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WITHDRAWAL SHEET

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Collection: TEICHER, HOWARD R.: Files

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File Folder: Iran Policy - Sensitive (4)
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Date: 2/1/01
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Cable	Cable #150646Z Nov 86, 6 p.	11/15/86	B1 →
2. Talking Pts	on Dialogue with Iran, 7 p.	n.d.	B1
	<i>R 5/13/03 F96-118/3 #62</i>		
	<i>PART. 2/17/06 F96-118/3 #63</i>		

RESTRICTION CODES

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA].
- B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA].
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Collection Name TEICHER, HOWARD: FILES

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LOJ 5/15/2007

File Folder IRAN POLICY-SENSITIVE (4)

FOIA

F96-118/3

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ID Doc Type	Document Description	No of Pages	Doc Date
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2	TALKING	ON DIALOGUE WITH IRAN	ND
	POINTS		

mvh 3/6/08
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NOV 13, 1986
Pres. statement
8:00 PM EST

Document No. _____

8181

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/13/86 ACTION/CONCURRENCE/COMMENT DUE BY: ---

SUBJECT: PRESIDENTIAL REMARKS: IRAN

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
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BARBOUR	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	WALLISON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
KING	<input type="checkbox"/>	<input type="checkbox"/>	<u>DEAN</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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MASENG	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The attached has been forwarded to the President.

RESPONSE:

T-BB-52
ADD 11/17/87

David L. Chew
Staff Secretary
Ext. 2702

(NSC/Buchanan)
November 13, 1986
5:30 p.m.

PRESIDENTIAL TELEVISION ADDRESS: IRAN
THURSDAY, NOVEMBER 13, 1986

Good evening.

I know you have been reading, seeing and hearing a lot of horror stories the past several days attributed to Danish sailors, unnamed observers at Italian airports and Spanish harbors, and especially unnamed government officials of my administration. Well now you are going to hear the facts from a White House source, and you know my name.

I wanted this time to talk with you about an extremely sensitive and profoundly important matter of foreign policy.

For 18 months now, we have had underway a secret diplomatic initiative. That initiative -- to Iran -- was undertaken for the simplest and best of reasons:

- to renew a relationship with the nation of Iran;
- to bring an honorable end to the bloody six-year war between Iran and Iraq;
- to eliminate state-sponsored terrorism and subversion; and
- to effect the safe return of all hostages.

Without Iran's cooperation we cannot bring an end to the Persian Gulf War; without Iran's concurrence, there can be no enduring peace in the Middle East.

For ten days now, the American and world press have been full of reports and rumors about this initiative and these objectives.

Now, my fellow Americans, there is an old saying that nothing spreads so quickly as a rumor. So I thought it was time to speak with you directly -- to tell you firsthand about our dealings with Iran. As Will Rogers once said, "...rumor travels faster, but it don't stay put as long as truth." So let's get to the facts.

The charge has been made that the United States has shipped weapons to Iran -- as ransom payment for the release of American hostages in Lebanon -- that the United States undercut its allies and secretly violated American policy against trafficking with terrorists.

Those charges are utterly false.

The United States has not been dealing with those who hold our people captive in Lebanon. And we will not. The United States has not swapped boatloads or planeloads of American weapons -- for the return of American hostages. And we will not.

Other reports have surfaced. Reports of a sealift to Iran using Danish ships to carry American arms. Of Spanish vessels being employed in secret arms shipments. Of Italian ports being used. Of Miami-based charter pilots flying into Iran. Of the U.S. sending spare parts, and weapons, for combat aircraft. All these reports are quite exciting; as far as we are concerned, not one of them is true.

During the course of our secret discussions, I authorized the transfer of small amounts of defensive weapons and spare parts for defensive systems to Iran. My purpose was to convince Tehran that our negotiators were acting with my authority, to

send a signal that the United States was prepared to replace the animosity between us -- with a new relationship. These modest deliveries, taken together, could easily fit into a single cargo plane. They could not, taken together, have any lasting impact upon the outcome of the six-year war between Iran and Iraq -- nor could they affect in any way the military balance between the two countries.

Those with whom we were in contact took considerable risks and needed a signal of our serious intent, if they were to carry on and broaden the dialogue.

At the same time, we undertook this initiative, we made clear that Iran must oppose all forms of international terrorism as a condition of progress in our relationship. The most significant step which Iran could take, we indicated, would be to use its influence in Lebanon to secure the release of all hostages held there.

Some progress has already been made. Since U.S. Government contact began with Iran, there has been no evidence of Iranian government complicity in acts of terrorism against the United States. Hostages have come home -- and we welcome the efforts that the Government of Iran has taken in the past and is currently undertaking.

But, why, you might ask is a relationship with Iran important to the United States?

Iran encompasses some of the most critical geography in the world. It lies between the Soviet Union and access to the warm waters of the Indian Ocean. Geography explains why the Soviet

Union has sent an army into Afghanistan to dominate that country and, if they could, Iran and Pakistan.

Iran's geography also gives it a critical position from which adversaries could interfere with oil flows from the Arab states that border the Persian Gulf. Apart from geography, Iran's own oil deposits are important to the long term health of the world economy.

For these reasons, it is in our national interest to watch for changes within Iran that might offer hope for an improved relationship. Until last year, there was little to justify that hope.

Indeed, we have bitter and enduring disagreements that persist today. At the heart of our quarrel has been Iran's past sponsorship of international terrorism. Iranian policy has been devoted to expelling all Western influence from the Middle East. We cannot abide that; because our interests in the Middle East are vital. At the same time, we seek no territory or special position in Iran. The Iranian revolution is a fact of history, but between American and Iranian basic national interests there need be no permanent conflict.

Since 1983, various countries have made overtures to stimulate direct contact between the U.S. and Iran. European, Near East, and Far East countries have attempted to serve as intermediaries. Despite a U.S. willingness to proceed, none of these overtures bore fruit.

With this history in mind, we were receptive, last year, when we were alerted to the possibility of establishing a direct dialogue with Iranian officials.

Now, let me repeat. America's long-standing goals in the region have been to help preserve Iran's independence from Soviet domination; to bring an honorable end to the bloody, Iran-Iraq war; to halt the export of subversion and terrorism in the region. A major impediment to those goals has been an absence of dialogue, a cut-off in communication between us.

It is because of Iran's strategic importance and its influence in the Moslem world that we chose to probe for a better relationship between our countries.

Our discussions continued into the spring of this year. Based upon the progress we felt we had made, we sought to raise the diplomatic level of contacts. A meeting was arranged in Tehran. I then asked my former national security advisor, Bud McFarlane, to undertake a secret mission and gave him explicit instructions. I asked him to go to Iran to open a dialogue, making stark and clear our basic objectives and disagreements.

The four days of talks were conducted in a civil fashion; and American personnel were not mistreated. Since then, the dialogue has continued and step-by-step progress continues to be made.

Let me repeat: Our interests are clearly served by opening a dialogue with Iran and thereby helping to end the Iran-Iraq War. That war has dragged on for more than six years, with no prospect of a negotiated settlement. The slaughter on both sides has been enormous; and the adverse economic and political consequences for that vital region of the world have been growing. We sought to establish communication with both sides in

that senseless struggle, so that we could assist in bringing about a ceasefire and, eventually, a settlement. We have sought to be even-handed by working with both sides, and with other interested nations to prevent a widening of the war.

This sensitive undertaking has involved great risk for those involved. There is no question but that we could never have begun or continued this dialogue, had the initiative been disclosed earlier. Due to the publicity of the past week, the entire initiative is very much at risk today.

There is ample precedent in our history for this kind of secret diplomacy. In 1971, then President Nixon sent his National Security Advisor on a secret mission to China. In that case, as today, there was a basic requirement for discretion and for a sensitivity to the situation in the nation we were attempting to engage.

Since the welcome return of former hostage David Jacobsen, there has been unprecedented speculation and countless reports that have not only been wrong, but have been potentially dangerous to the hostages and destructive of the opportunity before us. The efforts of courageous people like Terry Waite have been jeopardized. So extensive have been the false rumors and erroneous reports, that the risks of remaining silent now exceed by the risks of speaking out. That is why I decided to address you tonight.

It has been widely reported, for example, that the Congress, as well as top Executive Branch officials, were circumvented. Although the efforts we undertook were highly sensitive and

involvement of government officials was limited to those with a strict need to know, all appropriate Cabinet Officers were fully consulted. The actions I authorized were and continue to be in full compliance with federal law -- and the relevant committees of Congress are being and will be fully informed.

Another charge is that we have tilted toward Iran in the Gulf War. This, too, is unfounded. We have consistently condemned the violence on both sides. We have consistently sought a negotiated settlement that preserves the territorial integrity of both nations. The overtures we have made to the Government of Iran have not been a shift to supporting one side over the other. Rather, it has been a diplomatic initiative to gain some degree of access and influence within Iran -- as well as Iraq -- and bring about an honorable end to that bloody conflict. It is in the interests of all parties in the Gulf Region, to end that war as soon as possible.

To summarize, our government has a firm policy not to capitulate to terrorist demands. That "no concessions" policy remains in force -- in spite of the wildly speculative and false stories about arms for hostages and alleged ransom payments. We did not -- repeat -- did not trade weapons or anything else for hostages -- nor will we. Those who think that we have "gone soft" on terrorism should take up the question with Colonel Khadafi.

We have not, nor will we, capitulate to terrorists. We will, however, get on with advancing the vital interests of our great nation -- in spite of terrorists and radicals who seek to sabotage our efforts and immobilize the United States.

Our goals have been, and remain:

- to restore a relationship with Iran,
- to bring an honorable end to the war in the Persian Gulf,
- to bring a halt to state-supported terror in the Middle East; and,
- finally, to effect the safe return of all hostages from Lebanon.

As President I have always operated on the belief that, given the facts, the American people will make the right decision. I believe that to be true now.

I cannot guarantee the outcome. But, as in the past, I ask for your support because I believe you share the hope for peace in the Middle East, freedom for all hostages, and a world free of terrorism. Certainly there are risks in this pursuit but there are greater risks if we do not persevere.

It will take patience, and understanding; it will take continued to those who commit terrorist acts; and it will take co-operation with all who seek to rid the world of this scourge.

Thank you and God bless you.

~~SECRET~~

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SUBJECT: BACKGROUND ON U.S.-IRAN DIALOGUE

1. ~~SECRET~~ - ENTIRE TEXT.
2. FOLLOWING BACKGROUND ON U.S. IRANIAN DIALOGUE SHOULD

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NLS
F96-1113#62
BY CU NARA, DATE 5/13/03

T-BB-44
ADG 4/7/87

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BE PROVIDED TO APPROPRIATE SENIOR HOST GOVERNMENT OFFICIALS ASAP.

3. INTRODUCTION

-- FROM THE EARLIEST MONTHS FOLLOWING THE ISLAMIC REVOLUTION IN IRAN, THE U.S.G. HAS ATTEMPTED TO REESTABLISH OFFICIAL CONTACT WITH THAT GOVERNMENT.

-- OUR PURPOSE WAS TO DISCUSS STRATEGIC DEVELOPMENTS IN SOUTH WEST ASIA AND TRY TO ESTABLISH A CONSTRUCTIVE WORKING RELATIONSHIP.

-- SINCE 1983, SEVERAL COUNTRIES HAVE INDICATED A WILLINGNESS TO ACT AS INTERMEDIARIES BETWEEN THE U.S. AND IRAN IN AN EFFORT TO STIMULATE DIRECT CONTACT.

-- DESPITE U.S. WILLINGNESS TO PROCEED, NONE OF THESE EFFORTS BORE FRUIT.

-- IT WAS NOT AN EASY DECISION TO BEGIN OR PURSUE THIS DIALOGUE. OBVIOUSLY, IT WAS DIFFICULT. WE TOOK A CALCULATED RISK BECAUSE THE STRATEGIC OBJECTIVES OF MODERATING IRANIAN BEHAVIOR, ENHANCING THE SECURITY INTERESTS OF GULF STATES, ENDING THE WAR AND STOPPING IRANIAN STATE-SUPPORTED TERRORISM WARRANTED SUCH AN EFFORT. INDEED, GIVEN IRAN'S IMPORTANCE, IT WOULD BE IRRESPONSIBLE NOT TO PURSUE AN OPPORTUNITY TO RESHAPE IRANIAN BEHAVIOR IN A MORE RESPONSIBLE DIRECTION.

4. U.S. GOALS

-- CONTRARY TO UNINFORMED PRESS SPECULATION, THERE HAS BEEN NO CHANGE IN AMERICAN POLICY TOWARD IRAN.

-- OUR FOUR BASIC GOALS ARE:

-- THE RESUMPTION OF A STABLE RELATIONSHIP WITH IRAN.

