and these are relatively new allegations - do you have any information or knowledge concerning any attempt by Oliver North or anyone else connected with the U.S. Government to whatever.

Q. Have you heard those allegations?

A. Only since I arrived in Washington. My desk officer told me.

Q. Okay. Off the record.

(A discussion was held off the record.)

THE WITNESS: I know absolutely nothing.

Q. Let me turn it over to some other people with just two last quick questions. Did you ever have any dealings with Robert Owen?

A. No. I met Robert Owen in Jonathan Miller's office, which was next to mine. I met him once or twice.

Q. During the time Jonathan Miller was over at the NSC, did you have any knowledge during that time that he was assisting Lieutenant Colonel North in the disbursement of some traveler's checks that Lieutenant Colonel North was keeping and using to assist the Nicaraguan resistance?

A. No. The first I ever heard of traveler's checks was when it came up in testimony.

Q. Did you have any information that Jonathan Miller was involved in assisting Colonel North directly providing financial assistance to contra leaders?

A. Well, first of all, I don't know that he has been.

Q. I understand. Did you have any information?

A. No, I do not.

Q. One last thing. You mentioned earlier there was a contract that LPD had with Arturo Cruz, Jr. That was about a $6,000 contract or so.

A. Yes, right. I believe of which about only
$2,000 was paid.

Q  Why was that?
A  Because he didn't fulfill the terms of the contract.

Q  The terms of the contract were he was supposed to prepare --
A  Three papers, a series of three papers. I believe that the contract was for $6,000. Each one of the installments would have been $2,100, to be paid when completed. He only completed one.

Q  Okay. Were you aware of any payments being made to Arturo Cruz, Jr. or his father, Arturo Cruz, directly from Lieutenant Colonel North during the Boland Amendment restrictive period -- that is, subsequent to October of 1984?
A  I believe that I became aware of payments to the father sometime after the story broke in the press.

Q  You mean when it became public knowledge?
A  When it became public knowledge, yes.

Q  But contemporaneous with any such payments you had no information that Arturo Cruz, Sr., was receiving payments, one or more payments, directly from Lieutenant Colonel North?
A  No, no, not from North. The story broke that he had received payments -- I think it was a Wall Street
MR. SMILJANICH: That's all the questions I have.

BY MR. OLIVER:

Q Mr. Ambassador, I'd like to ask you about a few references to you on Oliver North's calendar and in his notes, as well as some questions relating to the IBC contract. First, could we enter this as an Exhibit into the record?

(The document referred to was marked Reich Exhibit Number 1 for identification.)

A We never talked about this one.

Q That's what I'm going to ask you about.

Let the record indicate that we are referring to a National Security Council memorandum piece of paper with the names in the lefthand column of Oliver North, Nestor Sanchez, Frank Gomez, Rich Miller, Otto Reich, Walt Raymond, Jonathan Miller, Jeff Bell, Jack Abramoff. In the second column beside their names, in the same order indicating who they represent, are NSC, DOD, IBC, IBC, State, NSC, State, Citizens for America, citizens for America. In the righthand column are their phone numbers.

And this appears to be a sign-in sheet of some kind. It should be marked as Exhibit 1.

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Mr. Reich, I show you that piece of paper and ask you if you can recall that meeting and what the purpose of the meeting was and what transpired.

A I recall it now. I believe that we were invited to a meeting in the sit room, the situation room, I don't remember by whom, and in fact I think there's a name missing from here, and that's the man who was head of Citizens for America at the time, who ran for governor of New York.

Q Would that be Mr. Lou Lehrman?

A Yes, that's correct. I think he attended. I don't remember much about it except that we were told that Citizens for America wanted to make a presentation about what they were going to do to inform the American people about the situation in Central America, and obviously somebody got them the sit room in the White House.

Usually when I was invited to a meeting at the White House I attended, unless I physically couldn't go. I went. We listened to the presentation, and that was it.

Q Why was someone from the Department of Defense at that meeting?

A I don't have any idea. You'd have to ask him.

Q Do you remember any reference to the
Department of Defense or anything that that representative said about DOD's role in this?

A No, I don't. I'm not sure that any one of us said very much. As I said, from what I recall -- what was the date of this meeting?

Q I'm not sure. Do you remember?

A No. I mean, it's one of, I'm sure, hundreds of meetings that I attended. I have a vague recollection. I remember seeing Lou Lehman over here and some of the other people around the table.

MR. SHILJANICH: Excuse me. It would be prior to September of '85, wouldn't it?

THE WITNESS: Oh, yes. Well, let me not say oh, yes, so quickly. I believe it probably would be prior to September.

MR. SHILJANICH: The reason I interjected that is because Jonathan Miller is shown.

THE WITNESS: Is shown at State, and the reason I say yes is because it's very vague in my mind and I think it was a while back. But when it would have been -- '84, '85 -- I don't know. So that's it.

BY MR. OLIVER: (Resuming)

Q Did you ever attend any other meetings with this group of people or a similar group of people regarding a project of this nature?
What I'm saying is, let's say it was him.
North, as I said, was one of many people who knew that
IBC had a contract with the State Department, because the
contracts were not classified and because they used to go
around the Executive branch giving and picking up
information. It could be that he invited them, saying
well, these guys should hear what CPA has to say.

MR. TUGNEY: I think the question is do you
know that or are you assuming that?

THE WITNESS: I'm assuming. I don't know it.

BY MR. OLIVER: (Resuming)

Q. What was the project the Citizens for America
presented?

A. I believe it was some kind of a television
campaign which, if my memory serves me, never got off the
ground. I remember walking out of the meeting saying
that was a very ambitious undertaking and I think that's
the last I ever heard of it.

