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(Shultz, SRB, 28)

The President was informed "on the margins of his briefings for the Gorbachev meeting to expect that there is going to be a shipment of arms . . . missiles, transshipped through Israel into Iran, and the hostages will come out." (Regan 14) Around the time of the Geneva Summit, McFarlane told the President "that something had happened and the shipment didn't take place as originally scheduled." (*Id.* at 12) Regan recalled that the President had been "upset" about the September shipment. (*Id.* at 9) Regan explained McFarlane's belief that the President had authorized the transaction as follows: the President "hadn't raised Cain about the [first] Israeli shipment, so a second try might not be out of order. . . . Certainly there was nothing said to the President in advance, at least in my hearing, where it was said, now may we ship missiles to Iran through Israel. That was not asked of the President." (*Id.* at 14)

In his second interview with the Board, McFarlane expanded his first account.

I think it would be accurate to say that the President believed in August that he was approving the Israeli sale of modest levels of arms of a certain character, filling certain criteria, but that with that approval Israel could transfer or sell modest levels without further concrete approval.

Now as a separate but obviously related matter his concurrent expectation was that how that would be translated would be 100 TOWs. As far as the November shipment, then, I don't recall that having been a matter considered in Washington, raised to the President and decided. When I learned about it I did report it to the President and to the Secretary of State and to Mr. Regan in Geneva. I recall a conversation from Geneva with the Secretary of Defense, but I don't want to—I couldn't say beyond just the fact that it occurred because I always called him every day to debrief him on the meetings with Gorbachev, and so it might have been that.

But, at any rate, I raised it with the President, Mr. Regan. The routine in Geneva was that each morning before the prebriefing for the Gorbachev meetings he would

have just a short meeting on other Presidential matters in his residence, and for that the Secretary of State and I and Mr. Regan would go to the chateau and meet with him for 15 minutes or so on non-summit issues, and that would have been where it would have been raised.

Then we left and walked over to the motorcade and on to the summit.

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Well, I wouldn't have reconfirmed it [the President's authorization] if I wasn't fully confident of it, and that could have been on the basis of what was a fairly routine reporting of any information that I had on this, that I would pass it on to the President and he would react to it, and his reaction was always well, cross your fingers or hope for the best, and keep me informed. But I was never to say at any point stop this or disapprove of it.

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General Scowcroft: But nobody talked to you about during the period from September through your learning of this shipment about the possibility of another shipment, about arrangements or anything like this before Rabin meets with you or the next day when he calls and says we're shipping something and we're in trouble?

Mr. McFarlane: I have no concrete recollection of anything like that. I can imagine that meetings took place, but I don't know of any idea of a number of weapons to be sent over. I remember, for example, one time Mr. Ledeen conveying a concept—it was not a hard proposal—that the United States send Phoenix and one or two other kinds of precision guided systems, and it was out of the question. I said no.

But never any numerical kind of X day, Y weapons to Z place

(McFarlane (2) 39-43)

E. The First Draft of a "Finding": November 1985

When John McMahon, at that time Deputy Director of the CIA, heard that a CIA proprie-

tary was involved in the November operation and that the Agency had asked foreign governments to grant overflight clearances for Israeli aircraft, he asked for a "Finding". Sending cables was one thing; shipments to Iran, whatever their character, was another. (Clarridge 9) In view of the arms embargo and other controls on trade, they smacked of an operation. (J. McMahon 5; Clarridge 9)

Under section 662 of the Foreign Assistance Act of 1961, as amended, 22 U.S.C. § 2422, the CIA may not use appropriated funds to conduct operations (other than to obtain "necessary intelligence") in foreign countries "unless and until the President finds that each such operation is important to the national security of the United States. Each such operation shall be considered a significant anticipated intelligence activity [covert operation] for the purpose of section 501 of the National Security Act of 1947." Section 501(b) of the National Security Act of 1947, as amended, 50 U.S.C. § 413, provides, in part, that, where prior notice of covert actions is not given to the House and Senate intelligence committees, the President "shall fully inform the intelligence committees in a timely fashion of intelligence operations in foreign countries, other than activities intended solely for obtaining necessary intelligence, for which prior notice was not given under subsection (a) and shall provide a statement of the reasons for not giving prior notice." NSDD 159 set forth procedures regarding implementation of these provisions, as well as for review of covert actions.

McMahon wrote on December 7, 1985, that, when he was informed about the CIA's involvement in the November shipment, he "went through the overhead pointing out that there was no way we could become involved in any implementation of this mission without a finding." (McMahon, "Memorandum for the Record," 12/7/85; J. McMahon 6) Juchniewicz first protested that "[w]e didn't do it; they came to us, and we told them we couldn't do it, so they asked us for the name of an airline, and we gave them the name of our proprietary." (J. McMahon 6) He explained that

[w]hen General Secord visited the Agency he tried to get leads on airlines that might be available to move equipment to the Near East in a secure fashion. We told him we did not have any such airlift capability.

However, Mr. Juchniewicz said it was pointed out to General Secord that there was a commercial airlift that might do it. . . . General Secord then took it from there and made arrangements for a flight on a strictly commercial basis.

(Memorandum for the Record, *supra.*) McMahon nonetheless directed operations officers to brief Stanley Sporkin, at that time General Counsel of the CIA, and prepare a Finding. McMahon told Sporkin to draft it to "cover retroactively the use of the Agency's proprietary." (J. McMahon 6; Memorandum for the Record, *supra.*) Sporkin recalled thinking a Finding was prudent, but not required by law in this instance. (Sporkin 7-8) He included language ratifying prior acts by the CIA, and McMahon accepted it. (*Id.*)

Sporkin's draft Finding for the President provided:

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

Description

The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign material and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of American hostages.