-- AN HONORABLE END TO THE IRAN-IRAQ WAR AND GREATER STABILITY IN THE GULF REGION;

-- THE ELIMINATION OF STATE-SPONSORED TERRORISM AND SUBVERSION;

-- THE SAFE RETURN OF ALL OF OUR--AND OTHERS'-- HOSTAGES; AND

5. WESTERN AND REGIONAL INTERESTS IN IRAN

-- IRAN REPRESENTS A KEY STATE OF VITAL IMPORTANCE TO THE WEST AND TO THE OTHER STATES IN THE AREA.

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-- IT IS THREATENED BY SOVIET MILITARY AND POLITICAL INFLUENCE ALONG ITS BORDERS AND POTENTIALLY INTERNALLY.

-- THE GROWING COSTS OF THE IRAN-IRAQ WAR INCREASES IRANIAN VULNERABILITY TO SOVIET PENETRATION AND TO THE DANGER OF DISINTEGRATION. IRAN MUST REMAIN AS AN INDEPENDENT BULWARK AGAINST THE SOVIETS. THE FINANCIAL CRISIS IN WHICH IRAN FINDS ITSELF NOW

GIVES IMPETUS TO THOSE IRANIANS INTERESTED IN BOLSTERING SOVIET-IRANIAN RELATIONS. AS THE WAR

CONTINUES, THE GROWING NEXUS BETWEEN THE IRANIAN REVOLUTIONARY GUARDS AND EASTERN BLOC ARMS SUPPLIERS IS ESPECIALLY WORRISOME.

-- SOVIET DOMINATION OF IRAN WOULD FUNDAMENTALLY CHANGE

THE REGIONAL BALANCE OF POWER, MAKE IT FAR MORE DIFFICULT FOR US TO COUNTER THE SOVIETS AND THEREFORE DRAMATICALLY SHIFT THE GLOBAL BALANCE OF POWER IN THE SOVIETS' DIRECTION.

-- THE PRESIDENT IS CONVINCED THAT THE MOST EFFECTIVE MEANS OF PREVENTING SUCH AN EXPANSION OF SOVIET INFLUENCE DEPENDS ON THE EVOLUTION OF A GOVERNMENT IN IRAN WILLING AND ABLE TO WORK WITH THE U.S., OTHER WESTERN COUNTRIES AND MODERATE ARAB STATES.

- BRINGING SUCH CONDITIONS ABOUT REQUIRED A SLOW AND NECESSARILY SECRET POLICY INITIATIVE BY THE U.S. AND PRAGMATIC LEADERS IN IRAN TO DEVELOP MUTUAL TRUST AND POLICY REORIENTATION WHICH WOULD PERMIT THE EVENTUAL RESUMPTION OF NORMAL RELATIONS. THIS IS WHAT THE U.S. HAS BEEN ATTEMPTING OVER THE PAST EIGHTEEN MONTHS.

6. CONDITIONS FOR DIALOGUE

-- THE U.S. TOOK STEPS WHICH DEMONSTRATED SUPPORT FOR THOSE IN IRAN WHO ARE WILLING TO TAKE THE RISK OF REOPENING A DIALOGUE. THESE INCLUDED THE TRANSFER OF VERY LIMITED QUANTITIES OF DEFENSIVE ARMAMENTS

-- THE SUM TOTAL OF THIS U.S. ASSISTANCE WOULD FIT IN ONE LARGE TRANSPORT AIRCRAFT.

-- THERE IS NO TRUTH TO PRESS REPORTS ALLEGING U.S. USE OF DANISH OR SPANISH MERCHANT SHIPS, USE OF ITALIAN PORTS, OR MANY OTHER FABRICATIONS.

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-- AT THE SAME TIME, WE MADE CLEAR THAT IRAN MUST DEMONSTRATE ITS OPPOSITION TO INTERNATIONAL TERRORISM AS A NECESSARY PREREQUISITE TO PROGRESS IN OUR BILATERAL RELATIONSHIP.

-- WE ALSO ASKED IRAN TO USE ITS HUMANITARIAN INFLUENCE IN LEBANON AND SECURE THE RELEASE OF ALL HOSTAGES-- U.S. AND OTHER--HELD THERE.

-- BASED UPON THE GRADUAL MATURING OF MUTUAL CONFIDENCE THE PRESIDENT DECIDED TO ELEVATE THE LEVEL OF CONTACTS.

-- HE ASKED HIS FORMER NATIONAL SECURITY ADVISOR, ROBERT

MC FARLANE, TO TRAVEL SECRETLY TO IRAN IN MAY 1986 TO REAFFIRM OUR INTERESTS AND PREREQUISITES FOR A NORMAL RELATIONSHIP. MCFARLANE WAS TREATED WITH CIVILITY AND MET WITH SENIOR IRANIAN OFFICIALS.

7. IRAN-IRAQ WAR AND REGIONAL STABILITY

-- A FUNDAMENTAL U.S. MOTIVATION FOR THIS DIALOGUE WITH IRAN IS TO FIND WAYS TO HELP BRING ABOUT AN HONORABLE END TO THE IRAN-IRAQ WAR.

-- OVER THE PAST TWO YEARS, WE WATCHED IRAN'S CONTINUED COMMITMENT TO THE WAR AS IT PREPARED AND CONDUCTED RENEWED OFFENSES AGAINST IRAQ. SPILLOVER OF THE WAR TO THIRD PARTIES SUCH AS KUWAIT AND SAUDI ARABIA ALSO SEEMED INCREASINGLY LIKELY. MOREOVER, AN ESCALATION OF THE TANKER WAR INCREASINGLY THREATENED THE STABILITY OF THE INTERNATIONAL PETROLEUM MARKET, DESPITE INTERNATIONAL EFFORTS TO PERSUADE IRAN AND IRAQ TO REFRAIN FROM STRIKES AGAINST SHIPPING IN THE GULF.

-- OUR DIPLOMATIC MISSIONS IN BAGHDAD AND WASHINGTON PROVIDED US WITH READY MECHANISMS FOR DIALOGUE WITH THE GOVERNMENT OF IRAQ REGARDING THE WAR.

-- WE CONCLUDED THAT EVEN WITHOUT DIPLOMATIC REPRESENTATION A DIALOGUE WITH IRAN MIGHT IMPROVE OUR ABILITY TO FIND SOME HONORABLE MEANS FOR BRINGING ABOUT A MEDIATED SETTLEMENT OF THE WAR.

-- WE TOOK MEASURES WITH BOTH COUNTRIES TO ENHANCE THE LIKELIHOOD OF AN HONORABLE SETTLEMENT OF THE WAR.

-- WE EMPHASIZED OUR OPPOSITION TO IRANIAN THREATS TO ARAB STATES OF THE GULF AND OUR DETERMINATION OR PROVIDE MILITARY ASSISTANCE IN THE FACE OF IRANIAN

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AGGRESSION.

-- AND WE ENCOURAGED IRAN TO ENGAGE IN DIALOGUE WITH ITS NEIGHBORS.

8. TERRORISM

-- FROM THE EARLIEST CONTACT, AMERICAN REPRESENTATIVES STRESSED THE ABSOLUTE NECESSITY FOR IRAN TO END ITS

SUPPORT FOR TERRORISM.

-- WE STRESSED THAT AMERICA HAS NOT CONCEDED, NOR WILL IT CONCEDE TO THE DEMANDS OF TERRORISTS.

-- OUR POLICY REMAINS ONE OF NO CONCESSIONS TO TERRORISTS.

-- THE GOVERNMENT OF IRAN KNOWS, THE WORLD SHOULD KNOW, THAT WE CANNOT AND WILL NOT PAY RANSOM TO THOSE WHO PRACTICE TERRORISM.

-- U.S. ACTIONS AGAINST LIBYA, SYRIA, AND THE ACHILLE LAURO PIRATES CLEARLY DEMONSTRATE WHAT MEASURES WE ARE PREPARED TO TAKE WHEN SUCH ACTIONS ARE APPROPRIATE.

9. RESULTS OF THE DIALOGUE

-- IRANIAN STATEMENTS OPPOSING INTERNATIONAL TERRORISM INCLUDING HIJACKING.

-- IRANIAN PRESSURE ON ISLAMIC JIHAD HELPED SECURE FREEDOM FOR AMERICAN AND FRENCH HOSTAGES. IRANIAN EFFORT CONTINUES.

- PRAGMATIC FORCES INSIDE THE GOVERNMENT OF IRAN HAVE INCREASED PRESSURE ON RADICALS TO DESIST IN SUPPORT FOR TERRORISM AND SUBVERSION.

-- IRANIAN LEADERS RECOGNIZE THAT U.S. CAN HELP IRAN RESIST SOVIET PRESSURES AND BLANDISHMENTS.

10. WESTERN RELATIONS WITH IRAN

-- THROUGHOUT THE SEVEN-YEAR EXISTENCE OF THE ISLAMIC REPUBLIC, IRAN HAS MAINTAINED SOME FORM OF DIPLOMATIC RELATIONS AND COMMUNICATION WITH ALL MAJOR WESTERN COUNTRIES EXCEPT THE U.S.

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-- DESPITE THE WAR, EVEN IRAQ MAINTAINS DIPLOMATIC RELATIONS WITH IRAN.

-- NOTWITHSTANDING U.S. EFFORTS TO STOP THE FLOW OF ARMS SALES TO IRAN IN ORDER TO ENCOURAGE IRAN TO

SETTLE ITS WAR WITH IRAQ, EASTERN AND WESTERN EUROPEAN COUNTRIES SELL SUBSTANTIAL AMOUNTS OF MILITARY EQUIPMENT TO IRAN.

--OUTSIDE OF EUROPE, CHINA HAS BECOME IRAN'S LARGEST SUPPLIER OF MILITARY EQUIPMENT.

--IRAN ALSO PURCHASES MILITARY EQUIPMENT FROM NORTH KOREA, CHILE, SYRIA, AND LIBYA.

-- THIS PATTERN OF COMMERCE CLEARLY ILLUSTRATES THE WIDESPREAD MILITARY TRADE WHICH IRAN CONDUCTS WITH COUNTRIES OF THE WEST AND EAST.

11. CONCLUSION

-- THE U.S. RECOGNIZES THE IMPORTANCE OF IRAN IN THE REGION AND THE ISLAMIC WORLD.

-- MOREOVER, THE EMERGENCE OF LEADERS IN IRAN WILLING TO CHANGE IRAN'S UNACCEPTABLE INTERNATIONAL BEHAVIOR AND SEEK A NORMAL RELATIONSHIP WITH THE INTERNATIONAL COMMUNITY CANNOT BE IGNORED BY THE U.S. OR THE WEST.

-- TO THAT END, THE U.S. CHOSE TO FIND WAYS TO REINFORCE THIS TREND THROUGH DIALOGUE AND THE SLOW AND PAINFUL PROCESS OF CONFIDENCE BUILDING. ONLY VERY LIMITED ARMS TRANSFERS WERE APPROVED. THESE DID NOT AFFECT THE BALANCE BETWEEN IRAQ AND IRAN.

-- THE PRESIDENT HAS MADE CLEAR THE IMPORTANCE THE U.S. ATTACHES TO A STABLE RELATIONSHIP WITH IRAN AND THE BENEFITS WHICH CAN ACCRUE TO THE WEST SHOULD SUCH A SITUATION EVOLVE.

-- THE PRESIDENT WILL PERSEVERE IN HIS EFFORTS TO PURSUE THIS DIALOGUE IN PURSUIT OF THE GOALS HE BELIEVES CAN BE ACHIEVED. SHULTZ

** END OF CABLE **

SECRET



PETER TURNLEY FOR NEWSWEEK

A joyous homecoming for a freed American: Jacobsen, with his two sons and other family members, at a stopover in Wiesbaden

Cloak and Dagger

Despite a vow not to deal with terrorists, Reagan secretly permits arms shipments to Iran to win the release of three American hostages in Lebanon

It was the seventh anniversary of the seizure of the American Embassy in Teheran, and Hojatolislam Akbar Hashemi Rafsanjani was exultant. A cloak-and-dagger tale in a Lebanese publication was embarrassing the Great Satan, and the speaker of Iran's Parliament was only too pleased to confirm it. According to the Beirut magazine *Al Shiraa* last week, five American government officials, including former National Security Council chief Robert C. McFarlane, had flown secretly to Teheran in recent months, bearing gifts. In Rafsanjani's embellishment, some of the gifts were symbolic: a cake in the shape of a key (for opening new ties), a Bible inscribed by Ron-

ald Reagan. There was even a promise of Colt automatic pistols for top Iranian officials. In either version, however, the real offering was startling: a planeload of U.S. military hardware. Iran did not rise to the bait, said Rafsanjani. "We told [them] we do not accept the gifts and had nothing to talk about with them," he said. The Americans, he gloated, "have resorted to us to solve their problem in Lebanon."