Q. You stated that you met Rich Miller when he
worked at AID in the Public Affairs Division.

A. Right.

Q. What was your role, if any, in bringing Frank
Gomez and Rich Miller together?

A. None.

Q. Do you know how they happened to come
together?

A. No, I don't.

Q. Frank Gomez at the time that IBC, that the
partnership was formed with Rich Miller, Frank Gomez was
under contract to IBC, is that correct?

A. To the best of my knowledge, that is correct.

Q. Do you recall a phone call from Oliver North
in August of 1984 to discuss arrangements for Frank
Gomez?

A. No, I don't. To me, a phone call to me?

Q. Yes.

A. No, I don't.

Q. Do you ever recall discussing arrangements for
Frank Gomez with Oliver North?

A. No, I don't recall ever discussing Frank Gomez
with Oliver North -- Frank Gomez's contracts with Oliver
North.

Q. Could I ask you how did the interaction
between you and your deputy, Jonathan Miller, work? Did
he report to you about what he was doing as Mr. Outside,
as you described him earlier?

A. Yes. We had a daily staff meeting which later
became three times a week, and since we had a small
office I gave everybody an opportunity. We went around
the table and everybody informed everybody else what they
were doing to avoid duplication. That was one way.

And the other. His office was next to mine.

We had offices on two levels. John Blacken, who was the
inside guy, was down with the bulk of the staff producing
materials. I had a small office upstairs that had room
for mine and, next to it, Jonathan, and two secretaries
outside. So Jonathan would come in to my office and tell
me what he was doing or I would go in there and ask him
what he was doing.

But, you know, we were working 14 hours a day.

If we were to inform each other what we were doing all
the time, we would spend about half of those hours
informing each other.

Q Did he tell you of a luncheon he had at IBC
with Oliver North, Rich Miller and Frank Gomez in early
September of 1984?

A I just don't remember if he did or not.

Q Do you recall --

A Just like he probably didn't tell me about
hundreds of meetings he attended.

Q Do you recall how the suggestion for an IBC
contract first came to your attention?

A An IBC contract?

Q An IBC contract.

A Well, as I told you, we had been dealing with
Frank Gomez all along. We were satisfied with his
performance. He came to us -- I believe he came to us
and said I am now a corporation, or words to that effect,
and I have even said, you know, because of this I will
be able to give you better service or something faster, I
have more capability, more secretaries or whatever. He
was acting very much on his own, pretty much, to the best
of my knowledge, pretty much on his own, and said the
name of the corporation is International Business
Communications, and that's it.

Q That first contract, the work period began
October 1, 1984, a few weeks after the lunch between
Jonathan Miller, Oliver North, Frank Gomez and Rich
Miller. Were you aware of the interaction between Rich
Miller and Frank Gomez and Oliver North from that time
forward while you were director of IBC?

A No. Well, wait a minute. You asked Rich
Miller and Oliver North about Jonathan Miller?

Q Rich Miller, Frank Gomez, and Oliver North.

A No. Jonathan Miller, yes, but not Rich.

Q Did he add something.

A No. NICEY: No.

Q My Mr. Oliver. (Reading)

Q Oliver North's calendar -- I'm not referring
to his notes or telephone messages -- shows at least 49
meetings on his calendar with Rich Miller. Were you aware of the relationship between these two?

Q: No, I was not.

A: There is also quite a number of meetings between Oliver North and Frank Gomez. Were you aware of the frequency with which Oliver North was dealing with Frank Gomez?

A: No, but that wouldn't surprise me as much as the Rich Miller since, as I said, Gomez had been dealing with us and everybody knew it.

Q: Can I ask you when most of those dates are -- those 40-some meetings?

A: Well, the dates that we have run from September 10, 1984, through the 21st of November, 1986. When did you leave?

A: January of '86 I left.

Q: It shows about 34-35 meetings between September 10.

A: So the bulk -- that's what I thought because I was not aware really of a close connection.

Q: Were you aware of a contract with S/LBD, between the Institute for North-South Issues?

A: Yes. I have been made more aware of it in the last few months.

Q: What was the purpose of that contract?

A: It was, as I remember, a feasibility study, a proposal to do a distribution plan for the State Department for our publications.

Q: So during the period of time that IBC had a contract with S/LBD you also executed a separate contract with the Institute for North-South Issues, which was also the same two people -- Mr. Miller and Mr. Gomez?

A: It appears that way, that's correct.

Q: And these contracts ran simultaneously?

A: That's what I have been told since.

Q: So the contract with IBC had to do with the distribution of materials.

A: The final contract.

Q: And the contract with the Institute for North-South Issues had to do with the evaluation of the distribution of materials; is that correct?

A: I believe so.

Q: So you had a contract with Rich Miller and Frank Gomez to evaluate what Rich Miller and Frank Gomez were doing, is the way it appears?

A: No, not were doing. It was to see whether they could do it. What they proposed was a proposal.

Q: What was the date of the Institute for North-South Issues contract?

A: I believe it was September of '85.
Q And IBC was already under contract during that period of time?
A I don't remember, but if they were the contract would have ended in September at the end of the fiscal year. I think their contract ran to the end of the fiscal year, but I don't recall that either.
Q Do you know why the payments to IBC took place in every instance substantially after the contract periods began?
A No, I don't. You'd have to ask the contracting officer or whoever signs the checks.
Q Did Oliver North call you -- I believe you referred to this earlier -- and ask you to expedite a payment to IBC because they were financially strapped?
A I don't recall. As I said, I have a vague recollection of a possible phone call from North, but I'm not sure that that was the reason. I do remember a memorandum from Frank Gmez to us requesting expedited payment or perhaps even advance payment because they were going broke, or some words to that effect in, I believe, the spring of '85.
Q Were you aware of the difficulties that the Defense Investigative Service had in obtaining information they needed for a security clearance with IBC?
classification of this contract might have been in order to avoid having to go out on a public bidding process?