All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

(Draft Finding enclosed in Casey to Poindexter, 11/26/85)

After speaking to Poindexter about this draft, the Director of Central Intelligence sent it to him on November 26, confirming that it "should go to the President for his signature and should not be passed around in any hands below our level." (Casey to Poindexter, 11/26/85)

Despite some testimony to the contrary, the President appears not to have signed this Finding. McMahon told the Board that his records showed that someone told him on December 5 that the President had signed. (J. McMahon 7; Memorandum for the Record, *supra*) Sporkin remembered that "[a]nother person who worked for me told me that at one point he was with Mr. North and Mr. North said: I want to give a message to Sporkin, that I've got a piece of paper that was signed, or some such thing as that." (Sporkin 8) In November 1986, North told the Attorney General that he never saw this draft. (Meese notes of interview with North, 11/22/86)

F. December 1985: Bird's Eye View

At the beginning of December 1985, McFarlane resigned and Poindexter succeeded him as Assistant to the President for National Security Affairs. The next day, December 5, Poindexter told Secretary Shultz "the operation was at a decision point, and that he had set up a meeting for Saturday, December 7."²⁷ (Shultz,

²⁷ Armitage had lunch with North in late November, after seeing reports that someone in the White House was meeting with Iranians. North acknowledged meeting Iranians in Europe, and Armitage

said to him, I don't think my boss knows anything about this. I doubt that Secretary of State Shultz knows anything about [this]. I think your ass is way out on a limb and you best get all the elephants together to discuss the issue.

Oakley was, I think, a little shocked that I was so strong about the necessity of getting everybody together. (Armitage 4-5) Ambassador Oakley, the Near East and South Asia Bureau at the State Department, told the Board that he and Under Secretary of State for Political Affairs Michael Armacost forced an NSPG meeting to be held at this time. (Oakley 4)

SRB, 29) According to notes of the Secretary's side of the conversation taken by the Secretary's Executive Assistant, Poindexter said there would be "[n]o calendar to show it." The Secretary of State "said the operation should be stopped; that I had been informed that Iran was playing a big role in Lebanon which even Syria could not influence. I told him: 'We are signalling to Iran that they can kidnap people for profit.'" (*Id.*) In the course of this "long phone call," (*id.* at 90), in which, according to notes by the Secretary's Executive Assistant, Poindexter gave Secretary Shultz more information than McFarlane ever had, Poindexter may have made use of a memorandum, dated December 5, 1985, apparently by North. Poindexter told the Secretary of State "that 3,300 TOWs and 60 HAWKs were being discussed." (*Id.*)

North's memorandum briefly summarized the history of the transactions with Iran through Weir's release and then described the current situation.

The Iranians have significant interest in continuing this process. They are under extraordinary military pressure from Iraq and are, by their own admission, subject to regular overflights of Iranian territory by Soviet aircraft. They currently have no capability to deal with this affront and find themselves in an increasingly desperate situation vis-a-vis Iraq. They have urged the Israelis, with whom they are in contact, to continue the process which resulted in the release of Benjamin Weir.

Our continuing efforts to achieve release of the hostages through diplomatic and other means have proven fruitless. There are numerous indications including reports from the special representative of the Archbishop of Canterbury, Terry Waite, that time is running out for the hostages. We are relatively confident of information that former Beirut Chief of Station, Bill Buckley, is dead. We also know, from Waite's November 14 visit to Beirut and a separate contact through Canada, that the other five hostages, Anderson, Jacobsen, Jenko, Kilburn, and Sutherland are still alive. Waite and others credibly report that those who hold the hostages are under im-

mense political and military pressure from the Syrians, Druze, Phalange, and Amal and that there is the distinct possibility that our hostages as well as the French and British could be killed in the near future.

The Iranians, who have been in contact with the Israelis, are cognizant of the pressure being placed on the Hizballah surrogates in Lebanon and that it is entirely likely that the only leverage they will have over us (the hostages) may no longer be available in the near future. These Iranians, the same that arranged the release of Weir, have now proposed that in exchange for an immediate delivery of 3,300 TOW missiles and 50 Improved HAWK Surface-to-Air missiles from Israel, they will guarantee:

—The release of the five Americans and one of the French hostages still being held.

—No further acts [of] Shia fundamentalist terrorism (hijackings, bombings, kidnappings) directed against U.S. property or personnel.

There is considerable reason not to accept this proposal. It is contrary to our stated policy of not making concessions to terrorists or those who sponsor them. It is also possible that such an arrangement is a "double-cross" in that the Iranians can not or will not release the captives as agreed. Such an arrangement, bartering for the lives of innocent human beings, is repugnant. Finally, the quantities which the Iranians wish to purchase will significantly degrade Israeli stockpiles and require very prompt replenishment.

U.S. Interests: Notwithstanding the undesirable nature of such a transaction, it must be noted that the first two Israeli objectives are congruent with our own interests:

—A more moderate Iranian government is essential to stability in the Persian Gulf and the Middle East.

—Such a change of government in Iran is most likely to come about as a consequence of a credible military establishment which is able to withstand the Iraqi onslaught [sic] and deter

Soviet adventurism/intimidation. The Iranian army (not the Revolutionary Guards) must be capable of at least stalemating the war.

—Shia fundamentalist terrorism is a serious threat to the United States which has long-term adverse consequences for our interests and we must endeavor to stop its spread.

—The return of the American hostages will relieve a major domestic and international liability—in addition to its obvious humanitarian aspect.

The first three of these goals may well be achievable—and the fourth accrued as a subsidiary benefit—by commencing the process of allowing the Israeli sales as proposed by the Iranian agents in Europe. It is unlikely, however, that we can proceed further toward the first three—and not at all on the hostage release unless we allow the process of delivery to begin.

Discussions toward this end have been proceeding among the Israelis, Iranians and a U.S. businessman acting privately on behalf of the USG for nearly three weeks. There are several indications of confidence that an arrangement can be consummated in the next 10 days which would result in the release of the hostages and commencement of a process leading toward the first three objectives above. The military situation in the Iran/Iraq war and the increasing pressure on the Hizballah in Lebanon both point toward immediate action. There is also, as the Iranian intermediaries pointed out last week, a complete absence of any Shia fundamentalist hijackings, assassinations, hostage seizures, or bombings since this dialogue began in September. While there have not been expressed or implied threats by the Iranians in these discussions, the Israeli and U.S. private citizen participants believe that if the current effort is not at least tried, we run the risk of abandoning both the longer term goals and the likelihood of reprisals against us for "leading them on." These reprisals would probably take the form of additional hostage seizures, execution of some/all of those now held, or both.

Next Steps: The Iranians, the Israelis, and our U.S. businessman plan to meet in London on Saturday, December 6 to discuss whether or not to proceed with the sale of the TOWs and HAWKs. The Israeli government has informally told us that if they can be assured of "prompt" resupply, they will sell the quantities requested from their prepositioned war reserve. 3,300 TOWs represents [sic] [a significant proportion] their available supplies.