The sudden revelation that the United States had been courting the Khomeini regime all but overshadowed last week's joyful homecoming of David Jacobsen, the

Courting the Khomeini regime: McFarlane before his resignation as NSC director
JOHN FICARA—NEWSWEEK

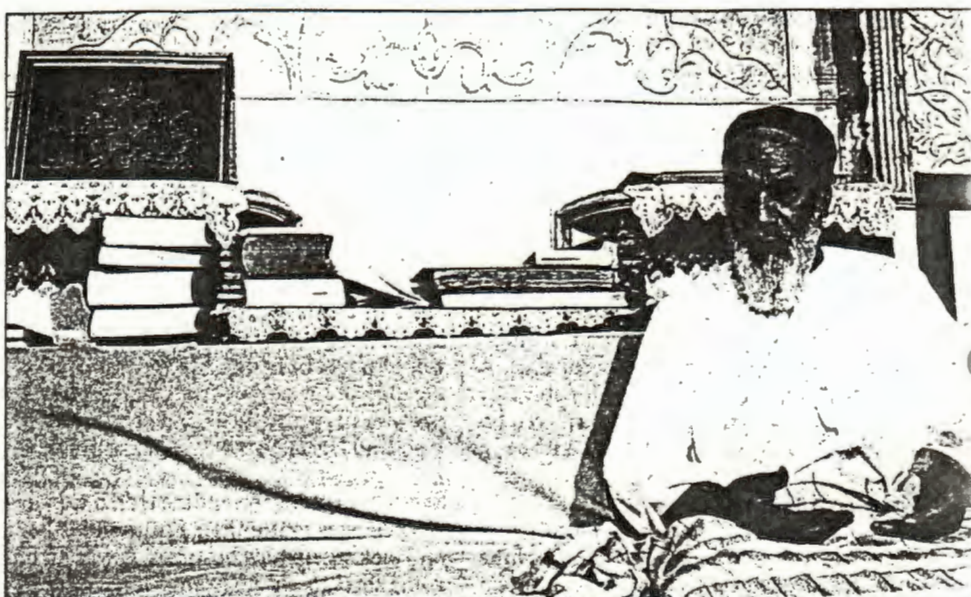


55-year-old hospital administrator from California who had been held hostage in Lebanon for 17 months by the Islamic Jihad, a Muslim fundamentalist group with close ties to Iran. Ever since taking office, President Reagan has vowed that the United States will never negotiate with terrorists. He also has pressed other nations for an arms embargo of Iran. Yet for more than a year the White House has secretly permitted shipments of U.S. military equipment to Teheran in return for help in securing the release of Americans kidnapped by Iran's Lebanese allies—and in apparent hopes of someday restoring relations with a potential Middle East superpower.

It was an operation requiring tight control: all save a few senior National Security Council (NSC) officials were kept in the dark about the details, and the Central Intelligence Agency, too, was bypassed, out of concern that a covert CIA-run venture would have to be disclosed to Congress. Since the operation began, Iran has received—mostly through Israeli intermediaries—more than \$60 million worth of material, including antitank missiles, radar systems and spare parts for Iran's aging fleet of F-4 Phantom jets—all needed for its stalemated war against Iraq.

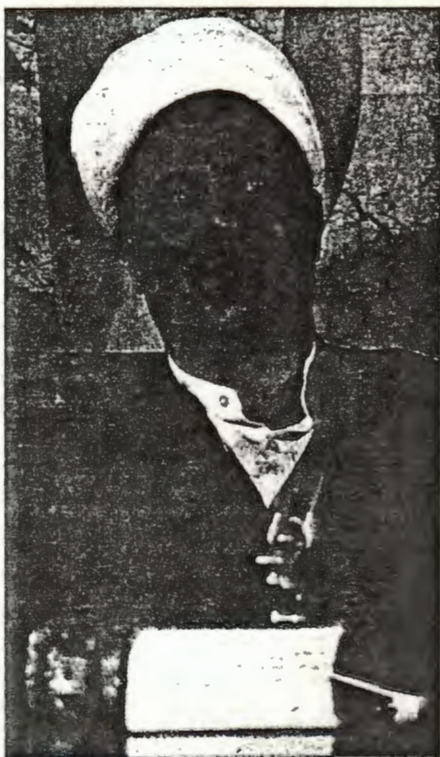
Presidential puzzle: The seeming violation of the no-negotiations policy disturbed some senior administration officials, however, notably Secretary of State George Shultz. Restrained from direct comment by a presidential muzzle, Shultz made clear his objections in conversation with reporters aboard his plane returning from Vienna arms talks. Others suggested that the promise of military supplies was actually an incentive to further kidnapping: "They'll always want to keep one [hostage] back," said an NSC official. And, despite an emotional plea from Jacobson that reporters "be responsible and back off" from what he called "unreasonable speculation" about the hostages' plight—a request the press honored—sources in the U.S. government and elsewhere continued to leak details concerning the larger issue: was the secret operation a first step toward the diplomatic rehabilitation of Iran? McFarlane in particular "harped on the need to establish links with Iran," said an Israeli source who worked closely with McFarlane in his NSC days. "He thought it was inadmissible that a country as big and important as Iran should be permanently in an orbit hostile to the West and the United States."

The idea of bargaining arms for hostages first arose sometime in the first half of 1985, NEWSWEEK has learned, when White House aides began to abandon hope of help from Syria. Despite ostensible Syrian control of the east Lebanon territory where Islamic Jihad and other Islamic fundamentalist groups flourish, the fundamental-



KALARI-SYGMA

A frail and aging spiritual leader waits out the struggle for succession: *The ayatollah*



JEAN GAUMY—MAGNUM

Turning down an offer of gifts: *Rafsanjani*

ists—mostly Lebanese Shiite Muslims—look to the Ayatollah Ruhollah Khomeini of Iran as their spiritual leader. Thus, while Syrian President Hafez Assad would get credit for the release of the TWA hostages in June 1985—arranging to fly them home from Damascus—it was Iran that pulled the strings. "We tried the Syrian angle very hard at first, thinking it would be fruitful," said a Reagan aide. "But in the wake of the TWA hostage situation, we realized that Syria didn't have the key.

Assad didn't have the key he told us he had."

But even covert relations with a suspicious Teheran do not come easily. According to one State Department source, the administration tried to determine through intermediaries whether Iran's religious leaders would use their influence with the militants in Lebanon to free the hostages. The response, this source said, was "very fuzzy and very negative." In their eyes the United States was still an evil empire. But there was one thing the Iranians wanted very badly, they hinted: spare parts for their fleet of warplanes, purchased from the United States by the late Shah Mohammed Reza Pahlavi and now mostly grounded. Washington, however, was hemmed in by its call for an Iranian arms embargo.

Good-will gesture: At that point, Israel stepped in with a timely offer, NEWSWEEK has learned. David Kimche, a highly respected senior civil servant appointed to Israel's Foreign Ministry as director general, suggested to then Prime Minister Shimon Peres that Israel—as a gesture of good will to the Reagan administration—share its Iranian expertise and contacts. Even after the emergence of the bitterly anti-Zionist Khomeini regime, Israel had kept arms flowing to Teheran—a non-Arab Islamic state with which it tries to maintain a covert working relationship, in part because of Iran's war with Iraq. The Israelis may also have seen a U.S. weapons deal as a cover that would enable them to continue the profitable transactions on their own.

In any event, Kimche suggested that Jacob Nimrodi, 60, a former Mossad agent with long experience in Teheran—he is now a multimillionaire arms dealer operating out of London and New York—make

available to Washington his vast contacts in Iran. Peres approved the idea, and Kimche flew to Washington to present the proposal personally to McFarlane, then still at the NSC. McFarlane said yes—more, apparently, out of concern about future U.S.-Iran relations than from enthusiasm for a hostage deal. Another Israeli, American-born Al Schwimmer, 70, who founded Israel Aircraft Industries—manufacturer of Israel's Kfir jet fighter and other sophisticated weaponry—joined the team as liaison with McFarlane. The Israelis also enlisted the services of an Iranian exile named Manucher Ghorbanifar. A close friend of Iranian Prime Minister Mir Hussein Moussavi, Ghorbanifar lives on the French Riviera, maintains an office in West Germany and is one of Iran's prime sources of military supplies.

One senior aide maintains that the president was fully on board. But McFarlane and his freewheeling counterterrorism aide, Marine Lt. Col. Oliver North (page 52), were the point men, and they operated in such tight secrecy that most White House officials, including spokesman Larry Speakes, knew nothing about the weapons-for-hostages scheme at the time. The notion of using Israel as a conduit for funneling spare parts to Iran set off alarm bells among U.S. diplomats and intelligence sources, however, and led to heated clashes between the State Department and the NSC. Secretary of State Shultz was "aware

of the general outline" of the plan, according to one department source, and expressed his "concern" on more than one occasion. But, as one State Department hand said, "This was an NSC project. State was outraged."

As the professional diplomats saw it, the NSC was in danger of compromising American credibility on several fronts for the sake of a short-term goal: the release of a half dozen hostages. Any deal that became public—and State Department officials prophetically argued that the Iranians could not be trusted to keep a secret—would undermine the U.S. position on not negotiating with terrorists and even spill over into already unsettled relations with Iraq and Syria. At worst, one embittered U.S. diplomat complained, the United States would end by sending Iran hardware for hostages while their Shiite allies kept on "picking up new hostages. It was an ongoing foreign-aid program."

Breach of promise: But the deal apparently went ahead. Working through Ghorbanifar, the Israelis secured the promise of Iran's Prime Minister Moussavi to release one American hostage within 24 hours following the delivery of one plane-load of U.S.-made weaponry paid for by the United States. The deal was approved by McFarlane at a meeting with Kimche in London on Sept. 3, 1985. Soon after, the Israelis chartered a DC-8 and loaded it up with TOW antitank missiles, spare parts and

ammunition. An Israeli pilot flew it directly to Teheran. But the next day no hostage was released.

After waiting a few days, Nimrodi, who speaks fluent Farsi, placed a direct phone call to Moussavi and complained about the Iranian breach of promise. Moussavi replied that the Iranian government had no control over the hostages, but he promised to try again if Israel would send another plane-load of supplies. Nimrodi countered that the deal was one plane-load, one hostage. Moussavi balked but said that he would send through Ghorbanifar a check for \$10 million in payment of the first shipment. He did so, but the Israelis returned it via another intermediary to emphasize that they insisted on payment in hostages. A second DC-8 flew from Israel to Teheran, and on Sept. 14 a hostage was released: the Rev. Benjamin Weir, a 62-year-old Presbyterian minister kidnapped in Beirut 16 months before. Although the Syrians claimed credit for gaining his freedom, Israeli sources say that Schwimmer and Ghorbanifar actually coordinated with Iranian contacts the time and place of his release.

The Israelis then brokered a third plane-load of arms to Iran. Each load was worth \$10 million to \$15 million at going arms prices. The deals were entirely financed by the United States, which either supplied its own equipment or else compensated the Israelis with new versions of the hardware

Iran: The Turbulence Never Ends

A Dictator's Downfall

August 1953. A showdown had long been building between Iran's monarch, Shah Mohammed Reza Pahlavi, and his fiercely independent prime minister, Mohammed Mossadegh, a man bent on nationalizing foreign oil inter-

ests. After Parliament gave Mossadegh dictatorial powers, the shah tried to unseat him. But Mossadegh held fast, and the monarch himself fled the country. Three days later, with CIA support, the ruler's men rallied to overthrow Mossadegh. The shah went home in triumph.



End of the line: Mossadegh after his removal from office

The Monarch's Dream of a 'White Revolution'

January 1963. A national referendum approved the shah's "White Revolution," a Westward-looking program of land reform, women's rights and secular education. The plan scared and angered the country's conservatives, however. Among them was a previously obscure Islamic cleric, Ruhollah Khomeini. He publicly denounced the shah, calling the referendum a fraud. After 16 months of disturbances, the shah banished Khomeini, but exile ultimately added to the imam's stature as a symbol of defiance against the shah's rule.

Unrest and oppression spiraled across Iran in the 1970s. The clergy and the old landowners continued to fight the changes that the shah



LEDRU-SYGMA

The shah: A failed vision

was imposing on their country, and his use of Western advisers ranked Iranian nationalists. His secret police, the CIA-trained SAVAK, repeatedly attempted to crush the resistance, but their brutal efforts gave his people reason to hate him as a tyrant. In January 1979, with his American friends deserting him and his health failing, the shah fled the country.