A No. I think that that is an interpretation that some people would like to put on it, but it is not the reason why I remember it was classified at the time.

Q Is it common for the State Department to handle defectors who are in jeopardy?

A I don't know.

Q Have you ever heard of them managing any other defectors?

A We managed ourselves many defectors.

Q Did you ever have any secret contracts to do that other than with IBC?

A No. This was our only experience.

Q Did you ever at any time see or cause to have done an audit of IBC's expenditures of State Department funds?

A I requested. I requested that every penny that we paid to IBC be accountable, that we could justify every single cent, and I requested that of Colonel Jacobowitz, who was the person who I was relying upon to deal with the contracting office. And I said, in fact, that's one of the reasons why I was told that the contract was taking so long in being signed. That was one of the "they" that I couldn't remember.

"They" included the auditors, the contracting office. I wanted to make sure it was a perfectly legal contract, justifiable, et cetera, et cetera, yes, sole source, because I was told that that was standard procedure, that it could be done, that it was legal and done all the time is what I kept having come back.

But I also said, look, this is a very large contract -- at least it was for us. I said I want to make sure that if anybody ever looks at this contract years from now it can be said that the American taxpayer got their money's worth. And I was told that
there were auditing procedures being set up that were delaying the signing of the contract — sort of a Catch-22 situation.

Q Did you know that Jake Jacobowitz' sister was an employee of IRC?
A Yes, I did.
Q Do you know how that came about?
MR. TUOHY: How he knew?
BY MR. OLIVER: (Resuming)
Q How it came about that she was an employee of IRC?
A My memory is not clear as to whether she went to them or they went to her, but there was never any attempt to hide the fact that she was his sister. He told me himself, because her name at that time was Jacobs, and I would not have automatically recognized Fran Jacobs as Jake Jacobowitz's sister. So he said I want you to know that Fran is my sister — Fran Jacobs is my sister. And I said what can I do about that?
Q Did you suggest to him that it might be a conflict of interest for her to make a presentation for the IRC contract to him?
A No, I didn't. I was kind of in a bind because, frankly, what went through my mind at the time was here this company is making a presentation. They brought a woman in who's obviously qualified because I had her resume. She was making a professional presentation. I'm not in that business, but I could tell it was a good presentation, and so it's finished.

So I said to myself, you know, I either tell him that yes, we would like to hire them but not with her, in which case I'd be slapped with some kind of a discrimination suit, probably, or something. Or I fire Jake, I say Jake, you've got to go because we're going to hire this company. I didn't think there was any conflict of interest. Jake was not going to be supervising her. Jake was working for me.
Q Jake Jacobowitz was the successor to Mark Richards; is that correct?
A No, no, no. He had nothing to do with Mark Richards.
Q Mark Richards was assigned to LFD while he was an officer —
A Oh, I'm sorry. By "successor" I thought you meant did he take his job. Mark Richards was a detailer, that's correct. Then he retired and we hired him as a contractor. I wanted to keep him on, but he wanted to retire. In fact, I think he had to retire. He was up against the limit. And then I believe that Jake Jacobowitz was the next detailer that they sent over. I
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did not know him from Adam when he was sent over.

Q Was Mark Richards' job to brief and to
background various news media representatives?
A That's correct.

Q Isn't that a job that's usually associated
with the press spokesman or the Office of Public Affairs
in the Department of State?
A The reason why our office was created is
because very high-ranking people, including the
President, felt that certain jobs were not being done,
including briefing the press properly. Everything that
our office did you could isolate.

Q So you undertook a separate briefing of the
press operation in your office?
A Yes, but we always coordinated with the Bureau
of Public Affairs to make sure that we weren't either
duplicating and wasting our time or contradicting them.
We worked very closely with them. They just didn't have
the capabilities. They don't have the people to do what
our office did.

We would provide, for example, Mark Richards
would sit with a reporter for four hours explaining a
certain aspect of guerrilla war in El Salvador or the
capabilities of a MIG-21. For example, why is the United
States so upset about the possible introduction of MIGs

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into Nicaragua? Here's Mark Richards; he'll tell you
what is a MIG-24 and why are you guys saying that this
changes the balance of power. Mark Richards would sit
down for eight hours. Nobody in the Bureau of Public
Affairs can do that. They don't have the time. They
don't have the skill.

Q Were you aware that rather than hiring Mark
Richards as a consultant you hired him in his corporate
form?
A Eventually, yes. That's correct. First I
believe we hired him as a contractor and then he formed a
corporation, once again I believe for tax purposes. And
there was a long, drawn-out and completely legal process
with the contracting office to see how he could be hired
as a corporation. There's nothing wrong with that.

Q I didn't say there was.
A But your tone indicated that there was
something wrong.

Q Well, I didn't mean for my tone to indicate
that there was anything wrong. We found it strange that
we couldn't find Mark Richards. We had a copy of the
contract and we never could find him. The State
Department asked on a number of occasions who is Mark
Richards and how do we find him, and they didn't know.
This was after he had left when we were looking into
these various contracts.

And the only way we found him was looking in
the State Department telephone directory of a couple
years before that and found his name.

A Well, that's very strange.

Q It was confusing.

A He would be very upset to hear that, that we
have forgotten him to quickly.

Q I don't know who was asked. I wasn't the one
that was doing the asking at that period of time.