The U.S. businessman has arranged for the charter of two non-U.S. registered aircraft for use in the deliveries. The total delivery would be conducted in 5 flights from Tel Aviv to Tabriz, Iran via interim airfields in Europe. . . . Each delivery is to result in the release of a specified number of hostages. Arrangements for the interim airfields, overflight rights, and flight plans have been made, some with the help of the CIA. A communications code to preserve operational security is available for use by all parties. All aircraft would be inspected by an Iranian at one of the transient locations between Tel Aviv and Tabriz. The entire evolution is designed to be completed in a 24 hour period. It can be stopped at any point if the Iranians fail to deliver.

The greatest operational security concern is that of replenishing Israeli stocks. The Israelis have identified a means of transferring the Iranian provided funds to an Israeli Defense Force (IDF) account, which will be used for purchasing items not necessarily covered by FMS. They will have to purchase the replenishment items from the U.S. in FMS transaction from U.S. stocks. [sic] Both the number of weapons and the size of the cash transfer could draw attention. If a single transaction is more than \$14.9 M, we would normally have to notify Congress. The Israelis are prepared to justify the large quantity and urgency based on damage caused to the equipment in storage.

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If this process achieves the release of the hostages and proves the credibility of the Iranian contacts in Europe, Bud McFarlane would then step in to supervise achieving

the longer range goals. Additional meetings with the Iranians would be arranged to further our objectives without requiring such large scale sales/deliveries by the Israelis.

Approval is now required for us to take the next steps on Saturday. After carefully considering the liabilities inherent in this plan, it would appear that we must make one last try or we will risk condemning some or all of the hostages to death and undergoing a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying are even greater.

([North], "Special Project Re Iran," 12/5/85)

The President met his principal national security advisors on December 7 in his residence. The President, Secretaries of State and Defense, Deputy Director of the CIA, McFarlane, Poindexter, and the President's Chief of Staff attended. (Ellen M. Jones, Presidential Diarist, to Jay M. Stephens, 1/24/87 (information from the Presidential Calendar, which apparently is called a Diary))

Recollections of the meeting vary. In his meeting with the Board on January 26, 1987, the President said he recalled discussing a complex Iranian proposal for weapons delivered by the Israelis in installments prior to the release of the hostages. The President said that Secretary Shultz and Secretary Weinberger objected to the plan, and that this was the first time he "noted down" their opposition. The President said that the discussion at the meeting produced a stalemate.

The Attorney General remembered attending; he did not think McFarlane was present, and thought that Fortier probably attended. (Meese 4) The subject of the meeting—the Iran transactions—was announced in advance, and the principals had time to prepare. (Shultz, SRB, 31; Armitage, 5) According to the Secretary of State,

Poindexter suggested that Mr. McFarlane could contact the Iranians in London to ask them to release the hostages without getting equipment. If they would do so, we, then, would be prepared for a better relationship with them.

I fully supported this proposal.

Vice Admiral Poindexter suggested that Mr. McFarlane should be authorized to ask the British to sell arms to Israel [Iran] if the Iranians rejected his first proposal. I opposed this idea. I said it was still U.S. arms, that it was a more complicated deal that would make us even more vulnerable. Other views were expressed.

No decision was made, however, at that meeting, as far as I could see. . . .

On December 7, Vice Admiral Poindexter told me privately that the project had fallen apart during Thanksgiving week. That is thinking back to that period. He said he had recommended to the President that we disengage, but that the President did not want to.

I felt in the meeting that there were views opposed, some in favor, and the President didn't really take a position, but he seemed to, he was in favor of this project somehow or other. And, of course, by now he has said publicly that he was in favor of working at the Iranian operation and being willing to sell arms as a signal, as he has now put it.

(Shultz, SRB, 31-32)

When the Secretary of State returned to his office, he told his staff that Secretary Weinberger and Regan also strongly opposed the initiative. The Secretary of Defense spoke for thirty minutes. The Secretary told his staff he felt that he perhaps should have barged in earlier and confronted the President. The problem, he felt, was that McFarlane did not tell him the whole story.

The Secretary of Defense had a different recollection of the meeting, which he remembered as taking place in the Oval Office.

[T]here was a quite specific, more detailed proposal that there had indeed been negotiations and discussions between somebody representing McFarlane's office and some Iranians who were reported to be moderates. I think at that meeting John McMahon was there. I'm not sure. Bill Casey may have been, or they both may have been. But there were some adverse comments passed about the veracity of the Ira-

nians involved, I think Ghorbanifar or some such name, but a more formal presentation was now made by McFarlane about what could be accomplished with this and points with respect to getting a better relationship with Iran as well as hopes that they might have a favorable effect on the release of the hostages.

Again, I opposed it very strongly and said I thought really it was a terrible idea and that the transfer of arms which was part of the plan which was to be done to establish the good faith of the negotiators—I think I made some comment about what about the good faith of the Iranian negotiators, and why—went through a whole catalogue of things which didn't require any gift of prophecy as to what would happen if this became public. . . . [T]he advice I gave in this case was as firm as I could do it, obviously not persuasive enough but as persuasive as I could do it, that all kinds of very unfortunate effects would result if this took place, that we were pleading with a large number of countries not to do this, that Jordan and Egypt regarded Iran as at least as much of a great Satan as they regarded us, and that it would be a very bad thing in every way to do, and that it wouldn't accomplish anything, and that they would undoubtedly continue to milk us.

At this time again, the Israeli connection or the Israeli support of such a transaction I guess is the better way to put it, was advanced by McFarlane. And I said that another of the problems that I thought with it was that doing anything of this kind and attempting to keep it on a clandestine basis would leave us open to blackmail of the very most elementary kind by the people who knew about it, that is, the Israelis and also Iranians, and that any time they weren't getting what they wanted, they could in one way or another, in Mideast fashion, go public with it and cause all kinds of problems with it, that there was no way that I ever felt I could talk with [moderate Arab States] again if we were supplying arms to [a] bitter enemy when we wouldn't supply arms to him et cetera, et cetera, just a whole series of arguments.

George Shultz made some very strong arguments along the same line . . . A very strong, very persuasive argument. And again, my impression pretty clearly was that the President agreed that this couldn't be done, that it might be a good thing to achieve these objectives but it wouldn't work, and that this was not a good way to do it.

