

Wednesday, March 29, 1989

Meese testifies at North trial; tells of official's 'nightmares'

WASHINGTON (AP) — Former Attorney General Edwin Meese III testified at Oliver North's trial Tuesday that the specter of impeachment hung over the White House in the 72 hours after aides discovered a planned diversion of Iran arms sale money to the Nicaraguan Contras.

In two hours of testimony, Meese said he told then-President Reagan about the diversion the day after North confirmed that the plan, outlined in a memo, had become a fact.

"Your worst nightmare had come true?" North lawyer Brendan Sullivan asked.

"Yes, it was," Meese replied.

"You knew that spelled trouble?"

"Yes, I did."

The nightmares that Sullivan referred to was the revelation that two activities in which North was deeply involved had been intertwined: the administration's secret sale of weapons to Iran and the fact that money from the arms sales — with the knowledge of U.S. officials — secretly was going to the rebels fighting the Nicaraguan government at a time such aid was forbidden by law.

"Merging of those two factors could cause toppling of the president himself?" asked Sullivan.

"Yes," Meese replied.

The memo, which had survived massive shredding efforts by North, his secretary and an aide, was found on Nov. 22, 1986 by Meese aides William Bradford Reynolds in North's office. The next day, a Sunday, Meese met with North and others at the Justice Department.

Meese said that in the Sunday meeting, North appeared surprised that Meese had obtained the memo which outlined the arms sales profit-diversion plan.

"I believe he asked where we had gotten the memo," Meese said.

He testified also that North assured him then that the plan was Israel's and U.S. involvement was "none." And he said North told him he had contacted Contra leader Adolfo Calero and suggested Calero open three accounts in Switzerland to get the money from the Israelis.

In truth, North co-defendants Richard Secord and Albert Hakim had arranged to receive the Iran money in private Swiss accounts they established and controlled, investigators found.

Meese said he talked to the president on Monday and they talked of the impact the public disclosure might have.

U.S. officials accept offer for repayment by Iraqis

Families of men killed on Stark get \$27 million

WASHINGTON (AP) — U.S. officials said Tuesday that Iraq's agreement to pay \$27.35 million to the families of the 37 sailors killed in the attack on the USS Stark is a satisfactory and fair settlement but it is unclear when the payments will be made.

The agreement, formally announced by the State Department, represents about 92 percent of the \$29.6 million the United States had requested for the families of those who died in Iraq's unprovoked missile attack on the Stark in 1987.

Bush administration officials privately described the agreement as "satisfactory" and a "fair settlement." The sources, speaking on condition they not be identified, also said it remained unclear when Iraq would hand over the money. They said Iraqi officials had offered the

settlement in a take-it-or-leave-it manner.

The officials said Americans who were in Baghdad to settle the matter were called in to see Iraqi Foreign Minister Tariq Aziz on Monday "and told that this was what (Iraqi) President (Saddam) Hussein had decided."

"There were no negotiations," one source continued. "They just announced this was what they were prepared to pay."

"It was apparent to our delegation that this was going to be the best they could do," said another official. "They didn't dicker."

The sources said they could not explain how Iraq settled on the figure.

"The government of Iraq has agreed to pay over \$27 million as full compensation for (the) deaths," State Department spokesman Margaret Tutwiler announced Tuesday. "The agreement was reached in

Baghdad (Monday) following discussions between the foreign ministry of Iraq and a United States delegation," she added.

A victim compensation payment by Iraq has been described by U.S. government officials as the most important step the Mideast country can take to maintain good relations and follow through after its public apology.

Iraq has acknowledged that one of its warplanes fired on the Stark on May 17, 1987, in what it said was a case of mistaken identity. The Iraqis said the fighter thought it was attacking an oil tanker bound for Iran.

The United States has accepted that explanation by Iraq.

Administration sources said the United States still plans to press Iraq on two other claims — a request for \$82.9 million to cover repairing the ship, and a request for compensation for sailors who were injured but survived the attack.