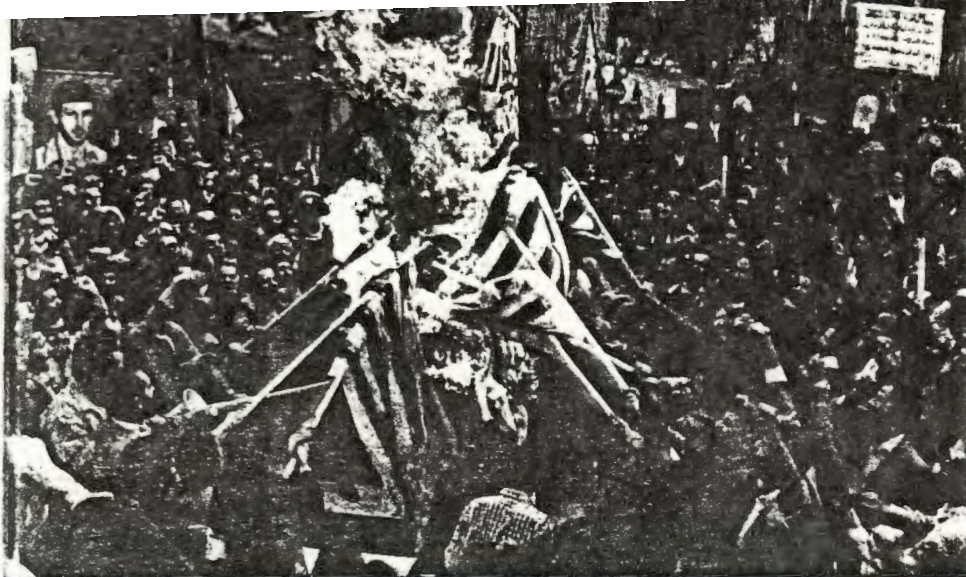
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MOSHEN SHANDIZ—SYGMA

The Great Satan: Burning flags on last week's anniversary of the embassy takeover

sent to Teheran. On this occasion, with Israel running low on its own supplies of U.S.-made spare parts, the Americans delivered the equipment directly to a site in Portugal. It was reloaded on a charter jet and flown to Israel for a change of pilots before continuing on to Teheran. Again the Iranians failed to deliver a hostage. Again Nimrodi called Moussavi to complain. Again Moussavi claimed that Iran had no control over the militants in Lebanon.

Despite the apparent foot-dragging, the Iranians were cooperating. When Hizbul-

lah (Party of God) militants failed to deliver Weir after the first plane shipment, the Israelis learned later, Teheran sent armed militiamen—presumably Iranian Revolutionary Guards stationed near Baalbek in the Bekaa Valley—to force the extremists to give up the American. Hoping for a repeat, the Israelis arranged for the shipment of two additional planeloads in November. But at the last minute the White House—apparently frustrated by Iran's frequent stalling tactics—canceled the takeoff.

On Dec. 4 McFarlane resigned from the NSC and was succeeded by Vice Adm. John Poindexter. Around this time Kimche, Schwimmer and Nimrodi, caught in a bureaucratic power play, dropped out of the picture and were replaced by Amiram Nir, the Israeli prime minister's adviser on terrorism. After a brief hiatus, the pace of shipments to Iran picked up under the new team. Under Nir's direction, ships loaded with ground-to-air missiles, ammunition and spare parts shuttled regularly between the Israeli port of Elat and the Iranian port of Bandar Abbas—eventually producing the release of the Rev. Lawrence Jenco, a Roman Catholic missionary, last July. Jacobsen's release last week, according to Israeli sources, was cemented by a shipment of matériel that left Elat only a few days earlier in a ship that "flew no flag."

Pistachio glut: (The shuttle of ships between Elat and Bandar Abbas has produced a curious side effect—a pistachio-nut glut in Israel. Apparently for the sake of the ruse, each ship has returned from Iran with a huge cargo of pistachio nuts for the Israeli market. Since August—sometime after the Danish freighter *Ilsa* returned to Elat from its fourth trip to Iran with military equipment and spare parts—pistachio-nut prices have dropped by half on the Tel Aviv market.)

Meanwhile, Iran's longstanding factional rivalries seem to be deepening—and this may have triggered last week's revelations

A Militant Theocracy Fights a Ruinous War

February 1979. Khomeini quickly returned from exile and set up a provisional government. His followers, seeking to cleanse Iran of "corrupt" foreign influences, proceeded to purge the military of its Western-trained officers, even as they called for a "holy war" against "the Great Satan"—America.

When war finally did come to Iran, however, the enemy was its equally anti-American neighbor Iraq, which attempted to settle an old border dispute by invading Iran in September 1980. Iran met the attackers with a holy bloodlust. The slaughter has continued ever since, bringing economic ruin on both oil-rich countries and killing hundreds of thousands of people. Many of the troops on both sides are literally children.



ALAIN DEJEAN—SYGMA

The imam: Back to the future

The Embassy Siege

November 1979. The shah arrived in New York for cancer surgery, and enraged Iranian students seized the U.S. Embassy in Teheran and its occupants. Washington retaliated with an embargo on arms shipments to Iran, but Khomeini refused to intervene.

When he declared that the students were within their rights to hold 53 U.S. hostages, America severed diplomatic ties with Iran altogether. After 444 days, the Americans were finally freed—in exchange for Washington's promise to release several billion dollars in Iranian assets that had been frozen in U.S. banks.

The students: Parading a captive U.S. diplomat in Teheran

LEDRU—SYGMA



of the secret missions. A dispute has developed between the "pragmatists" who are willing to deal with the West and the hard-liners determined to export Iran's Islamic Revolution (box). Rafsanjani, the speaker of the Parliament, is seen as a leading pragmatist. The hard-liners include people close to Ayatollah Hussein Ali Montazeri, Khomeini's designated successor. Chief among them: Mehdi Hashemi, a relative by marriage who has acted as liaison with Iran's terrorist surrogates in Lebanon and elsewhere. He was arrested last month on charges of treason. To strike back at Rafsanjani and the "moderates," some Iran watchers suspect, Hashemi's followers in Lebanon leaked the details about McFarlane's secret flight to the West Beirut magazine *Al Shiraa*. According to the speculation, Rafsanjani delivered last week's speech taunting the United States in order



VINEMET—COLLECTIF J.B. PICTURES

Shuttle negotiation: Jenco after his release

to throw off suspicion that he consorted with the enemy.

McFarlane refused to give a public account of his reported mission. But *Al Shiraa* provided a distinctly different version than the humiliating sojourn depicted by Rafsanjani, in which the former high American official was said to have been placed under house arrest for five days, then unceremoniously sent packing. According to *Al Shiraa*, McFarlane stayed at the Independence hotel—formerly the Teheran Hilton—and met with senior government officials as well as with Mohammed Ali Hadi, chairman of the Iranian Parliament's foreign-affairs committee. White House sources confirm that McFarlane traveled to Teheran at least once, though the date is in dispute. Some sources say he went in May, others say that it was in September—and that he did indeed travel

Khomeini's Regime: The Squabbling Intensifies

Robert McFarlane's trip to Teheran might never have been disclosed had it not become a useful political tool in the rivalry between two of Iran's would-be leaders. Their infighting brought the U.S. arms connection out of the shadows—and also shed some light on the intensifying struggle to succeed Ayatollah Ruhollah Khomeini.

In the holy city of Qom, Ayatollah Hussein Ali Montazeri and his militant followers, many of them young zealots from Iran's theological seminaries, huddle over their plans to export the Islamic Revolution to every Muslim country. Last year Iran's Council of Experts, an independent 83-man assembly, designated Montazeri, 63, as Khomeini's successor, but a rival in Teheran may now have the upper hand. Hojatolislam Akbar Hashemi Rafsanjani, 53, the speaker of the Iranian Parliament, is an influential member of the defense council that controls the armed forces; he also seems to have the backing of Prime Minister Mir Hussein Mousavi and the president, Hojatolislam Ali Khamenei. Rafsanjani seems to be more

pragmatic than Montazeri: he's the man Washington has been dealing with.

Last week both Rafsanjani and Montazeri gave speeches on the seventh anniversary of the takeover of the U.S. Embassy in Teheran, but Iran's state-controlled news media publicized only Rafsanjani's speech. Montazeri's remarks got better coverage in a Beirut newspaper. Montazeri named no names, but he accused his opponents of "selfishness and personal ambition."

Montazeri has close ties to many Shiites in Lebanon.

Members of the Hizbullah (Party of God) in the Bekaa Valley have been taking their orders directly from Montazeri's deputy, Mehdi Hashemi. But last month Hashemi was arrested, and many other close Montazeri aides have also been jailed. Hashemi's arrest and the infighting between the factions may well have left Iran's surrogates in Lebanon in disarray. That would be good news for the Syrian-backed Amal faction, which has been vying for control in Lebanon.

It's not clear where Ayatol-

lah Khomeini fits into the equation. Some Iranian sources say that a series of heart attacks has left the 86-year-old leader so frail that he may not even be aware of the ruling political currents. Others insist that Khomeini approved the arrests of Montazeri's aides and that he supports Rafsanjani and the pro-Soviet Khamenei as Iran's future rulers—so long as they form a triumvirate with the ayatollah's son and spokesman, Ahmed Khomeini. At the moment, however, Montazeri retains his position as designated heir, and Rafsanjani and his supporters in the ruling Islamic Republic Party may not be able to push him out completely. But Montazeri is unlikely to be able to wield the same amount of power that Khomeini has.

Whoever ends up in control of Iran, all of the contenders are anti-American. The power struggle is not a fight between Washington's friends and its enemies. It's just that after six years of war, some Iranian leaders are willing to buy spare parts from anyone—even the Great Satan.

NANCY COOPER with KENNETH TIMMERMAN in Paris and JANE WHITMORE in Washington

Crucible: A difficult neighbor gets arms via Israel



aboard a plane carrying military equipment, as Al Shiraa claimed.

Whatever the case, critics of the secret operation hold that McFarlane miscalculated badly if by going to Teheran he sought to develop personal contacts with "moderate" elements in Iran. Since the fall of the shah, said William Quandt, a Middle East specialist at the Brookings Institution in Washington and member of the NSC in the Carter administration, any hint that the United States favored a particular Iranian

official has been a kiss of death—sometimes literally, as in the case of the executed Foreign Minister Sadegh Ghotbzadeh, who during the 444-day hostage crisis of 1979-81 pursued contacts with Jimmy Carter aide Hamilton Jordan. "The time is not yet right for any Iranian faction to have such a high profile with the West," says Quandt. To suggest that someone more pragmatic might be more pro-American or pro-West is self-delusion, in the view of many experts. "Everybody [in Iran] is

anti-American, even if some are more willing to deal with the United States than others," said Gary Sick, another Carter NSC staff member.

Still, some American academics and intelligence experts do give McFarlane credit for trying. James Bill, a prominent Iran scholar at the University of Texas, believes that Iran is at a "critical crossroads" in both its internal politics and its relations with the United States. He detects a "melting and modifying" trend, illustrated

The White House Swashbuckler-in-Chief

Perhaps the least visible of the architects of the Iranian connection is the man known at the White House as the swashbuckler-in-chief: Lt. Col. Oliver L. North Jr. of the Marine Corps. North, who bears the unwieldy bureaucratic title of deputy director for political-military affairs in the National Security Council, is so secretive that the NSC even refuses to divulge his age (about 43) or the number of his children (he has several). He is said to be a favorite of President Reagan, despite a reputation for free-lancing. "Ollie's the kind of guy to whom it's dangerous to give a mission order," says a senior Reagan official. "He'll skate on the edge of his skis to accomplish the mission."

Last January the Israeli-mediated contacts between the United States and Iran were at a critical stage. National Security Council chief Robert C. McFarlane had resigned, and forces inside the White House were urging a more forceful approach to the arms-for-hostages bargain. McFarlane's successor, John Poindexter, assigned the matter to North, according to a senior Israeli official. North met with Amiram Nir, the top terrorism adviser to then Prime Minister Shimon Peres of Israel, and subsequently took several secret trips to the Middle East. He was believed to be one of the five Americans aboard the plane that took McFarlane to

Teheran not long ago. A well-informed Israeli source adds that an American colonel on the White House staff was in Damascus with Iranian Foreign Minister Ali Akbar Velayati just before David Jacobsen was released. When Jacobsen was on his way home from Beirut by way of Cyprus, reporters at the airport in Larnaca saw a man whom they described as resembling North slip into an embassy car on the tarmac.

North has ducked public identification with the Iranian mission, however. The NSC not only refused comment but wouldn't even say what North's job in the agency is. When The Washington Post was about to publish a story on North in August 1985, the White House formally asked that North's name be withheld, out of fear for his safety—a request the Post acceded to initially.