(Weinberger 9-12) Armitage remembered the Secretary of Defense saying that he and Secretary Shultz "thought they had 'strangled the baby in the cradle'." (Armitage 6)

In his first interview with the Board, McFarlane recalled suggesting to the President on December 1 that the negotiations with the Iranians "seemed to be getting skewed towards arms going that way and hostages coming this way. . . . I thought we ought to seek a meeting directly with the Iranians and discontinue any kind of sponsorship of arms transfers." (McFarlane (1) 25) In this interview, McFarlane remembered the President's suggesting an NSC meeting to consider it. (*Id.*) At the meeting,

we went through the record of what had occurred since August in terms of Israeli transfers and the absence of meetings, and at consensus, the unanimous view of all of his advisors, the President decided: All right, you go to London, McFarlane, and you meet with the Iranians and make clear that we remain open to the political discourse, and here it is. And there were about four generic areas that we wanted to talk to Iran about, our disagreements and so forth.

And the second point is that we will not transfer nor encourage any other government to transfer weapons to them.

(*Id.* at 26)

McFarlane gave the Board a fuller account in his second interview.

[R]ight after the summit, after I got back from debriefing the Holy Father and Mitterand and Prime Minister Thatcher, we had some time to look at other things, and I didn't even come to the office. I went directly from London to Washington to California but had two days before the President got there to just kind of think

through how things had gone, and they hadn't gone very well.

The idea originally of us getting in direct communication with Iranian officials hadn't happened, and instead this imperfect demonstration of bona fides had been imperfect, rather dramatically, and had become their priority, with a very clear lack of good faith, I thought. And I said to the President after thinking about it, and I went down to Santa Barbara and we talked, both about my resignation but then about the results of this program. And I believe it occurred in the Century Plaza Hotel on a morning

And I said that it seems to me that we ought to try to revert it to its original purpose Mr. President, and that is for us to avoid dealing through intermediaries and to talk to Iranians directly, and he agreed with that. And he said convene the NSC—the Secretary of State and Defense—and let's talk it over when we get back. So that is what led me to then do two things—convene a meeting and tentatively ask Admiral Poindexter, I believe, to have a meeting with the Iranian intermediary set up in London.

So with that prelude a meeting was convened on December 7 of the NSC, and I would, I believe, have presided because I was still sitting in the chair. What I am saying now is based upon routine and not notes from it. But I always started off by briefing the issue. Here we are today convened to talk about the Iranian program. Here is what has happened since the beginning and here is the return, the benefits and the liabilities of it, and the decision is what should we do or what should we do henceforth—continue as we have, change, or something else.

And then invite the comments of everybody around the table, usually start with the Secretary of State, then the Secretary of Defense, and around the table, and that would have led to the Director of the CIA, and any one of the other ad hoc members that happened to be present. Usually it was Mr. Regan.

And it was unanimous in the meeting that this really had gone badly off course and that we should yes, still be open to talking to Iranian officials, authorities, and have a concrete political agenda to describe. And we talked a little bit about that—our view of our interests in the area, how they were threatened by Iran, disagreements we had with them over terrorism and fundamentalists' crusade in the Middle East, and ultimately perhaps even some common interest—Afghanistan and elsewhere.

But because of how things had gone up until then we ought to also tell them that we were not going to transfer U.S. weapons, sell U.S. weapons. We were not going to allow or encourage anybody else to do so. And I don't recall anybody disagreeing with that at all.

The President wasn't terribly—didn't intervene in the meeting, as I recall, very much on one side or the other, but at the end said well, okay. That's what you should say. And I left that evening and was in London the next morning, and we took off from there.

(McFarlane (2) 45-47)

Regan's recollection is somewhat different. He recalled that, although McMahon, for example, was informally dressed,

the December meeting got to be more formal because McMahon, among others, raised the question of, you know, what the hell are we doing here. Arms are being sent. Where is the formal authority? You know, what are we doing here? Is this going to be policy?

And as a result of that meeting and people expressing views which now are commonly known, such as State Department and Defense opposed to this. CIA was in favor. NSC was in favor. And I must say that I favored it. I won't deny that I favored keeping the channel open, if necessary selling a modest amount of arms, in order to make certain that we were having contacts with Iran and at the same time, if as a result of this they could influence the Hizballah, as they had in the case of Benjamin Weir, why not.

So I am not certain, but I think I probably also reflect for the most part the President's view on that.

(Regan 14-15)

John McMahon, who represented the CIA, recalled that [t]here was no decision. We didn't walk away with any marching orders or any decision at that moment." The President asked questions about strengthening moderates in Iran by selling weapons. McMahon "pointed out that we had no knowledge of any moderates in Iran, that most of the moderates had been slaughtered when Khomeini took over." (J. McMahon 11-12) He noted that any weapons sold "would end up in the front, and that would be to the detriment of the Iran-Iraq balance." (*Id.* at 12) He did not know that McFarlane was about to leave for London. (*Id.*)

After the meeting, McFarlane went to London, where he joined North. North had traveled on December 6 to meet Kimche, Secord, and Schwimmer "to review all the arrangements" in connection with the plan North set forth in his note to Poindexter of December 4. (North PROF note to Poindexter, 12/4/85, 02:02:55) On December 8, before meeting with Ghorbanifar, and Nimrodi, McFarlane privately reported his instructions to Kimche. Kimche

was upset and he said: I think you're missing a big opportunity; that you have to have some patience; that these movements take time to consolidate; and these people are delivering to us important items, information basically; and that we see signs from our intelligence that they're making headway and beginning to lock up and arrest radical elements and put their own people in more responsible positions, and the gradual evidence of their growing influence and ability to act.

And I said: Well, we don't see that; and further, we think it is being skewed off in the wrong direction. So he said: Well, we disagree.

And we went ahead and met with this Mr. Ghorbanifar, and in the course of about three hours I covered my instructions. And he said: Well, I understand the political dialogue, and our people in Iran are very much open to that; and so, the point is

that you are misunderstanding how much turmoil there is in Iran. There is quite a lot of conflict between the radical and centrist and traditionalist elements there, and it is just not going to succeed in getting my superiors to take much in the way of risk if they don't see that the United States is truly willing to demonstrate the political capital investment to do it.

And I said: I understand what you say; my instructions are these, and we are not going to transfer any more arms. Well, we had not and did not, but Israel had.²²

In his second interview with the Board, McFarlane provided more detail than in his first:

Colonel North was already there, and I went alone, and I may have had—I think I was alone, and was met on arrival by Colonel North at Heathrow and we went in to the Hilton Hotel and I asked to get together with Mr. Kimche. And he said well, we will set that up right away, and we did, I believe, within an hour or so in the Hilton that morning.