Let me ask you -- I'm going to come back to
ISSC in just a minute, but I'd like to ask you about your
switch from AID to LPD. Do you know what the genesis of
that was, whose idea it was for you to switch over?

A For me, Otto Reich, or for the office to be
created?

Q You, Otto Reich.

A I believe it was a combination of discussions
that I had with a number of people, including Dick Stone,
Senator Stone, Walt Raymond, Jeane Kirkpatrick. I'm
sure there were other people involved, but I kind of made
a pest of myself, saying this government does a lousy job
and we deserve all the guff we're getting from the
Congress because we are not providing the information. I
see it coming across my desk every day. Let's do

something about it.

And eventually they said fine. It's like the
Army; I was volunteered and I accepted it.

Q But is it your understanding that Walt Raymond
was the one at the NSC who pushed the creation of LPD?

A I don't think it's fair to say he pushed it. I
believe Judge Clark asked him to do the staff work that
helped to create the office, because I remember sitting
down with him and talking about what would this office do
and how.

Q Did LPD report to the NSC?

A That's correct, yes.

Q And a representative of LPD met with the
Security Planning Group on a weekly basis?

A Approximately -- NSPG -- not the NSPG; I'm
sorry. Well, really we met with Walt Raymond. I don't
know what hat Walt Raymond might have been wearing,
whether it was his NSDD-77 hat. I always thought that it
was in his NSDD-77 hat. Once a week we would have public
diplomacy types from State -- not public diplomacy. Once
a week we had a meeting on information. Are we doing
enough to get information out?

And it would be held in Walt Raymond's office.
There were a lot of other meetings, by the way. There
was also a meeting on public affairs, for example.
Q: Did Ollie North attend those meetings?
A: Very infrequently. Yes, he did, but very infrequently.

Q: Were you involved in the organization of a dinner which took place on April 15, 1985, for the Nicaraguan Refugee Fund?
A: We were asked to provide government support for that -- for example, speakers. I spoke at that dinner and President Reagan spoke. We were the only speakers. I let him go first. I thought it was the least I could do.

The answer to your question is yes, but I'd like to tell you what that means. We didn't know who this group was and, frankly, I wanted to make sure that the government wasn't going to be -- that the government, particularly since the President was going to be involved, that we weren't going to get involved with some group that was shady or that the money was going to be used for the wrong purposes, at all.

We did the best we could without crossing the line from government officials telling private people what they can do, and I think our involvement probably helped to improve the thing. But it turned out to have a lot of problems. I was very unhappy with it after it was finished.

Q: Did you meet with Edie Fraser on occasions related to that dinner?
A: I believe I did, yes.

Q: What was the purpose of those meetings?
A: Oh, somebody brought her to a meeting or something, brought her to my office and said that she had been hired, I guess, by the people putting on the dinner to help them publicize or whatever it is she does, or organize it.

Q: Were you aware of Rich Miller and Frank Gomes' work with the National Endowment for the Preservation of Liberty?
A: I became aware of that quite late in my tenure. I believe, in fact, that it was -- I don't remember exactly when, but I do remember receiving brochures from the National Endowment for the Preservation of Liberty which was sent to me by Miller or Gomes. I believe Miller, and the reason I say that is that it either had an envelope from him or it had a card from Miller. I associated Miller with the brochure or packet -- packet of information.

Q: Were you aware of the briefings that were being arranged at the White House for private citizens by the National Endowment for the Preservation of Liberty?
A Not by the National Endowment. I personally 
briefed thousands of private citizens at the White House 
and the Old EOB and all over the country, but to my 
knowledge I never spoke -- and I say to my knowledge 
because I don't know frankly who organized each and every 
one of those briefings -- I never spoke at something 
sponsored by the National Endowment for the Preservation 
of Liberty.

Q What about the American Conservative Trust?

A The same answer.

Q Were you aware of the television ads that were 
run in support of aid to the contras designed to 
influence the Congress?

A I saw them on television.

Q Were you aware that the SPG or the NSC were 
involved in the timing of those ads or in working with 
those groups?

A No. That's news to me -- that the SPG or the 
NSC was involved in the timing of those ads?

Q Yes. That was my question.

A No. Can I ask you a question? When did those 
ads run?

Q Well, there were two periods in which the ads 
rang. One was in the late winter-early spring of 1985 and 
the other period was late winter to late spring of 1986.

A Well, I can certainly answer that. When you 
say late fall of '85 and early winter, in other words 
lke November-December of '85, is that when they started 
rnning?

Q Well, there were some ads that were run in 
November of '85 related to the summit.

A I'm talking about the Central America-related 
cases. When did they start? See, my memory, my 
recollection, is that I started seeing those ads when I 
was already Ambassador-designate to Venezuela, and my 
reaction was good for them, whoever they are. But I 
didn't look into it. I mean, my concern was Caracas. I 
don't remember seeing the ads before that.

Q Were you aware of a memorandum of a program or 
memorandum describing a program that Oliver North 
compiled showing all the different activities that were 
going to be undertaken in connection with the vote on 
Nicaragua -- I mean, a group showing the tasking?

A If you can show me something. I mean, I don't 
know how many thousands of memoranda I've seen.

Q Do you know a man named Thomas Dowling?

A No, I don't believe so.

Q Were you aware -- you've never heard that
name?

A The name kind of rings a bell, but no. I don't ever remember meeting a man by the name of Thomas Dowling. But I may have heard that name.

Q Are you aware of a company called Bragg Communications?

A No, I never heard of it.

Q Do you know why money, payments to IBC from State Department, why some of the money that was paid to IBC went to Bragg Communications?

A I don't know that money that was paid to IBC went to Bragg Communications, much less why.