Wigs and false passports: For a man with a penchant for secrecy—he relishes wigs, disguises and false passports—lately North has often had his cover blown. He was the linchpin in a White House effort to keep support going to the contras after Congress outlawed military aid, congressional investigators have charged. Telephone records of the Salvador safe house used by captured American airman Eugene Hasenfus allegedly show repeated calls to North's private office in the White House. Less well known have been his roles



Advance man: North

in the invasion of Grenada, when his office served as the White House "nerve center," and in the capture of the Achille Lauro terrorists, when North helped to plan the interception of their Egyptian getaway plane. "I made a point of never knowing what he was up to or where he had been because God knows what he was doing," said an ex-colleague. "He has that look in his eyes."

North's admirers describe him as a man of "tremendous savvy and daring," a hands-on doer in a city of desk jockeys. He went to Vietnam after his graduation from Annapolis in 1968 and saw combat as a Marine platoon leader. He received the Silver Star and two Purple Hearts and though seriously wounded, returned to combat duty.

He's been known to carry around a .45, though: a fellow Marine recalls his stint as a counterinsurgency instructor at Quantico, where he once jumped onto a classroom desk and accidentally opened fire on the students with an automatic rifle. It held only blanks.

A son of mine: Even White House aides who praise North's ability worry about his judgment. Said one, "He has certain blind spots—like not always considering the implications beyond the immediate objective." A member of a commission on Central America remembers North from inspection tours there. "He kept introducing himself as the advance man for the [U.S.] invasion [of Nicaragua]." One former White House colleague jokingly refers to North's flamboyant style as "the Reagan administration's answer to G. Gordon Liddy."

But among some White House colleagues, Ollie North last week seemed more the Reagan administration's flip side of the cool and methodical McFarlane. McFarlane himself doesn't think so, however. "[North is] not a rogue elephant," McFarlane once told The Washington Post. "[He is] like a son of mine." Despite some reservations, the administration considers North a brave and indispensable member of the family.

ROD NORDLAND with
THOMAS M. DEFRANK and
RICHARD SANDZA in Washington
and MILAN J. KUBIC in Jerusalem

by the recent arrest of Hashemi and others responsible for "encouraging violent acts" in Lebanon, Saudi Arabia and Kuwait. While he would have preferred the use of quiet diplomatic back channels, he nevertheless applauded McFarlane's efforts to establish a dialogue with Iran as "wise and prudent."

No one disputes the strategic importance of Iran itself. With a population of 45 million, a large and willing army of soldiers and militiamen, vast deposits of oil and an economy of enormous potential despite its current disrepair, Iran could be the superpower of the Persian Gulf. Its long border with the Soviet Union and its extensive coastline facing other main oil-producing countries give it unique geopolitical status. Following the Soviet invasion of Muslim Afghanistan, Iran has become militantly anti-Soviet, which creates an opportunity for the United States. "If we lose Iran to the Russians, the world gets cut in half," said former CIA Director Richard Helms, who served as ambassador in Teheran under the shah. "It would be a grievous setback for the United States."

Eventual victory: There was as much risk as prudence in the new attention showered on Iran. Stripped of his reputation as the key power broker in the Middle East, Syrian President Assad might revert to his familiar spoiler's role in regionwide transactions. Even more worrisome is the possible effect on Saudi Arabia and other Arab states that fear both Iran's Islamic militancy and its military prowess. Although the United States is officially neutral in the six-year-old Iran-Iraq war, its announced attempts to cut off Iran's military supplies have always suggested a tilt toward Iraq. Now, despite White House disclaimers, the apparent U.S. willingness to supply Iran could be interpreted as a signal that the United States is willing not only to see other nations sell arms to Iran, but also to contemplate an eventual Iranian victory. The result, said Gary Sick, could be a strong and negative "psychological impact" throughout the Persian Gulf.

At the same time, Washington's playing of the Teheran card might tempt France to



MOSHEN SHANDIZ—SYGMA

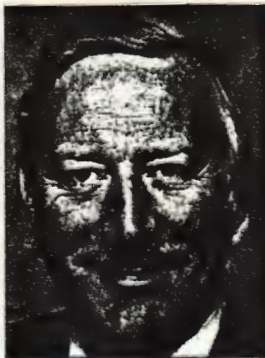
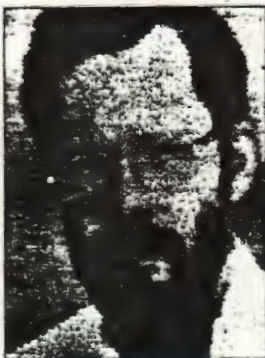
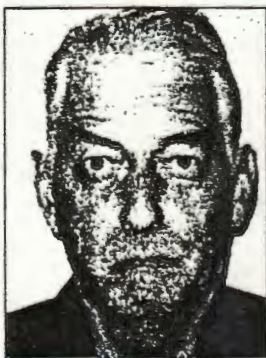
Strapped for spare parts, Teheran slugs it out against Baghdad: Iranian soldiers at the front

seek a somewhat similar remedy for its own troubles in the Mideast. Islamic militants hold eight French hostages in Lebanon, and the government of Prime Minister Jacques Chirac—like the Reagan administration before—has looked to Syria for help in gaining their release. For that reason France balked at supporting Britain's call for stiff sanctions against Syria after a London court's recent finding that implicated Assad's government in a terrorist attempt on an El Al airliner. Indeed, according to press reports, France has promised to supply Damascus with sophisticated weaponry. But so far Syria has failed to deliver any French hostages, and France may already be reaching toward Teheran. Last month France agreed to repay a \$1 billion loan to Iran dating from the shah's days. And at a European Community meeting in London this week, France may agree to all of Britain's proposed sanctions against Syria—though not to the point of breaking relations with Damascus.

In the end, the ones most overlooked in the controversy over the McFarlane mis-

sion were the hostages David Jacobsen left behind in Lebanon: Associated Press correspondent Terry Anderson; Thomas Sutherland, dean of agriculture at American University of Beirut; Joseph Cicippio, an AUB accountant; Frank Reed, the head of a private school in Lebanon; Edward Tracy, a children's-book author kidnapped only last month, and William Buckley, a U.S. Embassy officer reported to have been killed. The publicity surrounding the secret missions seemed to be at least a temporary setback to further hostage negotiations. With the Iranians back on center stage and Reagan officials now giving briefings in the wings, the debate over the administration's secret strategy is certain to intensify. But for the moment, the White House was not giving up: on the weekend an emissary was heading across the Atlantic, full of hope. The question was: with the principle of bargaining established, how high a price would the next hostage command.

ANGUS DEMING with MILAN J. KUBIC in Jerusalem, MARGARET GARRARD WARNER in Washington, FRED COLEMAN in Paris, CHRISTOPHER DICKEY in Cyprus and bureau reports



'Be responsible and back off': Hostages Cicippio, Tracy, Anderson, Sutherland and Reed, at possible risk from publicity

Revolt of the Colonels

New York.

HAS THERE BEEN a coup d'état in Washington? Who is Lt. Col. Oliver North and why is he running my country? Who pays Eugene Hasenfus and the oth-

personal military records have been classified to keep them away from the press but who seems to have the power to conduct secret and private wars and diplomacy on two sides of the globe, was profiled as well as he could be without direct information this way in the *New York Times* Sunday:

By Richard Reeves

REVOLT...fm Pg. 7

mation. "We're going to have a tough time for a while explaining what happened," said a department spokesman Sunday, showing a nice civilian flair for understatement.

They certainly will, considering that the State Department and the White House issued this declaration last May 6 of U.S. policy regarding hostages: "The U.S. government will make no concessions to terrorists. It will not pay any ransom, release prisoners, change its policies or agree to other acts that might encourage additional terrorism."

But the State Department may actually be in a better position to know what has happened — and is happening — than the appointed leadership of the Department of Defense, the supposed supervisor of our activist colonels. Secretary of Defense Caspar Weinberger, after all, last month went to China and specifically urged the Chinese government not to ship arms to Iran. He apparently did not know that the people he was talking to were part of Colonel North's plots to do that very thing.

"I wonder what the Chinese think now," said an aide to Secretary Weinberger Monday. "I don't know what I think myself."

None of us knows what to think, unless you happen to think it is a good idea to turn the country over to the colonels and give them the power to do whatever they want wherever they want — and the right to lie to the rest of us about it. But if they're in charge, it doesn't matter what we think. If we're in charge, the colonels should be in front of elected officials and television cameras explaining, under oath, what they thought they were doing with our country.

ers to deliver machine guns and rockets around the world in our name?

What was Robert McFarlane doing in Iran? Who is the army colonel who runs the Office of Public Diplomacy to spread propaganda about Central America in the United States itself? What are all the colonels doing in Honduras at all our "temporary" installations?

What is the truth?

Members of the administration are systematically lying to Congress. They are systematically lying to the world. They may be systematically lying to their own leaders, even the secretary of state and the secretary of defense. Obviously it is no big deal for them to lie to nobodies like the rest of us. We can't even be sure who "they" are.

Is President Reagan running the administration? Or are the colonels running the country?

The mysterious Lt. Col. Oliver North, U.S. Marine Corps, whose

"He was described as a bright, articulate officer with a 'gung ho' spirit who saw the world in black and white. . . . He also took part in what one official called 'the education of Ronald Reagan,' who had come to the White House with little military experience."

Leaving aside the chilling sense that the beginning of that description sounds like the third paragraph of a story announcing a new junta somewhere in Africa, what exactly was "the education of Ronald Reagan"? Is someone trying to say that Colonel North and the former national security adviser Robert McFarlane, a retired Marine colonel, had somehow brainwashed our president into seeing the world as colonels see it?

Who knows in this brave new world where colonels are assigned to the State Department to run public diplomacy offices? They are apparently better equipped because they can bring the modern military's attitude toward putting "spin" on infor-

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PRESERVATION COPY

Energetic colonel at back of discussions with Iran

By Mark Matthews
Washington Bureau of The Sun

WASHINGTON — When Nicaraguan rebels were sustaining their military struggle against the ruling Sandinistas despite a cutoff of U.S. aid, a curious administration colleague pressed Lt. Col. Oliver North on where their money was coming from.

"He just wouldn't answer. . . . I never got anything," the man recalls. But he adds, "I wasn't in a position to accuse him. . . . I don't know what his orders were."

Above all, say people who have watched the tight-lipped National Security Council staffer at close hand, he is a professional Marine who follows orders. If coordinating continued support for Nicaraguan "contras" pushed him to the edge of the law — perhaps beyond, as critics allege — and if working out a deal with Iran easing the way for release of U.S. hostages appeared to conflict with stated U.S. policy, he was not acting as a loose cannon, they say.

"He's a very energetic cannon, but there's always someone behind the cannon firing," says an administration official who knows him well.

Since mid-1981, when Colonel North joined the NSC staff, where he

is director of political-military affairs, that "someone" has been either former National Security Adviser Robert C. McFarlane or his successor, Vice Adm. John Poindexter.

How those orders were conceived in the Iranian case is the focus of growing controversy amid reports that two principal Reagan advisers, Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger, were unhappy with shipping arms to Iran in return for help in freeing U.S. hostages.

The operation of the NSC staff itself, removed from congressional scrutiny and the cautionary influence of experts in the State and Defense departments, is likely to draw renewed challenge in the Democratic-controlled Congress.

By all accounts, "Ollie" North, a 1968 Annapolis graduate and a decorated Vietnam combat veteran, meshed perfectly with the NSC's style.

Impatient with bureaucracy, willing to take great personal risks and to work long hours and weekends, he could always be counted on to carry out the most sensitive assignments "110 percent," one former official says.

Although he avoids publicity and the NSC is close-mouthed about his

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activities, he is reported to have helped plan the U.S. invasion of Grenada, to have searched for those responsible for the bombing of the U.S. Marine barracks in Lebanon in 1983 and to have helped conceive last year's interception of the airliner carrying the hijackers of the Achille Lauro cruise ship.

He also played a key "crisis management" role after the Soviets shot down a Korean airliner in 1983.

Although not a policy-maker, by virtue of his skill and determination "he wields much more influence than someone of that rank would normally have," an administration official says.

"He's articulate, a little bit of a bulldog — a little too pushy for a lieutenant colonel," says one who has worked with him.

He is also creative. "I imagine he would be a schemer," this source adds. "If given an assignment, he would probably stay awake nights thinking about ways to get it done."

And there is widespread questioning here about the extent to which his actions in carrying out in-

structions from above eventually loom so large as to become a crucial aspect of administration policy.

Such is the case with his role as point man in maintaining support in the United States for the Nicaraguan contras during a congressional ban on U.S. aid to the rebels.