And I had known him for a long time and then got right to the point and said that this was well-meaning, well-intentioned, but it hasn't turned out and the President has decided that it has to be reoriented very substantially and my instructions are to say that if they are open to dialogue, we are too, and if not so be it, but under no circumstances are we prepared to sell arms nor to allow anybody else to either.

And he rejoindered and said he thought that we should have more patience and try to keep this going.

²² The Maximum Version's account of this part of the conversation reads: "Mr. McFarlane made clear that a Western dialogue with Iran would be precluded unless Iran was willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages." (Maximum Version at 5)

The Historical Chronology account reads: "At this meeting, Mr. McFarlane, as instructed by the President, stated that —the U.S. could under no circumstances transfer arms to Iran in exchange for hostages" (Historical Chronology at 7)

On November 23, 1986, North told the Attorney General, W. Bradford Reynolds, Charles J. Cooper, and John M. Harwood, that McFarlane told Kimche during these meetings that the transaction could not be seen to be an exchange of arms for hostages (Reynolds notes) (McFarlane (1) 27-28)

Chairman Tower: So this was in effect going back to the August approval on our part, or the termination of the August approval?

Mr. McFarlane: Yes, sir.

Chairman Tower: I'm sorry to interrupt. Go ahead.

Mr. McFarlane: And Mr. Kimche said that while he could understand why we were disappointed that this was the nature of things in the Middle East and they couldn't always go as hoped, and we ought to keep going with it. And it was irreconcilable, really, and I said I'm sorry, we just—I have my instructions. And he told me the meeting, I think the meeting was for 3:00, I think, 2:00 or 3:00 in the afternoon, and we went on separately to the meeting.

And at the meeting, which was in a West End London apartment—and I don't know. I've seen reports that it was Mr. Schwimmer's apartment. I don't know that first hand. But at the meeting I met with, from the Israeli side, again Mr. Kimche and Mr. Nimrod. The only Iranian present, to my knowledge, was Mr. Ghorbanifar. And from the American side myself and Colonel North.

And it was about a three-hour meeting, as I recall. Colonel North was the notetaker. And I began my brief saying here is our experience or our view of the experience of the past three months or so, and our purposes are these, and they haven't been met, and we think that there has been bad faith on the Iranian side, and it calls into question two fundamentals from our point of view. Number one, is there good faith at all and whether or not there is, is there competence, is there real authority. Can you take decisions and change things?

Our conclusions are that we are open to a political dialogue, and I have developed that, to his great dismay, for about an hour. And I said that the President has decided that there can be no sale of U.S. weapons nor will we approve the sale by others of weapons.

And he replied in a kind of a cursory fashion, accepting that his superiors in Tehran were in fact interested in changing Iranian policy and forming a government with better relations with the West, but that I had to understand that their vulnerability was quite high and that they needed badly to maintain their own support from within the military and that the coin of that relationship and support and strength within Iran was the weapons.

And I listened to him talk for a half hour or so, and just in observing, as any human being does, to evaluate what kind of person this was, and by this time I had also after the Summit gotten a lot more information about him, but it was mostly from that meeting where it was very apparent that his agenda was buying weapons and his interest in our political agenda very superficial.

And though he purported or represented that his seniors were interested in that he personally obviously was not conversant with those things and had only a passing interest in them. And after hearing him out I said, well, I understand what you have said. I delivered my instructions. Please convey that to your government. And that's the end of it.

And I left and went back briefly to the Hilton to pick up some things and went on out to the airplane and took off.

Senator Muskie: Did Ghorbanifar express any concern about the quality of the arms shipment, the HAWKS?

Mr. McFarlane: That seems likely, Mr. Secretary. I think he complained about a lot of things that were foreign to me, but I think probably he did.

Chairman Tower: What kind of representations did he make to you about the people that he was in liaison with in Iran or that he represented? Did he go into the matter of the three lines or factions with you at all in Iran? Or did he talk about one specific faction or group?

Mr. McFarlane: We had received intelligence on the political map of Tehran, so to speak, from two sources. We in the

United States had received from the Israelis what they had received from the Iranians, and separately Mr. Ghorbanifar transferred to us his own product of intelligence that described, as you say, these three lines of political affiliation that were, call it, radical-center and conservative.

But that goes back to August, really, the original product, and in this meeting he did describe that the people with whom he was associated included basically those who were oriented toward a less extreme return to kind of a non-aligned position but normal trade and discourse with the West and retrenchment on this fundamentalist crusade, and recognized the isolation that it was producing, and did however have within it mullahs, some bazaaris and a substantial number of military leaders and people from outside the government like the bazaaris.

(McFarlane (2) 48-53)

Ghorbanifar provided the Board with his version of the December meeting. He said the meeting took place at Nimrod's London home, with Kimche, Schwimmer, McFarlane, North, and Secord. Ghorbanifar described the meeting as an exchange of "tough" lectures.

McFarlane gave a lecture that we want to know the importance, strategic point of Iran, we know the people, we know we had bitter relations before, and so on and so on, and we want a better one.

I said what are you talking about? You just left a mess behind and you want something else? I was tough. I explained, I explained to him that what is the situation inside Iran between the rival groups, between the politicians, what is this mess, what the hell a problem has brought this one, this issue has presented to this big policy.

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I told him what the hell is this, what is the problem, you leave a mess behind, and if you want to continue this way, I said, just is better you cut off and don't put us, the blame on us, and by the fire on your side

because then there will be fire back on your interests.

(Ghorbanifar 122-123) Ghorbanifar also remembered Nir saying that Ledeem, Schwimmer, Nimrodi, and Kimche no longer would participate in the negotiations or the transaction. (*Id.* at 120)

North returned from London on December 8. The next day, he submitted a memorandum to McFarlane and Poindexter summarizing the results of the London meetings and setting forth a new plan of action.

The meetings this weekend with the Israelis and Ghorbanifar [sic] were inconclusive. Ghorbanifar refused to return to Geneva with our message that no further deliveries would be undertaken until all the hostages were released. Ghorbanifar and the Israelis both believe that if he were to pass such a message to the Iranian Prime Minister or the Oil Minister (who provides funds for items delivered)—one or more of the hostages would be executed. Ghorbanifar noted that nine Hizballah leaders had been summoned to Tehran on Friday (December 6) and that, given the pressures inside Lebanon, all it would take for the hostages to be killed would be for Tehran to "stop saying no."