Q Their bank accounts indicate checks.

A It's the first I ever heard of it.

Q A receipt and balance. The payments I think were in $12,000 increments. The next payment was $6,000 to Bragg Communications.

A But just a second, because IBC had a lot of clients, and it's not right to say that money went from the State Department to IBC then went to Bragg Communications. I have no idea.

Q Well, if their bank account has $1,000 in it and they get a $12,000 deposit from the State Department check and there's no other money in the account and the next check is a $6,000 check to Bragg Communications, you could draw the conclusion.

MR. TUOHY: Your answer is you don't know anything about it?


BY MR. OLIVER: (Resuming)

Q Were you aware that Rich Miller and Frank Gomez were being instructed by Oliver North to transfer funds to a Cayman Islands bank account?

A No, not until the story broke in the papers.

Q Do you know whether or not Jonathan Miller knew about the establishment of that bank account?

A I have no idea.

Q He never told you about the establishment of that bank account?

A Never.

Q Let me run through, if I may, some things in Oliver North's calendar that refer to you. We've already asked about the lunch. There are several meetings in September of 1984 indicating on Oliver North's calendar—one on September 14, one on September 17 -- with you, Arturo Cruz, Jr., Jonathan Miller and Oliver North, at 12:00 -- that may have been lunch.

Do you remember those meetings or lunches?

A I don't remember, but it probably happened. I don't know...
have no reason to believe it didn't happen.

Q. Do you know why you would have two meetings in
a three-day period with your Deputy, Arturo Cruz, and
Oliver North?

A. Why not? Arturo Cruz was full of information.

Q. Was that the primary purpose of those
meetings?

A. Oh, yeah.

Q. Was to debrief Arturo Cruz?

A. Not only debrief, but I mean debrief sounds
like we sat him down -- to discuss what was going on in
Central America. Cruz sometimes had ideas for us about
how to deal with the Sandinistas.

Q. Do you know why Jonathan Miller, Frank Gomez
and Rich Miller met with Oliver North in January of 1985?

A. No, I do not.

Q. Did Jonathan Miller ever tell you about that
meeting?

A. Oh, he may have.

Q. Did he ever tell you about a meeting with Rich
Miller, Frank Gomez and Oliver North and himself?

A. He may have. I just don't have any
recollection.

Q. You don't remember or have any recollection
about that. There's a reflection on Oliver North's
calendar on January 29, 1985, that says 2630, Bob Kerry,
Jackie Tillman, Manges, Reich, Jonathan Miller, John
Norton Moore, re constitutional and legal aspects of U.S.
involved in Central America. Do you remember that
meeting?

A. Vaguely. I think John Norton Moore came and
gave us a briefing on his interpretation of the
constitutional debate going on right now. But I mean I'm
not a lawyer so I don't remember exactly what he said --
I don't mean right now -- going on at the time. And I
think he had written a paper...

I think it might have had to do with the World
Court, the ICG suit. That was a big issue, and John
Norton Moore wrote articles about the ICG suit and our
I don't remember the details, but I do remember excusing myself politely and saying I had another meeting.

Q Were you aware that Jonathan Miller or Frank Gomez or Rich Miller attended those meetings frequently to discuss legislation?

A Those meetings?

Q Yes.

A When I say discussing legislation I mean I attended a lot of meetings where legislation was discussed in and out of government.

Q I'm asking about the meetings at Dan Kuykendahl's townhouse.

A No. I may have. Jonathan may have told me.

I probably didn't see anything sinister.

MR. TUCHEY: The question was, was Jonathan Miller there.

THE WITNESS: Oh, I don't remember. I don't remember if he was there or not.

BY MR. OLIVER: (Resuming)

Q Were there any discussions at those meetings that related to legislation where the discussion of television ad campaigns were brought up or discussed in any way?

A I don't believe so. I don't recall.
Q. There's a notation in Oliver North's calendar of a meeting with Jonathan Miller and someone named Christina.

A. Probably Christina Luna, who worked for Ollie for a month or two, and then she was scheduled to come over to the State Department and then she got a job in Paris -- poor kid.

Q. What was she doing for Ollie?

A. I don't know.

Q. Why would she have been meeting with Jonathan Miller and Ollie at the State Department?

A. I don't know. If I knew the reason for the thousands of meetings we held -- I mean, there are meetings that I attended that I couldn't tell you today if my life depended on it.

MR. TUCKER: But your answer is you don't know?

THE WITNESS: No, I don't know.

BY MR. OLIVER: (Resuming)

Q. There is a reference in Ollie North's notebook to a call to you on July 27 -- I believe it's 1984 -- regarding filming doing well and the name Archbishop Hannon next to it and the name Dowling under it.

Do you recall what that phone call might have been about?
I'm sorry. John Hall?

No. I know a John Hall -- K-a-l-1.

There's also a note that says "call from Otto Reich re: Brooklyn Bireia.

Within the same parenthesis, referring to that conversation, there is the words "Robelo getting $120,000". Do you know what that's about?

I have no idea.

Do you remember any reference to that?

No.

In the conversation?

No.

There is also a call from Mark Richards that refers to taking surreptitious pictures of Hinds and HIs. Do you know anything about that?

A call from Mark Richards to Ollie North?

Yes.

We probably needed some pictures for one of our brochures and it could be that Mark was trying to figure out if Ollie had any pictures or could cause any pictures to be taken of the Soviet Hinds in Nicaragua.
I'm speculating here.

Q. There's another note that says "Otto Reich", and I don't know whether this is related to you, but right next to it is "call L. Timb and then meeting with Miller, Miller, Gomez. I assume that's Jonathan and Rich.