Telephone logs that have come to light point to a close involvement by Colonel North in complicated private efforts to continue supplying the contras, although the administration insists there was no breach of the

law.

This private aid network is the subject of an inquiry by the Senate Foreign Relations Committee. One member, Sen. John Kerry, D-Mass., has asked that Colonel North and others be subpoenaed to testify under oath.

Colonel North "had lots of ideas of his own," says a man who has worked with him on other issues. "He does what he's told, but when people give him latitude and tell him to achieve such and such an objec-

tive, he'll find a way to do it.

"I don't think he would knowingly violate the law. But there are all sorts of interpretations," this former official says.

So secretive and "compartmentalized" is the NSC staff that it is not just other agencies that are kept in the dark on some of its actions. One former staffer says he failed to learn of some "major things" that occurred within his own area of expertise until "they broke in the press."

N.S.C. Activism: A Fundamental Shift

By STEPHEN ENGELBERG

Special to The New York Times

WASHINGTON, Nov. 10 — Members of Congress, foreign policy experts and Administration officials say the involvement of the National Security Council staff in paramilitary operations represents a fundamental shift in its traditional role.

The officials and experts said that for the first time, the President's closest foreign policy advisers were directly involving themselves in sensitive, potentially embarrassing operations such as the recently disclosed shipment of arms to Iran.

They also point to the involvement of President Reagan's N.S.C. staff in assisting the Nicaraguan rebels after Congress cut off aid as evidence that this small, secretive group is taking on new, potentially troubling functions.

"What they have done goes far beyond what anyone else has done with the N.S.C.," said David Aaron, the deputy national security adviser to President Carter.

'A Little Oasis'

"Using the N.S.C. in this kind of operational way is extremely dangerous," he said. "The National Security Council is the one place in Government that is really beyond the purview of the Congress. The national security adviser and his staff are not subject to Senate confirmation. This is a little oasis, and if the President abuses it, he'll lose it."

Members of Congress first began questioning the Reagan Administration's use of the National Security Council staff more than a year ago, when it was disclosed that one of its members was involved in advising the

Nicaraguan rebels, or contras. At the time, Congress had cut off aid to the contras.

The White House denied violating that ban, and the various Congressional inquiries into the issue never made much progress in specifying what connection the staff member, Lieut. Col. Oliver North, had with the contras.

That issue arose anew last month when a supply plane, part of a private network developed to deliver arms to the contras, was shot down over Nicaragua.

North's Pervasive Role

As more details emerged, it became clear that the supply operation included a number of expensive airplanes, well-paid crews, and many tons of arms. Several Administration officials acknowledged that this private network came together with the general knowledge and assistance of Colonel North.

Among the evidence linking Colonel North to the contras were phone records that showed calls from safe houses in San Salvador used by the supply planes' crews to the office phone number of Colonel North at the White House.

The White House vigorously disputes accusations that Colonel North's contacts with the contras violated the law. But no Administration official has been willing to discuss the content of these conversations, and it is generally agreed that Colonel North has maintained a relationship with the contras.

Additionally, in the years before the Congressional cutoff, Colonel North played a significant role in planning such controversial operations as the C.I.A.-backed mining of Nicaraguan's

harbors.

Colonel North also has been linked to the negotiations with Iran.

Zbigniew Brzezinski, President Carter's national security adviser, noted that there are many precedents for a President relying on the N.S.C. staffs for sensitive diplomacy.

The United States' opening to China, for example, involved highly secret talks conducted by Henry Kissinger, President Nixon's national security adviser. The Carter White House was also involved in secret contacts with the Iranians in an effort to gain the release of American hostages seized at the United States Embassy in Teheran.

The National Security Council has six members: President Reagan, Vice President Bush; Secretary of State George P. Shultz; Secretary of Defense Caspar W. Weinberger; the chairman of the Joint Chiefs of Staff, Adm. William J. Crowe, and the Director of Central Intelligence, William J. Casey.

These officials are in turn served by a staff of several dozen, directed by the national security adviser, Vice Adm. John M. Poindexter.

Iran 'Not a Rogue Operation'

According to Administration officials, the decision to ship arms to Iran went forward despite the reservations of Mr. Shultz and Mr. Weinberger. Later, Mr. Shultz was said to have protested and succeeded in cutting off the operation temporarily earlier this year.

Some time later, the shipments resumed. It could not be learned how much Mr. Shultz knew about the renewed flow of arms.

Throughout the 18-month period of dispute over the Iran operation, members of the National Security Council

were continuing to make contacts with Iran and supervising secret arms shipments. Officials said this was approved by the President.

"This was not a rogue operation by Oliver North and Admiral Poindexter," one knowledgeable source said. "It is inconceivable that something of such magnitude could have gone forward without knowledge of the Cabinet members who sit on the National Security Council."

Management Deficiencies Seen

The primary role of the N.S.C. staff has historically been the coordination of the activities of the various parts of the foreign policy bureaucracy, ranging from the State Department to the policy advisers in the Pentagon.

Critics of President Reagan's N.S.C. have complained that it is weak in coordinating policy, and that interdepartmental disputes over such issues as arms control have raged for years without resolution.

One Republican Congressional aide, a longtime observer of the Reagan N.S.C. said the Iran case appears to be an attempt to short-cut what is normally a slow-moving, overly deliberative process. Seeking decisive action, the N.S.C. took over, cutting out most of the State Department, C.I.A., and Defense Department from knowledge of the operation.

"If you think the President's authority gives you a mandate to take over a large operation, you get into difficulties because you don't have behind you the dampening effect of the bureaucracy," the aide said. "The bureaucracy is ponderous, but it gives people a chance to assess risks, ponder the down side, and get balanced advice."

White House Briefs Hill on Iran Contacts

Poindexter Concedes 'a Miscalculation'

By Walter Pincus
and David Hoffman
Washington Post Staff Writers

President Reagan's national security adviser has told key members of Congress that the White House made "a miscalculation on who it could trust in Iran" when it secretly established contacts there who eventually helped gain release of American hostages held in Lebanon, according to sources familiar with the discussions.

Vice Adm. John M. Poindexter, who headed the program, has begun briefing key legislators involved in foreign policy on the general aspects of the effort, in part to make the argument that details of the project must remain secret to protect contacts in Iran.

According to sources, Poindexter said U.S. envoys "were finding opportunities" to work with some elements in the government of Ayatollah Ruhollah Khomeini "as long as they were not exposed."

He said, according to sources, that once Iranian officials competing for power disclosed the Tehran visit by former national security adviser Robert C. McFarlane, the program came to a temporary halt.

But, according to one legislator who has been briefed, the White House believes "we need to keep the channels open." One source said, "Public acknowledgment of relationships would make what is already fragile far worse, particularly internally in Iran."

Because of that, Poindexter argued that he be permitted to present Congress with the "plan in generalities," sources said. The White House has "a whole network of people to protect," one source said. They include not only Iranians, but also people outside that country, sources said.

The White House program, which went forward despite objections from Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger, involved permitting arms to be shipped by Israel to Iran in return for help from Tehran officials in

gaining release of Americans held by pro-Iran terrorists in Lebanon.

Reagan met in the Oval Office yesterday on the issue with Shultz, Weinberger, Vice President Bush, CIA Director William J. Casey, Attorney General Edwin Meese III, chief of staff Donald T. Regan, Poindexter and his deputy, Alton G. Keel.

In a statement last night, presidential spokesman Larry Speakes said Reagan, at the meeting, discussed efforts to gain release of the remaining hostages. Speakes stressed that the advisers were "unanimous" in supporting Reagan. However, the statement did not detail what was discussed.

Shultz, en route to Guatemala last night for a meeting of the Organization of American States, told reporters he has "no plans to resign."

According to Speakes, Reagan said that no U.S. laws "have or will be violated and that our policy of not making concessions to terrorists remains intact." Speakes said the meeting was prompted by Reagan's concern that "speculative stories" in the news media may put the remaining hostages "at risk."

Reagan also asked the advisers to "ensure" that their agencies "refrain from making comments or speculating about these matters."

Speakes said it was possible that the White House would invoke executive privilege if Congress sought information on the Iran episode, but said it would be handled on a case-by-case basis.

Since the secret White House arms-for-hostages program was disclosed, an increasing number of legislators have called for congressional hearings. One reason the program was conducted out of the National Security Council rather than the Central Intelligence Agency, according to sources, was to avoid disclosing it to Senate and House intelligence committees, which closely monitor and conduct hearings on CIA activities but not normally on NSC programs.

Poindexter reportedly has said he would brief those committees "at an

appropriate point." Other administration officials have also said that more details on the program would be made public when the remaining six hostages are released.

Three U.S. hostages have been freed since September 1985, apparently as a result of arms shipments to Iran. The latest, David Jacobsen, was released in Beirut on Nov. 2.

At the White House yesterday, Speakes said "our expectations were not met" about the release of further hostages. "Our hopes were dashed once again," he said, faulting news coverage.

"We had very, very real hopes that additional hostages would be released," Speakes said. "They have not been released, which indicates to you that for some reason this has not happened."

Other sources said that, based on the arms shipments provided to Iran, a hostage release in addition to Jacobsen had been expected last week.

Shortly after Jacobsen's release, however, a pro-Syrian magazine in Lebanon published a report on McFarlane's clandestine visit to Tehran and meeting there with officials. The information was deliberately released to the magazine, sources said, in an attempt to embarrass Iranian officials working with McFarlane.

The next day, the speaker of the Iranian parliament, Ali Akbar Hashemi Rafsanjani, mocked the McFarlane visit and he and other Iranian officials since then have competed in attacking the United States.

"There is a lot of political infighting in Iran," one legislator familiar with Poindexter's briefing said yesterday, "but all our channels are still open and workable once things calm down."

One source said it is "quite something that the White House would trust some [Iranian] mullah and not the leaders of the Senate."

Poindexter reportedly said he recognized it was a "risky" approach but that the payoff was also high if a relationship could be established with Tehran and the gulf war between Iran and Iraq brought to an end.

Other sources, however, criti-

cized the program after hearing Poindexter, saying it "might have been well-conceived, but it was ill-executed."

The White House undertook the plan despite its publicly announced official policy of refusing to pay ransom for hostages and presidential statements accusing the Tehran regime of being one of the prime supporters of international terrorism.

While the secret talks were going on and arms shipments had begun, Shultz and other U.S. officials were seeking to persuade U.S. allies to halt their own arms shipments to Tehran.

Although Poindexter told legislators that freeing hostages was not the "prime" aim of the program, it did become a basic part of it, according to sources.

Newsweek reported that two cargo planes delivered arms in September 1985, rather than one as originally agreed, to obtain release of the Rev. Benjamin Weir. According to the Newsweek account, confirmed by Israeli sources, an Israeli middleman was offered \$10 million for the first arms shipment instead of a hostage, and had to refuse the money, demand the hostage's release and promise a second arms shipment before Weir was released.

In a related development, the Rev. Lawrence Martin Jenco, who was released in July after arms shipments were made, said he opposed such trades because they could prolong the war between Iran and Iraq.

But another former hostage, Jeremy Levin, said at the same news conference that he would support such a deal although he preferred some other option.

As expected, U.S. involvement in shipping military equipment and spare parts to Iran was raised yesterday in the legal case of arms dealers accused of conspiring to break the U.S. ban on weapons sales to Iran. The case, involving 17 people, including a retired Israeli general, is scheduled for trial in U.S. District Court in Manhattan in February. Defense attorney William Kunstler yesterday filed a motion seeking records relating to the U.S. effort to ship weapons to Iran.



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NEW YORK DAILY NEWS

12 NOVEMBER 1986

Pg. 6

Cap hails vets, pleads for arms

By FRANK JACKMAN

News Washington Bureau

WASHINGTON — Defense Secretary Caspar Weinberger paid tribute to the nation's war dead yesterday with a plea to Congress and the American people to maintain the military strength required "to stay

free and at peace."

As a rain-soaked crowd of about 2,000 watched in silence, Weinberger placed a wreath at the white marble Tomb of the Unknowns in traditional Veterans Day ceremonies at Arlington National Cemetery, the huge military burying ground

where, he said, "rests the soul of our nation."

Across the Potomac, at the somber Vietnam Veterans Memorial, hundreds of veterans and their families looked on as officials unveiled a 10-by-25-foot "flag," made up of 58,132 flowers, one for every name carved

on the memorial's polished black granite walls.

Sen. John Kerry (D-Mass.), a combat veteran of the Vietnam conflict, spoke at the ceremony, urging Americans "to separate the warrior from the war."