Much of what we decide to do in the days ahead depends upon whether or not we can trust Ghorbanifar. The Israelis believe him to be genuine. Ghorbanifar's earlier game plan delivered Reverend Weir. He has proposed that we "deliver something" so that he can retain credibility with the regime in Tehran. He even suggested that the weapons delivered be useful only to the Army or Air Force (not the Revolutionary Guards) and that they be "technically disabled." He urged that, if improved HAWKs were not feasible, to at least keep the door open by some kind of delivery between now and the end of the week. He said we must recognize that if TOWs are provided that they will probably go to the Revolutionary Guards.

The Israelis have willingly consented to "kick-back" arrangement which allows Israeli control over Ghorbanifar and Ayatollah Karami. Israel believes strongly in

using any means to bridge into Iran. Their last three governments over a four year period have been consistent in this theme.

Whether we trust Ghorbanifar or not, he is irrefutably the deepest penetration we have yet achieved into the current Iranian Government. There is nothing in any of the [tailored intelligence reporting] which contradicts what he has told us or the Israelis over the past several months. Much of our ability to influence the course of events in achieving a more moderate Iranian Government depends on the validity of what Ghorbanifar has told us—and his credibility as one who can "deliver" on what the Iranians need. While it is possible that Ghorbanifar is doubling us or simply lining his own pockets, we have relatively little to lose in meeting his proposal, i.e., the Israelis start delivering TOWs and no hostages are recovered. On the other hand, a supply operation now could very well trigger results he claims.

The current situation is one in which information is incomplete, the motivation of the various participants uncertain, and our operational control tenuous in that we have had to deal exclusively through the Israelis. The near term risk to the hostages has undoubtedly been increased by Iranian "expectations" arising from earlier decisions to proceed with deliveries and by the increasing pressure against Hizballah in Lebanon. Terry Waite, our only access to events in Lebanon, readily admits that his influence is marginal at best. Waite shares our belief that the hostages are increasingly endangered and that one or more of them could well be executed by the end of the week.

Our greatest liability throughout has been lack of operational control over transactions with Ghorbanifar. The Israeli contact, Schwimmer, has arranged deliveries of items which were not requested by Ghorbanifar for the Iranian military further, the terms which he negotiated are disadvantageous to the IDF and our ability to replenish the Israelis. It was apparent, during the meeting with McFarlane, that Ghorbanifar preferred to deliver only items

useful to the Iranian military—not the Revolutionary Guard. Despite admonishments to the contrary, Schwimmer had already arranged for the 3,300 TOWs as part of the next steps.

Schwimmer's arrangements would have exchanged the 3,300 TOWs for three hostages at a price which would not allow the IDF to recoup expenses, thus complicating our ability to replenish IDF stores. In short, most of the problems with this endeavor have arisen because we have been unable to exercise operational control over arrangements or their expected outcome. For example, at the meeting with McFarlane we learned for the first time that the Iranians want desperately to return the 18 basic HAWK missiles which are still in Tehran. All agree that we should only do so if the in-bound aircraft has something aboard which the Iranians want. At the end of the meeting it was agreed that we would "get back" to Ghorbanifar quickly as to our next steps. He departed for Geneva to brief the Iranian Oil Minister to the effect that "technical difficulties remain to be overcome before further deliveries can be scheduled."

The question which now must be asked is should we take a relatively small risk by allowing (encouraging) a small Israeli-originated delivery of TOWs and hope for the best or should we do nothing? If such a delivery were to take place, we would have to plan to replenish the Israeli stocks on a "routine" basis to avoid drawing attention.

If we are to prevent the death or more of the hostages in the near future, we appear to have four options available:

Accept Ghorbanifar/Schwimmer's game plan:

—Stretch any replenishment to Israel over several months making it routine

—1,100 TOWs are maximum risk materially [sic] Cost and cover can be maintained by selling from stock to Israel over time.

—If hostages are recovered disclosure doesn't hurt much.

Raid and attempt rescue:

—If this option is pursued, then the military should be directed to execute by NLT next Saturday and talks with Ghorbanifar should be resumed in effort to hold Hizballah in check over the next 6 days.

Allow the Israelis to deliver 400-500 TOWs while picking up 18 HAWKs in effort to show good faith to both factions in Iran:

—This could cause Iran to deliver a hostage as sign of cooperation. It will also serve to boost Ghorbanifar's reputation.

—Israel could do this unilaterally and seek routine replacements.

—This gives U.S. more breathing time (maybe)

Do nothing

—Very dangerous since U.S. has, in fact, pursued earlier Presidential decision to play along with Ghorbanifar's plan. U.S. reversal now in mid-stream could ignite Iranian fire—hostages would be our minimum losses.

There is a fifth option which has not yet been discussed. We could, with an appropriate covert action Finding commence deliveries ourselves, using Secord as our conduit to control Ghorbanifar and delivery operations. This proposal has considerable merit in that we will reduce our vulnerabilities in the replenishment of Israeli stocks and can provide items like the Improved HAWK (PIP II) which the Iranian Air Force wants and the Israelis do not have. Finally, Secord can arrange for third country nationals to conduct a survey of ground and air military requirements which is what Ghorbanifar has been attempting to obtain from the Israelis for nearly three months.

(North to McFarlane/Poindexter, 12/9/85)

McFarlane reported to the President, the Secretary of Defense, the Director of Central Intelligence, Regan, and Poindexter on December 10. (Jones to Stephens, 1/24/87 (Presidential calendar); DCI to DDCI, 12/10/85) On his way to the NATO Ministerial Meeting in Brussels, the Secretary of State received a report of

the meeting: "White House meeting this morning. The turn-off is complete (we think). McFarlane turned down in London. Ollie did paper saying this means hostages will die." (Shultz, SRB, 34)

The President told the Board on January 26, 1987, that McFarlane expressed no confidence in the Iranian intermediary he met in London (Ghorbanifar). The President said McFarlane recommended rejection of the latest Iranian plan. The President said he agreed. "I had to."

In a memorandum, dated December 10, 1985, the Director of Central Intelligence noted that McFarlane

did not have a good impression of Ghorbanifar (sic) and recommended that we not pursue the proposed relationship with him. He recommended that we pursue the relationship with others representing the moderate forces in the Iranian government, talking and listening to them on a purely intelligence basis but being alert to any action that might influence events in Iran.