Mexican treasurer praises debt-reduction plan

MEXICO CITY (AP) — Treasury Secretary Pedro Aspe said talks with creditor banks on the latest U.S. plan to ease the debt of the developing world has helped define Mexico's options for managing its massive foreign debt.

"The road ahead is clearer and the options are better defined," he said late Monday after returning from a two-week trip to the United States, Japan, France and the Netherlands.

He said the trip was aimed at evaluating the potential of the Brady plan — U.S. Treasury Secretary Nicholas Brady's ideas for reducing the debt burden of developing nations. Latin American countries, which owe an estimated \$410 billion, are some of the hardest hit by the debt crisis.

Mexico's foreign debt, \$107.4 billion, according to the World Bank, is the second-largest in the developing world after Brazil's.

Aspe plans to leave Monday for Washington for further talks with U.S. officials, creditor banks and international lending agencies.

"The Mexican government will continue to explore, concert and negotiate continuously until it achieves a satisfactory agreement," Aspe said in a statement issued late Monday.

The debt is part of a domestic crisis of serious proportions in Mexico, where economic austerity measures have grown increasingly unpopular. Business and labor leaders warned Tuesday they cannot take any more belt-tightening.

"The workers' movement is in desperate straits. We cannot stand it any longer," the deputy general secretary of the powerful Mexican Labor Federation, Alfonso Calderon said in a statement Monday.

Mexico's economic crisis has brought triple-digit inflation followed by recession, drained foreign currency reserves, cut workers' buying power by more than half in the last six years, and increased unemployment.

Businesses "will not be able to withstand another six years of sacrifice, and Mexicans will resist living in an ailing economy," Luis Carcoba Garcia, chairman of the Federation of Industrial Chambers, warned in an interview published Tuesday by the newspaper *El Universal*.

Mexican officials say domestic growth has stagnated because resources have been poured into keeping up on debt payments. This year Mexico expects to spend \$16 billion of its anticipated for-

ign income of \$21 billion on the debt, with \$9 billion going to interest alone.

Carcoba said the government should provide "for greater support for industrial expansion in order to urgently generate more employment."

About 40 percent of the Mexican workforce is now jobless or underemployed. With a population growth of 2 percent a year, Mexico needs at least 1 million new jobs every year just to keep up with young people entering the workplace.

Mexico incurred much of its debt during a borrowing spree in the oil boom of the late 1970s and the early 1980s. When oil prices crashed in 1982, so did the Mexican economy.

The Brady plan represents a new direction in U.S. policy, which has long prescribed new loans to enable Third World debtors to keep up their payments. The Brady plan instead envisions reducing debt, something Mexico has advocated for years.

Aspe said his trip was designed to "pin down" and "evaluate" to "what extent the Brady plan can be adapted to satisfactorily resolve the Mexican problem." He gave no details.

Sources say Texas Air plans to consider offers for Eastern

NEW YORK (AP) — Texas Air Corp. directors met Tuesday and were expected to consider offers to buy strike-crippled Eastern Airlines, sources said.

Peter V. Ueberroth, whose term as baseball commissioner ends Saturday, may offer \$300 million to \$500 million during the meeting that ends Wednesday, said baseball and airline industry sources. Takeover specialist Carl C. Icahn hoped union concessions would persuade Eastern creditors to let him take control.

Sources said substantive discussions in the regularly scheduled meetings probably wouldn't get under way until Wednesday. Texas Air spokesman Art Kent in Houston said the company wouldn't comment

on whether a meeting was being held.

"There are a lot of those rumors going around," Kent said.

Indications of Ueberroth's interest came as Icahn, owner and chairman of Trans World Airlines Inc., resumed talks with Eastern's unions about a possible takeover.

Icahn hoped to win concessions, said Brian Freeman, an investment banker with close ties to the Machinists union.

The union struck March 4, and support from pilots has virtually grounded the Miami-based airline. A federal judge in Miami scheduled a hearing Thursday on Eastern's efforts to force its rebellious pilots back to work.

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