A. No, I know, of course, where L. Timb is.

Q. There's another notation on 16 February that says call back to Otto Reich -- NRP moving. Do you know what that would refer to?

A. What's the year?

Q. That would be 1985.

A. NRP was, I believe, the Nicaraguan Refugees Fund. That was that dinner that eventually got organized in April.

Q. And you were telling him that it was moving along?

A. Yeah. I told you we were involved and it eventually happened April 15 of '85, I guess it was.

Q. There is another call in June of 1985 that says "call Otto/Fred Ikile re: weapons." Do you have any recollection of anything --

A. No. I never dealt with weapons of any kind.

Q. Do you know why your name would be slashed with Fred Ikile's?
In February of '85?

Yes, the 27th of February.

No.

Jonathan Miller never told you about it?

I don't recall. I can't say that he did and I can't say that he didn't. I have no recollection.

Let me show you another document which I'd like to have entered as Exhibit 2.

(The document referred to was marked Reich Exhibit Number 2 for identification.)

It is a memorandum from Oliver North to Robert McFarlane, attached to which is a chronological event checklist that includes several references to Mr. Reich.

I show you this document and ask you to take a minute to read it and tell me what you know about it.

MR. TUOHY: 3/20/83 is the date in pen in the upper righthand corner. Is that the date of the memo?

MR. OLIVER: If you turn, you will see.

(Pause.)

BY MR. OLIVER: (Resuming)

Could you tell me what the genesis of that document is and what you know about it?

Well, I'm glad you told me that it was from
example, Kuykendahl. Kuykendahl is a private citizen.

He has no business, in my opinion, being in a chronology of events for the government unless it's an informational, which we did have a lot of informational memos like this letting people know what we are doing.

Here is State Department, Reich, again--publish and distribute as State Department document Nicaragua's Development as a Marxist-Leninist State. I believe we did that. Reverend Vallardo Santellis, I don't remember this.

MR. TOCHEN: I don't know if there is a question pending right now.

MR. OLIVER: I was asking him to tell me what he knew about the document and I think that's what he was doing.

THE WITNESS: It looks familiar.

BY MR. OLIVER: (Resuming)

Q Well, had you seen those documents before?

A Oh, yes.

Q While you were at LSD?

A Yeah, sure.

Q Would it be fair to say that that was a tasking memorandum or something?

A No. We never saw it as a tasking memorandum.

Q But you saw those memorandums?
Dan Conrad?
A Not to my knowledge.
Q Cliff Smith?
A Not to my knowledge.
Q Ken Campbell?
A Yes.
Q Was Ken Campbell involved in any of your --
A Not in any of my activities. I dealt with Ken
Campbell frequently on the phone.
Q Marty Artato?
A Never heard of him. I should say not to my
knowledge.
Q Bruce Cameron?
A Yes.
Q What was Bruce Cameron's --
MR. SMILJANICH: Off the record.
(A discussion was held off the record.)
BY MR. OLIVER: (Resuming)
Q Let me just ask one more question. Were you
aware that Rich Miller was targeting various Congressmen
for Spitz Channell's television ad campaigns?
A No.
MR. OLIVER: That's it.
MR. SMILJANICH: Mr. Ambassador, thank you
very much for making yourself available.
I, MICHAEL ANN SCHAFER, the officer before whom the foregoing deposition was taken, hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

MICHAEL ANN SCHAFER
Notary Public
in and for the District of Columbia

My Commission Expires: February 28, 1990
production of various advertising media. If we are to retain their support, we must let them know by Friday whether or not they should proceed. To the maximum extent we have tried to prevent the kinds of errors that will cost them financially or politically. Unfortunately, some, like the Young Republicans ad, get through--this has been fixed.

It is important that a decision be taken no later than noon, Friday, March 22, if we are to proceed with the events in the checklist (Tab A) and those activities which support a vote at the end of April.

Senator Durenberger plans to make a major speech on this issue at the National Press Club next Tuesday, March 26. We should at least give him a sense of what to expect before he speaks.

You should also be aware that Director Casey has sent a personal note to Don Regan on the timing matter. We are attempting to obtain a copy for your use.

Northwind has apparently completed an analysis on some recent polling data. It reportedly does not look good for a vote at this time.

Finally, Jim Michel reminds that in your meetings with the Central American Heads of State you told them that we would be quiescent during the early Spring, but that in April we would act. This description fits either scenario--going for the vote or a fallback option with sanctions. One way or the other, we need to have a decision.

RECOMMENDATION

That you discuss this matter with Don Regan and urge that a decision be made on timing by noon on Friday, March 22.

Approve ____ Disapprove ____

Attachments

Tab A - Chronological Event Checklist (dtd March 20, 1985)
Tab B - Young Republicans Ad
### Event
**March 1-8, 1985**