2. Everybody supported this in our roundtable discussion. Other options which Bud had suggested were to let the Israelis go ahead doing what they would probably do anyway, and hope we get some benefit, or to mount a rescue effort. The President argued mildly for letting the operation go ahead without any commitments from us except that we should ultimately fill up the Israeli pipeline in any event, or the Congress will do it for us. He was afraid that terminating the ongoing discussions, as Bud had speculated they might, could lead to early action against the hostages. The trend of the succession of this was that it was a little disingenuous and would still bear the onus of having traded with the captors and provide an incentive for them to do some more kidnapping, which was the main burden of the argument against going forward on the program. The President felt that any ongoing contact would be justified and any charges that might be made later could be met and justified as an effort to influence future events in Iran. I did point out that there was historical precedent for this and that was always the

rationale the Israelis had given us for their providing arms to Iran. . . .

4. As the meeting broke up, I had the idea that the President had not entirely given up on encouraging the Israelis to carry on with the Iranians. I suspect he would be willing to run the risk and take the heat in the future if this will lead to springing the hostages. It appears that Bud has the action.

(Casey to DDCI, 12/10/85)

In his first interview with the Board, McFarlane remembered that the meeting occurred on December 11, and that the Vice President and John McMahon (for the Director of Central Intelligence) attended

I debriefed that I had carried out my instructions and came home. But I added, I said Whatever may be the case in Iran, this fellow is a person of no integrity and I would not do any more business with him, the Iranian Ghorbanifar. And I left the government believing that it was discontinued.

(McFarlane (1) 28)

In his second interview, McFarlane added:

I believe, unlike the preparatory meeting on the seventh, this time Mr. Casey was there but the Secretary of State was not. And Mr. Regan and the Secretary of Defense I recall specifically sitting opposite me in the Oval Office. And it was a short meeting, I think probably fifteen or twenty minutes, and I stated basically that I had carried out the instructions, that I had made the two points, and went through the specific content of our political agenda that we were prepared to talk about, and the second point on the unwillingness from our side to sell arms or authorize anybody else to do so, and that they acknowledged that they were prepared for this political dialogue but that it was unrealistic to assume that it could occur or make any headway without weapons, and that at that impasse the talks were broken off

And then separately I provided kind of a commentary on my evaluation of Mr. Ghorbanifar, which was that he was not a

trustworthy person and had a very different agenda from our own and was an unsatisfactory intermediary. And finally I believe I also said that it is conceivable some day that our original point, the political dialogue, they may come back to you on. I doubt it, but I recommend that you have nothing further to do with this person nor with these arms transfers.

And the President was rather pensive. At that point the Secretary of Defense kind of assertively made the point. He said, I agree with Bud that this program is a very ill-advised program and that we should have nothing further to do with it, and the President was still kind of reflective, nodding but not saying anything, as I recall it.

I think Mr. Casey was essentially passive but listening and said well, so be it or something accepting that kind of emerging consensus. And that was the end of it.

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General Scowcroft: In other words, you think what you said is let's stop this program and if the dialogue is going to come maybe they will get back to us, but clear termination of the program?

Mr. McFarlane: Yes, it is, General, and I say that not only because I believe that was my reaction to the three months' experience of it but because as a practical matter I was leaving the government and I had real misgivings about this thing going on at all afterwards.

General Scowcroft: Do you remember Ollie North saying to you or writing a memo or anything saying this means the hostages will die?

Mr. McFarlane: No, I don't.

Senator Muskie: Or Ghorbanifar?

Mr. McFarlane: I hadn't thought about that, Mr. Secretary, although he was given to extravagant kinds of things. It wouldn't surprise me if he said that.

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[The President] was, however, of a mood that was not uncommon when he was uncomfortable with the situation, when in this case everyone else in the room seemed to

be of one view and he didn't want to oppose that view. I don't recall his having been emphatic about an opposing point of view.

The President was always very hopeful, optimistic and on almost every issue, and I think on this one on that day, was disappointed that he hadn't turned out so far, but always looking for the bright side or the possibility that it could be salvaged. But concretely did he say anything by way of decision? I don't believe so.

And I drew my conclusion that well, Mr. Regan did say he agreed that it ought to be closed out, as I recall.

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I would characterize it as a recommendation on my part that there should be nothing more to do with this person, Ghorbanifar, that there be no further arms shipped whatsoever by anyone, that in my judgment that would lead to a complete discontinuation of any exchanges, finally that I could imagine someday they might come back and say all right, without any arms involved we are open to your political agenda, but that concretely don't do business with that person and don't sell any arms.

Chairman Tower: Well, was the suggestion that if there was to be a reopening of this that it would come from them?

Mr. McFarlane: That's right.

(McFarlane (2) 55-58)

Regan recalled that,

right after [McFarlane's] return there was a meeting with the President, and I believe Shultz, Weinberger and Casey were present, to discuss what further should be done. Bud led me to believe that this contact, while it wasn't as good as they had originally hoped and that it wasn't as productive a contact as they had hoped, and we weren't getting any hostages out, we weren't really meeting with the top side of the Iranian government. And, accordingly, something different had to be tried.

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The NSC were trying to make contacts through Ghorbanifar directly to a higher level within Iran. They were trying to establish better relations than just the people with whom they were meeting in Europe. This is one of the things that McFarlane brought back from his meeting. . . . (Despite his negative impression of Ghorbanifar, McFarlane stated) that we could and should make contacts at a different level, at a better level than Ghorbanifar.

[T]he President urged that, as a matter of fact, that we try something else or abandon the whole project, because he wanted to keep it open not only for geopolitical reasons but also the fact that we weren't getting anywhere in getting more hostages out. And we were going to spend another Christmas with hostages there, and he is looking powerless and inept as President because he's unable to do anything to get the hostages out.