* * *

WASHINGTON POST 11 NOVEMBER 1986 (12)

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Treaty Violation Report 'Premature'

Bomber That Would Exceed SALT Limit to Be Deployed Next Month

By R. Jeffrey Smith
Washington Post Staff Writer

White House spokesman Larry Speakes said yesterday that a Washington Post report that the United States would exceed the limits of the SALT II arms treaty this week was "premature."

"The president has said he will exceed the limits," Speakes said. "We've said SALT II is no longer in operation."

But Speakes said that the bomber that would push the United States over the limit will not be deployed until near the end of the year.

The United States will exceed the limit when it deploys the 131st Air Force bomber with the capability to carry nuclear-tipped cruise missiles. The deployment would push the United States over a SALT II limit of 1,320 strategic nuclear delivery systems, including land- and sea-based multiwarhead

missiles and cruise missile-carrying bombers.

The second Strategic Arms Limitation Treaty was never ratified by the Senate, but both the United States and the Soviet Union agreed to abide by it. The administration, however, has accused the Soviets of a number of treaty violations, and President Reagan said earlier this year that the United States would

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WASHINGTON POST

12 NOVEMBER 1986

Pg. 1

White House Expected Release of More Captives In '85 Iran Arms Deal

By Walter Pincus
Washington Post Staff Writer

The White House in September 1985 believed it had arranged the release of at least two and possibly all six American hostages held by a pro-Iranian terrorist group in Lebanon after permitting two plane-loads of arms to be shipped from Israel to Tehran, informed sources said yesterday.

But the subsequent freeing of only the Rev. Benjamin Weir on Sept. 14, 1985, was the first of several bitter disappointments suffered by President Reagan and his aides, the sources said. Although during the next 14 months the Iranians repeatedly promised more than they delivered, the White House was reluctant to believe that Tehran and the pro-Iranian Islamic Jihad group in Lebanon were dealing

duplicitously, the sources added.

For four days after Weir's release, Reagan withheld the news in hopes that other hostages would be freed, according to one knowledgeable source. Before returning to the United States, Weir was secretly taken to the U.S. naval base in Norfolk where he was questioned for up to 12 hours by U.S. military officers considering possible contingency plans for a rescue mission of the other hostages, sources said.

Such planning was eventually aborted because of concern that the hostages were being moved too frequently for U.S. forces to confidently launch a rescue attempt, the sources said.

The marathon debriefing session in Norfolk provoked an argument among U.S. officials on the scene

DEAL...Pg. 6

JOURNAL OF COMMERCE

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Pg. 5

Greece, US Sign Accord On Defense

ATHENS, Greece — Greece and the United States signed a defense and industrial cooperation agreement that will give Greece's arms industry access to U.S. military technology.

The five-year accord, signed by William Taft, visiting U.S. deputy defense secretary, and Theodoros Stathis, Greek defense undersecretary, is the first separate defense industry pact between the two members of the North Atlantic Treaty Organization.

A U.S. Embassy statement said it "reflects the determination of both nations to strengthen the alliance relationship through the elimination of barriers to trade and industrial cooperation."

After several years of tension, Premier Andreas Papandreu's Socialist government earlier this year pledged a "step-by-step" improvement in relations with the United States.

The new agreement encourages joint Greek-U.S. defense projects and permits industry suppliers in both countries to compete for defense contracts, the statement said.

"This agreement... is designed

ACCORD...Pg. 4

17 November 1986

NATIONAL SECURITY COUNCIL

PETER RODMAN
DENNIS ROSS
OLIVER NORTH
JIM STARK
PAUL HANLEY
KEN KISSELL
RICK SAUNDERS

FYI.

AT LEAST SOME OF THEM ARE GETTING
THE MESSAGE OUT.

Howard

WSJ, Section A, Page 34.

Arms and the Imam

Now that everyone has had ample chance to exercise an opinion about the wisdom and morality of President Reagan's recent policy in Iran, perhaps we can spare a moment to talk about the geopolitics of the place.

Iran still sits where it always has, whether ruled by the Ayatollah Khomeini, the Shah Pahlavi or Darius the Great. Which is to say, on the Persian Gulf, the source of almost 40% of the world's oil exports. Even more specifically, between the oil fields and the Soviet Union. In population, Iran is, along with Egypt and Turkey, among the largest Islamic countries in the area. It has the largest army on the gulf. Despite the depredations of the Ayatollah, it has a substantial educated elite, including a Western-trained military.

Iran's geography also places it next door to Afghanistan, the nation the Soviets have most recently invaded. If the Soviets are capable of overflying Iran, the distance between their bases and the gulf is 725 miles. The U.S. has little military presence in the Gulf, and any substantial support would have to come by airlift from the continental U.S., 10 times as far away. By some careful estimates, the Soviets could have four airborne divisions on the ground before the first U.S. plane arrived. The shah's air force controlled the routes the Soviets would have to fly to the gulf and the oil reserves, and his mountains housed American radars monitoring Soviet strategic weapons. In geostrategic terms, the fall of Iran was far more damaging than the fall of Vietnam, rivaled in recent decades only by the Communist conquest of Cuba.

The Ayatollah Khomeini, the ruling tyrant, is 86 and has reportedly had several heart attacks. Seven years of war and religious tyranny have devastated the economy and civilian morale. Clandestine anti-Ayatollah radios are broadcasting from Iranian territory. If the Ayatollah dies and factional struggles break out, there is no telling what will happen in that country. A war victory by Iran might spread Shiite fundamentalism, but a defeat might bring chaos and Soviet intervention. Which would you rather have on the Gulf?

Now, should the president consider making an approach to Iran, trying to find some potential Deng Xiaoping? The answer to this seems to us obvious, given the stakes involved and even admitting long odds against success.

Is advancing this chance worth shipping some anti-tank weapons and spare radar parts to Iran? A closer question, but in our judgment a less hostile Iran would clearly be worth this part of the gamble.

Now, what about the hostages? Should the president have said he would ship the arms only if the hostages are *not* released? Should he have refused any dealing with any Iranians, on William Safire's grounds that the whole country's a "tar baby?" Should we punish the Russians by letting them get their hands stuck in it? Should we refuse to traffic with "The Great Satan" in Tehran? Just where is this Watergate that threatens the future of the Reagan administration?

Did Mr. Reagan mishandle the attempt? Well, clearly he failed in the sense that his cover was blown, and this has caused great ferment and lasting damage. The cover was blown by the Syrians, who unlike Iran are in military control of the territory where the hostages have been seized and presumably are being held. Not so incidentally, headlines about Syrian terrorism in Britain have been swept off the front pages. To some extent, we suppose, this was predictable. If the proposal had been run through enough committees at the State Department and the Congress, someone could have predicted what would happen if the project were revealed with a hostages-for-arms spin: That American TV networks would be seeking out Danish seamen to attribute every arms shipment to Iran to the president, that Democrats would use the issue to settle their scores on Nicaragua, that the Bill Safire conservatives would seize the occasion to demonstrate their "independence" by thrashing Mr. Reagan.

Understandable, we suppose, given the drama of hostage-taking in Iran that did so much to destroy Jimmy Carter's presidency. The Carter example certainly shows that a president's foreign policy can be dominated by hostage-taking, certainly shows the danger of allowing the hostage issue to overwhelm actual national interests. And at some point in the negotiations, we suspect President Reagan did indeed let concern over hostages get the better of him. But who is the most guilty of letting the hostages issue cloud geopolitical realities? Not the president, but his critics.

NATIONAL SECURITY COUNCIL

November 17, 1986

MEMORANDUM FOR PAUL HANLEY
HOWARD TEICHER ✓
DENNIS ROSS

FROM: BOB EARL E

FOR YOUR REVIEW.

T-88-56
ADJ 4/7/87

November 17, 1986

10:00 A.M.

PRESS GUIDANCE ON IRAN

Q: WHY WAS THE "STRATEGIC INITIATIVE" TO IRAN MADE NOW, DURING A TIME WHEN AMERICAN HOSTAGES ARE BEING HELD IN LEBANON BY PRO-IRANIAN TERRORISTS?

A: The best response to that question is "why not now?" To suggest that a diplomatic approach to a strategically important country should be withheld because of the actions of a shadowy group of Islamic fundamentalists in a different country is to hold US foreign policy hostage to terrorists. In the same way that we do not accede to terrorists' demands or change our policies in response to terrorist pressure, we should not withhold action that is in our long-term strategic interests because of the actions of terrorists. Thus, if it makes sense to take such a strategic initiative in the absence of such a hostage situation, it makes just as much sense -- if not more -- to take that initiative during a hostage situation.

Q: HAVEN'T WE, IN EFFECT, MADE CONCESSIONS TO TERRORISTS BY TRADING ARMS FOR HOSTAGES?

A: No. You're wrong on both counts. We have made no concessions to the terrorists holding our citizens hostage in Lebanon. Indeed, we have consistently refused to apply any pressure whatsoever on the government of Kuwait to release the 17 Da'wa terrorists who were convicted and are held in prison in Kuwait. This, of course, has been the principal and most consistent demand of the Islamic Jihad over the past two years. How can those terrorists believe that taking hostages works? They have not gotten what they want. On the second point, we have not been trading arms for hostages. We used a few transfers of a very limited quantity of defensive weapons and spare parts to establish the bona fides and sincerity of our quiet initiative to the government of Iran. I can assure you that nothing else -- not medicines, food, clothing, or vehicles -- would have worked.

Q: DON'T YOU THINK THE IRANIANS "SET YOU UP" IN THIS 18-MONTH DIALOGUE MERELY TO OBTAIN ARMS FOR HOSTAGES?

A: No. If that were true, the Iranians themselves would not have leaked the story. Why would they suddenly stop an effective arms procurement relationship?

Q: HASN'T THE CHANNEL OF COMMUNICATIONS TO IRAN BEEN "BLOWN" BY THE PUBLICITY? ISN'T THERE NOW ABSOLUTELY NO HOPE OF GETTING OUR REMAINING CITIZENS BACK?

A: Not necessarily. There is no doubt that the glare of publicity has been at least a temporary setback in the developing strategic dialogue with Iran. However, the fact that it had developed as far as it did in secret over the past 18 months may have been enough for it to survive the sudden spotlight of attention. We don't know -- it depends primarily on developments within Iran. We hope, however, that after seven years of revolution and more than six years of bitter war with its neighbor, Iran is ready for an improvement in relations with us. That they seem to have been turning away from sponsorship of international terrorism over the past year and a half since we have been talking to them is a hopeful sign. We continue to hope that Iran will find it in its own national interest to exert its influence with the Islamic fundamentalist groups in Lebanon toward the release of all foreign hostages held there. Such an effort would remove a significant stumbling block to the development of more normal relations with us.

Q: DID THE NSC STAFF FAIL TO FULFILL ITS ROLE AS "HONEST BROKER" IN THE DEVELOPMENT OF NATIONAL SECURITY POLICY AND INSTEAD BECOME AN ADVOCATE, CUTTING OUT THE DEPARTMENTS OF STATE AND DEFENSE?

A: As with any sensitive intelligence or diplomatic programs, participation of limited departments, agencies, and individuals was on the basis of their need to know. Senior Cabinet officers including the Secretaries of State and Defense were consulted, they, in turn, and advised only those individuals within their departments who had a clear need to know. Similarly, involvement of NSC staff was also limited to a few individuals. This compartmentation of knowledge and involvement in the project was a normal security procedure for such a sensitive, classified project. The NSC staff fulfilled its statutory function of advising the President on national security issues and of discharging such other duties as the President may direct.

PRESS GUIDANCE
US-IRAN DIALOGUE

Q: WHAT ARMS WERE TRANSFERRED TO IRAN? HOW? WHEN? DIRECT OR INDIRECT?

A: I am not going to go into the details of the transfers beyond the statement made by the President that a limited quantity of defensive weapons and spare parts were delivered.

Q: DO YOU INTEND TO CONTINUE TO SEND ARMS TO IRAN AS MORE HOSTAGES ARE RELEASED?

A: We intend to continue our important strategic initiative with Iran in pursuit of the objectives identified by the President:

- the restoration of a stable relationship with Iran,
- an honorable end to the Iran-Iraq war and greater stability in the Gulf region,
- the elimination of state-sponsored terrorism and subversion, and
- the safe return of all foreign hostages held in Lebanon.

We will not prejudge the details of that relationship as it evolves. Finally, just as we have characterized the transfers cited by the President as not in exchange for the release of hostages, so also would we not trade arms for hostages, were any arms transferred in the future.

Q: WILL THE CONGRESS BE KEPT FULLY INFORMED OF ANY FUTURE ARMS TRANSFERS TO IRAN?

A: The appropriate consultation and reporting mechanisms will continue to be used.

Q: DID THE NSC BY-PASS THE STATE DEPARTMENT? DEFENSE DEPARTMENT? CIA? THE CONGRESS?