<table>
<thead>
<tr>
<th>Event</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare list of publicly and privately expressed Congressional objections to aiding resistance and voting record on the issue.</td>
<td>WH/IA State/H</td>
</tr>
<tr>
<td>Provide State/H with a list of Nicaraguan emigres and freedom fighters to serve as potential witnesses to testify before hearings on aid to Nicaraguan freedom fighters (due March 15).</td>
<td>NSC (North) State/ACE (Michel) State/LPD (Reich)</td>
</tr>
<tr>
<td>Nicaraguan internal opposition and resistance announce unity on goals and principals (March 2, San Jose) (completed).</td>
<td>State/LPD (Müller) NSC (North)</td>
</tr>
<tr>
<td>Request that Zbigniev Brzezinski write a geopolitical paper which points out geopolitical consequences of Communist domination of Nicaragua (paper due March 20).</td>
<td>NSC (Menges)</td>
</tr>
<tr>
<td>Briefings on Nicaragua for key Congressional members and staffers. North on NI aggression and external involvement, Burghardt on diplomatic situation.</td>
<td>NSC (North) (Burghardt)</td>
</tr>
<tr>
<td>Supervise preparation and assignment of articles directed to special interest groups at rate of one per week beginning March 18 (examples: article on Nicaraguan educational system for NEA, article by retired military for Retired Officers Association, etc.).</td>
<td>State/LPD</td>
</tr>
<tr>
<td>Assign agencies to draft one op-ed piece per week for signature by Administration officials. Specify themes for the op-eds and retain final editorial rights.</td>
<td>NSC (Menges)</td>
</tr>
<tr>
<td>Conduct public opinion poll of American attitudes toward Sandinistas, freedom fighters.</td>
<td>WH (Rollins)</td>
</tr>
<tr>
<td>National Press Club news conference for FDN commanders Pemudoes, Tigrillo, Mike Lima (March 5) (follow-on Congressional visits (March 6) (completed).</td>
<td>State/LPD (Gomez) (Roykendall)</td>
</tr>
<tr>
<td>Martha Lida Murillo (9 yr old atrocity victim) visit to Washington-media interviews, Congressional visits, possible photo-op with First Lady (March 6-8) (completed).</td>
<td>State/LPD (Gomez) (Roykendall) (NH/OPL)</td>
</tr>
</tbody>
</table>

### Event
**March 9-15, 1985**

<table>
<thead>
<tr>
<th>Event</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>WH/Legislative Affairs, State/H and ARA complete list of key Congressmen interested in Nicaragua.</td>
<td>State/H (Ball/Fox) WH/IA State/ARA (Michel/Bolwell)</td>
</tr>
<tr>
<td>Intelligence briefing for White House Administration and senior staff by CIA (Vickers, Room 208, OEOB, 30 minutes).</td>
<td>NSC (North)</td>
</tr>
<tr>
<td>Brief Presidential meeting with Leït Lehman and other leaders of the influence groups working on NK and resistance funding.</td>
<td>NSC (Raymond) (North)</td>
</tr>
<tr>
<td>State/LPD and WH Media Relations prepare a list of key media outlets interested in Central American issues, including newspapers, radio, and TV stations (including SIN). Where possible identify specific editors, commentators, talk shows, and columnists.</td>
<td>NSC (North) State/LPD (Müller)</td>
</tr>
<tr>
<td>NSC update talking points on aid to Nicaraguan freedom fighters. Briefings in OEOB for members/Senators: Shultz, McFadlane, Gorman, and Shulmester to brief Lehman (requires General Gorman to be placed on contract).</td>
<td>NSC (North) (Lehmam)</td>
</tr>
<tr>
<td>Call visit newspaper editorial boards and give them background on the Nicaraguan freedom fighters.</td>
<td>State/LPD (Reich) WH/PA NSC (North)</td>
</tr>
<tr>
<td>Brief OAS members in Washington and abroad on second term goals in Central America. Explore possible OAS action against Nicaragua.</td>
<td>OAS (Middendorf) NSC (Menges) State/LPD (Reich)</td>
</tr>
<tr>
<td>VP at Brazilian inauguration. Discuss possible OAS initiative on Nicaragua with Core Four, Colombia, Brazil, and Uruguay (March 15 and 16). Prepare a &quot;Deep Colleagues&quot; list for signature by a responsible Democrat which counsels against &quot;negotiating&quot; with the FSLN.</td>
<td>VP (Hughes) NSC (Lehmam)</td>
</tr>
</tbody>
</table>
CONFIDENTIAL

March 14-22, 1985

Event
Results due on public opinion survey to see what turns Americans against Sandinistas (March 20).

Joachim Maitre--Congressional meetings, speeches, and op-ed pieces.

Review and restate themes based on results of public opinion poll.

Presidential drop-by at briefing for American evangelicals on HX and Nicaraguan resistance.

Congressional hearings (Foreign Relations/Affairs) and testimony by Nicaraguan enigres and atrocity victims.

Prepare document on Nicaraguan narcotics involvement.

SSCI CODEL Soren, Rockefeller, McConnell, and Wilson meet for meetings with resistance (March 15-19).

VP in Honduras; meeting with Pres Somoza (March 16).

Argentine state visit; President emphasize need for OAS case (March 19).

Pastors and Calero meeting with Congressional Hispanic Caucus (Jorge Mas) (March 20).

Production and distribution of La Prensa chronology of FSLN harassment.

Responsibility
NSC (Hinckley)
State/LPD (Kuykendall)
State/LPD (Reich)
NSC (North) (Raymond)
WH/OPL (Relly)
NSC (North)

Responsibility
State/LPD (Kuykendall) (Gomez)
WH/OPL (Lehman) (North)

State/LPD (Reich) (Miller/Gomez)

State/LPD (Reich) (Slane)

State/LPD (Reich) (Slane)

Republican Study Committee

State/LPD (Kuykendall) (Mas) (North)

State/LPD (Reich)

State/LPD (Reich)
CONFIDENTIAL

April 1-7, 1985

Event
Request Bernard Nietschmann to update prior paper on suppression of Indians by FSLN (to be published and distributed by April 1).

AEC: Sponsor media events w/print and televeision media for Central America resistance leaders (April 1-7).

European Parliamentary delegation to meet with President Reagan (April 2).

Visit by Colombian President Betancur (April 3-4); possible Joint Session speech by Betancur.

Proposed Presidential television address on Nicaragua (April 4).

Second round of SFPC hearings on Soviet build-up in region (Felten) (prior to recess).