A: The NSC fulfilled its statutory function of advising the President on national security issues as well as performing such other duties as the President shall direct. Because of the extraordinary sensitivity of the initiative, the departments, agencies, and personnel involved were kept to a minimum, based on their need to know. No department, agency, or individual who had a clear need to be involved in some aspect of the project was by-passed or excluded. The senior Cabinet officers including the Secretaries of State and Defense were fully consulted.

Q: DID THE PRESIDENT MAKE A "MISCALCULATION" IN THIS INITIATIVE TO IRAN?

A: The President took a bold, calculated risk in making this strategic approach to Iran. He does not regret any of the decisions taken in this matter. He strongly believes that the time has come for developing improved relations with Iran so that an end to the Iran-Iraq war can be negotiated, stability in the Gulf can be pursued, and the release of all foreign hostages in Lebanon might be arranged.

Q: DO YOU FEEL THAT THE CHANNEL TO IRAN IS STILL OPEN AFTER THE DISCLOSURE OF THE MCFARLANE MISSION TO TEHRAN?

A: While the public disclosures have not been helpful and the spate of speculative stories have been particularly irresponsible -- even dangerous for certain individuals -- we believe that the increasing congruence of certain of our strategic interests with those of Iran will allow the dialogue between our two countries to continue. I do not mean to minimize the difficulties involved or the many differences that continue to exist between us. Nonetheless, on balance, we remain hopeful.

U N C L A S S I F I E D

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ROUTINE

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4897

UNCLASSIFIED

SUBJECT: OBSERVER ARTICLE ON KHASHOGGI CONNECTION TO
- IRAN ARMS SALES

*** START OF TEXT ***

SECTION: 01 OF 02

BT

UNCLAS SECTION 01 OF 02 LONDON 24897

E.O.12356: N/A

TAGS: PREL, IR, PTER, IS

SUBJECT: OBSERVER ARTICLE ON KHASHOGGI CONNECTION TO
- IRAN ARMS SALES

1. THE NOVEMBER 16 SUNDAY OBSERVER RAN THE FOLLOWING
ARTICLE ON ADNAN KHASHOGGI'S ALLEGED INVOLVEMENT IN
ARMS SALES TO IRAN:

2. BEGIN TEXT:

KEY TALKS ON THE AMERICAN HOSTAGES-FOR-ARMS DEAL --
REVELATION OF WHICH HAS EMBARRASSED PRESIDENT REAGAN --
TOOK PLACE IN A LONDON CLUB.

THE PRIME MOVER WAS SAUDI ARABIAN MILLIONAIRE ADNAN
KHASHOGGI, WHO MADE HIS FORTUNE SETTING UP ARMS DEALS
WITH THE ARAB WORLD.

THE PURPOSE OF THE MEETING -- ON APRIL 8 THIS YEAR --

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WAS TO PUT TOGETHER A DEAL DISGUISED AS A GRAIN SALE. A BRITISH-BASED INTERNATIONAL COMPANY WAS OFFERED A COVERING ROLE AS BUYING AGENT. IN ADDITION TO KHASHOGGI, KEY FIGURES IN THE SHIPMENT OF WEAPONS FROM ISRAEL TO IRAN WERE PRESENT: AMIRAM

NIR, ADVISER ON TERRORISM TO FORMER ISRAELI PRIME MINISTER, SHIMON PERES; AND MANUCHER GHORBANISAR, NATIONAL SECURITY ADVISER TO IRAN'S PRIME MINISTER, HUSSEIN MOUSSAVI.

SOURCES IN ISRAEL SAY NIR HAS BEEN THE PRINCIPAL ORGANISER OF SHIPMENTS OF ARMS FROM THE ISRAELI PORT OF EILAT TO THE IRANIAN PORT OF BANDAR ABBAS.

IT WAS MADE CLEAR AT THE MEETING THAT THE ARMS WERE TO BE IN EXCHANGE FOR AMERICAN HOSTAGES IN LEBANON, WHO WOULD HAVE TO BE RELEASED BEFORE THE U.S. MID-TERM ELECTIONS. ADMIRAL JOHN POINDEXTER, REAGAN'S NATIONAL SECURITY ADVISOR, WAS SAID TO BE BEHIND THE PLAN. AT THAT STAGE THE IDEA WAS TO ESTABLISH AN 'UMBRELLA' DEAL PURPORTING TO INVOLVE TWO HUNDRED AND FIFTY MILLION GRAIN SALES, BUT AFTER AN ALL-NIGHT SESSION THE COMPANY TURNED THE IDEA DOWN.

THE DEAL INVOLVED SALES OF TOW ANTI-TANK WEAPONS, SPARE PARTS FOR HELICOPTERS AND F-14 AND F-4 MILITARY JETS, SIDEWINDER AND MAVERICK MISSILES AND HAWK ANTI-AIRCRAFT MISSILES. ALL THE EQUIPMENT WAS AMERICAN.

THE DEAL IS BELIEVED TO HAVE ORIGINATED WITH ISRAELI BUSINESSMEN WHO HAD CONTACTS WITH IRAN AS A RESULT OF THEIR CLANDESTINE SALES OF MILITARY EQUIPMENT TO THAT COUNTRY FOR SEVERAL YEARS.

THEY APPROACHED PERES WITH INFORMATION THAT AN EXCHANGE OF ARMS FOR HOSTAGES MIGHT BE POSSIBLE BECAUSE OF IRAN'S INCREASINGLY DESPERATE NEED FOR WEAPONS IN THE GULF WAR.

THEY ALSO APPROACHED KHASHOGGI, WHO AT ONE TIME IS SAID TO HAVE BEEN WORTH TWO MILLION POUNDS, LARGELY AS THE RESULT OF SETTING UP ARMS DEALS WITH SAUDI ARABIA, MOROCCO, EGYPT AND OMAN. KHASHOGGI'S FORTUNES HAVE RECENTLY DECLINED AS THE RESULT OF THE SLUMP IN ARAB ARMS PURCHASES AND THE PRICE OF OIL.

KHASHOGGI PRODUCED IRAN'S SHOPPING LIST AND PAID THE ISRAELIS AFTER RECEIVING THE MONEY FROM TEHRAN.

ISRAEL WOULD ARRANGE THE SHIPMENTS AND, 48 HOURS AFTER THE ARRIVAL OF THE WEAPONS, IRAN WOULD PAY THE MONEY INTO A SECRET CREDIT SUISSE BANK ACCOUNT IN GENEVA (NO. 283838-9238-92-1).

KHASHOGGI AND GHORBANISAR, WHO HAS AN ADDRESS IN PARIS AND AN ACCOUNT WITH THE MIDLAND BANK IN LONDON, HAD A SIDE-ARRANGEMENTS FOR COMMISSIONS ON THE DEAL AMOUNTING TO SEVERAL MILLION POUNDS.

TWO AMERICANS CARRYING DIPLOMATIC PASSPORTS AND FIVE MILLION DOLLARS (3.3 MILLION POUNDS) WERE STOPPED IN

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SPAIN LAST MONTH WHILE ON A MISSION SPANISH GOVERNMENT
OFFICIALS BELIEVE WAS LINKED TO EFFORTS TO FREE
BT
#4897

SECTION: 02 OF 02
BT
UNCLAS SECTION 02 OF 02 LONDON 24897
E.O.12356: N/A
TAGS: PREL, IR, PTER, IS

SUBJECT: OBSERVER ARTICLE ON KHASHOGGI CONNECTION TO
HOSTAGES IN LEBANON IT WAS REVEALED YESTERDAY. A
MADRID NEWSPAPER, QUOTING GOVERNMENT OFFICIALS, SAID
THE MEN CLAIMED THE MONEY WAS TO PAY AN INFORMER IN
SWITZERLAND WHO HAD GIVEN DETAILS OF AN INTERNATIONAL
DRUG RING. END TEXT.
PRICE
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** END OF TEXT **

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TALKING POINTS ON DIALOGUE WITH IRAN

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TIPS
Iran
Pol - Secret

BACKGROUND TO THE INITIATIVE

- Initiative based on enduring strategic importance of Iran.
- Bureaucracy failed to anticipate the looming changes in Iran in the late 1970's. We paid severe price as result.
- Lack of anticipation and lack of channels eliminated ability to influence events even marginally.

POWER STRUGGLE

- Jockeying for power in Iran is endemic. Pragmatic elements knew that well-being depended on reducing Iran's isolation.
- War has polarized factions, exacerbated struggle.
- Some reached out to us. Irresponsible not to anticipate the changes and shape or cope with them.

RISK

- Risky to reach out.
- Recognize others' misperceptions.

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By NOI, NARA, Date 2/7/06

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- Could backfire on Iranian pragmatists.
- But what are the consequences of not reaching out.
- Clear signs that Soviets became active in positioning themselves.
- Can we afford for Iran to descend into chaos and disintegrate.
- Can we afford for this critical buffer to disappear?
- Reached out given these stakes, also knowing how sharply we and any Administration be castigated if fail to anticipate the strategic consequences of an Iranian collapse.
- No illusions about who we are dealing with; they are driven by their needs, not ours.
- Folly to ignore opportunity.

WHAT WAS ACHIEVED?

- We established a clear channel to the highest level of the Iranian government.
- Enabled us to make clear absolute requirement that Iran cease support of terrorism.

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- They issued an internal Fatwa opposing terrorism.
 - Tehran reduced support of terrorism.
 - Helped resolve several terror events.
 - Opened a dialogue with neighbors.
-
- Educated pragmatic Iranians about nature of the Soviet threat.
-
- Working to position ourselves to act as arbiter in Iraq-Iran war. Helped delay forecasted final offensive.

WHY ARMS?

- Iranian interlocutors required clear evidence of direct linkage to Washington.
- Symbol of our hostility toward the Iranian revolution.
- Clear evidence of Presidential sanction.
- Long-standing Israeli efforts to cultivate Army and pragmatist contacts demonstrated importance of arms.

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DIALOGUE WITH IRAN

- Pundits in and out of government have had virtually no contact with Iranian officials for 8 years.
- The U.S.G.'s pre-eminent expert on Iran, was fully involved in this initiative. Even speaks better Farsi than Iranian interlocutors.
- Those involved, including members of my staff, have working on Iran since before the revolution.
- Those in the bureaucracy who misread the revolution in the late 1970s are same ones who now criticize us for trying to understand and affect the situation.

HAS IRAN REDUCED TERRORISM

- Obvious split within our National Security Community over whether our actions over the past year have had any effect.
- All agree that Iran has not completely foresworn its use of terrorism as an instrument of its foreign policy.
- The premise for our continuing dialogue is more modest.
- We believe that pragmatic elements in Iran -- with whom we have been working -- have acted to reduce Iran's export of revolution and use of international terrorism.

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- The arrest of Mehdi Hashemi on October 16 is a significant indicator that the pragmatists are meeting with some success.

- Medhi Hashemi involved with the Iranian pilgrims to the Hajj who were bringing explosives into Saudi Arabia.
- Mehdi Hashemi is in close touch with radical Shia groups in Beirut and was the principal POC for Libyan terrorist operations.

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- The release of all three U.S. hostages (Wier, Jenco, and Jacobsen) accomplished only with great difficulty.

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- Wier- Rev Guards stormed the building and demanded the release of one hostage.
- Jacobsen- Rafsanjani's nephew personally pressed the case in Damascus and Beirut and met with difficulty.
- In April 1986 there was a "bidding war" for hostages by Libya and the PLO.

FALL 1986 SEIZURES

- The seizing of the three most recent Americans in Lebanon (Reed, Cicippio, and Tracy) by the Revolutionary Justice Organization are manifestations of Hizballah's increased autonomy and of the internal Iranian power struggle.
- Mantazeri-Rafsanjani competition led in part to jailing of Mehdi Hashemi. These seizures complicated U.S.-Rafsanjani contacts.
- No evidence that Iran directed, encouraged, or supported these kidnappings.
- Iran has not provided as much financial support to Hizballah this year as in the past -- ergo, diminution of Iranian influence.

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- PLO, Libya increasingly more influential with Hizballah factions.

CONCLUSION

- Our vital interests continue to dictate improved relations.
- Therefore, certainly in our interests, at a minimum, to collect intel on that Iranian power struggle.
- It is important to note that despite the publicity surrounding our initiative, we are still in contact with Iranian officials.
- They appear to be sincerely interested in meeting with high-level U.S. officials on ending the war with Iraq.
- The Iranians continue to offer hope that the hostage situation can be resolved.
- To the extent that we influence that shift in Iranian policy to a more favorable direction, we should.
- NSDD to codify policy -- including maintenance of dialouge -- needed now more than finding.
- We must turn to how we restore our position in the region, among key Allies, and focus on the issue of an emissary.

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