CODEL visits during recess (April 4-14). Nicaraguan refugees camps in Honduras and Costa Rica (include visit to freedom fighter base camp and hospital).

CODEL visit during recess (April 4-14) with regional leaders of Central America. Regional leaders convey importance of resistance fighters in NO.

Administration and prominent non-USG spokesman on network shows regarding Soviet, Cuban, East German, and Libyan-Iranian connection with Sandinistas.

Publish updated "Green Book" distribute personally to Congressmen; media outlets, private organizations, and individuals interested in Nicaragua. Pass to Law Lehman and other interested groups.

Distribute paper on geopolitical consequences of Communist domination of Nicaragua.

Release paper on Nicaraguan drug involvement.

Responsibility

State/LPD
(Blickman)

State/LPD
(Reich)
WH/OPL (Reilly)

National Forum
Foundation

WH/SPW (Elliott)
NSC (North)

State/H

NSC (North)
(Lehman)

NSC (North)
(Lehman)

WH/PA (Sims)
WH (Buchanan)
State/LPD

State/LPD (Reich)
WH/IA
State/H (Fox)

State/LPD

State/LPD
(Blacken)
NSC (North)

April 8-14, 1985 (During recess)

Event
25 Central American spokesmen arrive in Miami for briefing before departing to visit Congressional districts. Along with national televeision commercial campaign in 45 media markets.

Targeted telephone campaign begins in 120 Congressional districts. CITIZENS FOR AMERICA district activists organize phone-tree to targeted Congressional offices encouraging them to vote for aid to the freedom fighters in Nicaragua.

Lew Lehman speaking tour of major U.S. cities. CFA Telephone campaign.

Central American spokesmen conduct rallies throughout the country in conjunction with CITIZENS FOR AMERICA activists (starting April 12).

Nationally coordinated sermons about aid to the freedom fighters are conducted (April 14).

Naval Institute Seminar in Newport, RI (Lugar, McFarlane [April 12]).
April 15-21, 1985

Event

- Nicaraguan Refugee Fund (NRF) dinner, Washington, DC; President as Guest of Honor (April 15).
- Presidential report to Congress on reasons for releasing funds to freedom fighters (April 18).
- AAA available to Washington press.
- Central American spokesmen visit Congressional offices on Capitol Hill (April 16).
- SFRC Nicaraguan issues, open hearing (April 16-17).
- Washington conference "Central America: Resistance or Surrender" (Presidential drop-by?) (April 17).
- Barnes' subcommittee hearing on Nicaragua; Motley, public witnesses (April 18) (2176 Rayburn, 2:00 p.m.).
- Presidential Radio Address (April 20).

Responsibility

- State/LPD (Miller)
- NSC (Raymond)
- NSC
- State
- State/LPD (Gomez)
- Abramoff

April 22-29, 1985

Event

- House Appropriations (Oways subcommittee) Intelligence brief on Central America/Latin America (April 23).
- Obey subcommittee (panel on Central America), public witnesses (a.m.)/Administration witnesses (p.m.) (April 24).
- Major rally in the Orange Bowl in Miami, Florida, attended by President Reagan and important Administration figures (April 28).
- Presidential calls to key members.

Responsibility

- Cuban American National Foundation
- State/LPD (Reich)
- WH (Friederendorf)
- NSC (Lehman)
April 30, 1985

**Event**

Vote in the U.S. Congress on aid to the Nicaraguan freedom fighters (April 30). President leaves for Europe.

**Responsibility**

WH (Friedersdorf)

NSC (Lehman)

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**Confidential**

PUBLIC DIPLOMACY: PRESIDENTIAL EVENTS REGARDING NICARAGUAN RESISTANCE

**Event**

March 16-22, 1985

Argentine state visit: President emphasizes need for OAS case (March 19).

March 22-31, 1985

Presidential breakfasts, lunches, and WHSR meetings with key Congressional leaders (March 24 through vote).

President to meet in Room 450 w/"Spirit of Freedom," concerned citizens for Democracy. Representatives from 8 countries (180) (March 25).

April 1-7, 1985

Visit by various members of European parliaments who support the President's policies in Central America (April 2).

Visit by Colombian President Betancur (April 3-4); possible Joint Session speech.

Presidential television address on budget (April 4).

Presidential meeting with AAA.

April 15-21, 1985

Conference on religious freedom; Presidential drop-by in Rm 450, OEOB.

Nicaraguan Refugee Fund (NRF) dinner, Washington, DC; President as Guest of Honor (April 15).

Presidential report to Congress on reasons for releasing funds to freedom fighters (April 15).

Possible Presidential meeting with AAA.

Possible Presidential visit with Central American Presidents, Foreign Ministers, and Presidential candidates.

Presidential Radio Address (April 20).

**Responsibility**

WH (Elliott)

NSC (Raymond)

WH/OPD (Beiley)

WH Speechwriters (Elliott)

NSC (North)

NSC (Raymond)

State/LPD (Miller)

NSC (Raymond)

NSC (North)

NSC (North)

WH (Elliott)
<table>
<thead>
<tr>
<th>Event</th>
<th>Responsibility</th>
</tr>
</thead>
</table>
| **April 22-26, 1985**  
Proposed visit to Washington by Presidents Monge, Duarte, and Suazo.  
Presidential calls to key members.  
Major rally in the Orange Bowl in Miami, Florida, attended by President Reagan and important Administration figures (April 28). | NSC (North)  
S/ADA (Michel)  
WH (Friedersdorf)  
NSC (Lehman)  
Cuban American National Foundation |
| **April 30, 1985**  
Proposed Congressional vote; President leaves for Europe. | **CONFIDENTIAL**  
**CONFIDENTIAL (CD)**