(Regan 15, 31-32, 17) Weinberger did not remember this meeting. (Weinberger 14)

F. The NSC Staff, the CIA, and Ghorbanifar: December 1985-January 1986

Some ten days after this meeting, Ghorbanifar visited Washington. (Ledeen (1) 7)²² Ghorbanifar's visit was one of a number of meetings and conversations in December 1985 about which little is known. Early in the month, Ledeen told Clarridge and Charles Allen that he had important intelligence about Iranian-backed terrorism in Western Europe. He provided Ghorbanifar's name and telephone numbers to Allen, and said he had McFarlane's approval to pursue the matter. He told Allen Kimche was involved. (C. Allen 10; CIA/IG Chronology 11) The Director of Central Intelligence met Ledeen on December 19. On De-

²² According to the NSC "Chronology of Events, U.S.-Iran Dialogue," dated 11/20/86, Ghorbanifar came to the United States on December 22 for meetings with American officials. This date is consistent with a suggestion in a memorandum from the Chief of the CIA's Near East Directorate to the Director of Central Intelligence. See pp. *et seq.* *infra*. Ghorbanifar told the Board only that he visited Washington in December 1985. (Ghorbanifar 127)

cember 22 and 23, Ledeen and Ghorbanifar met the Chief of the CIA's Iran desk.

According to the CIA's report of the meeting Ledeen met this official alone, and reviewed his relationship with Ghorbanifar.

He said about a year ago, he (Ledeen) had gone to the former National Security Advisor Robert McFarlane to discuss the need for an Iran policy. Ledeen suggested to McFarlane that he be authorized to contact the Israeli Government to see what could be done in conjunction with them. McFarlane authorized this contact and shortly thereafter Ledeen met Prime Minister Peres. Ledeen added that Peres was very enthusiastic about working with Ledeen and the U.S. Government on the Iranian problem and told him about their contact with Subject [Ghorbanifar]. Two Israeli officials, David Kimche and Jacob Nimradi [sic], introduced Ledeen to Subject. Since then, he has seen Subject 20-30 times, often in conjunction with Kimche and Nimradi. It was from this contact that the operation developed to have the Israelis at our behest deliver to Iran 500 Tow [sic] missiles and, more recently, 18 Hawk missiles in exchange for the release of all the hostages held in Lebanon. Ledeen is convinced that the release of Reverend Weir was tied directly to the first shipment of missiles. Ledeen went on to say, however, that he never really expected the Iranians to deliver all the hostages given the "Iranian's merchant mentality."

—The delivery of the Hawk missiles has been an operational nightmare. There was a misunderstanding about the type of missiles the Iranians were seeking. They wanted a missile that could hit a target at seventy-thousand feet and already had Hawk missiles in their arsenal. What they thought they were going to get was a modified and advanced version of the Hawk. They are quite angry about the delivery of the missiles and have asked that they be removed from Iran as soon as possible. Their presence in Iran is politically troublesome to the Iranian hier-

archy. They are now asking for Hercules or Phoenix missiles.

—Ledeen stated that at a recent high-level meeting which included the President, Secretary of State Schultz [sic] and Defense Secretary Weinberger a decision was made not to proceed with Ghorbanifar in an effort to release the hostages. Schultz and Weinberger reportedly were quite unhappy about this operation.

—As an aside, Ledeen noted they had purposely overcharged the Iranians and had used around \$200,000 of these funds to support Subject's political contacts inside Iran. Later that same evening, Subject stated he was holding \$40 million which the Iranians want returned.

—Ledeen is a fan of Subject and describes him as a "wonderful man . . . [sic] almost too good to be true." He had asked Subject to come to the U.S. to meet with us in order to straighten out his credibility and to find a way to keep the relationship going with him. The number one item in this latter area is his proposed Libyan operation. Ledeen said that when he learned of our Burn Notice on Subject, he contacted him in an effort to have him explain situation (see Attachment A). He commented that Subject admitted lying to us, saying he could not reveal his source nor explain his relationship with senior Iranian officials. He felt we would not understand his relationship with the Iranian government. We suggested that perhaps a new polygraph would be useful given these latest revelations. He agreed to a polygraph to be conducted in the Hqs area on 6 January.

—In closing out this session, Ledeen made the point that any serious covert action operations directed against Iran using Ghorbanifar should be run out of the White House not CIA because "it will leak from Congress."

(Chief, NESA, to DCI, n.d.)

The meeting continued at 9 p.m. at Ledeen's house, with Ghorbanifar. Ghorbanifar discussed a three-man "Iranian hit team," operating in Europe with instructions to assassinate a number of Iranian ex-patriots. On December 23, Ghorbanifar again met the CIA official, and named his source about the assassins. This name provoked the comment:

This is the same source who provided the false information last March concerning an alleged Iranian plan to assassinate Presidential candidates which did not hold up during Subject's polygraph.

(Comment: Subject's reporting on this team [Iranian hit team] is very reminiscent of his previous terrorist reporting which, after investigation and polygraph, turned out to be fabricated. It is our feeling there are bits of valid information in Subject's reporting but he has embellished and projected his own feelings in presenting this information as hard fact. This has been a persistent [sic] problem throughout the four years we have known him. His reporting has sometimes been useful but it is extremely difficult to separate the good from the bad information. It is hard to find in the file any instance where his reporting in fact resulted in a solid development.)

(Id.) The Chief of the Near East Division in CIA's Operations Directorate later said of him: "This is a guy who lies with zest." (C/NE (1) 48)

Ghorbanifar used the rest of the interview to discuss Iranian politics—he described political groupings as "Lines." He also provided information on Islamic Jihad, which preliminarily did not appear useful to the CIA, and his relations with Iranian leaders, especially an official in the Prime Minister's office. (Chief, NESA, to DCI, n.d.)

—Subject said that because of the negotiations concerning the exchange of the hostages for missiles, there has not been a terrorist act directed against the USG since July. He implied that this might change now that the negotiations have broken off.

(Id.) Ghorbanifar, supported by Ledeem, then proposed a "sting" operation against Qadhafi—accepting \$10 million to stage the disappearance of the Libyan opposition leader, al-Mugarieff.

Ghorbanifar planned to travel to London on December 24; he agreed to return for a polygraph test on January 5 or 6. The interview ended when, at 11 p.m., North "dropped by to say hello to Subject and to talk with him about the problem of retrieving the missiles from Iran. We departed at 2400 hours and it was arranged to get together on the afternoon of 23 December to discuss further some of his ideas." (Id.)

On December 23, North met Ledeem at the Madison Hotel at 2:30 p.m., (North calendar), where Ghorbanifar was staying under the alias Nicholas Kralis. (Chief, NESA, to DCI, n.d.) At 3:45 p.m. on the 23rd, North met Secord at the Hay Adams Hotel. (North calendar) Also on December 23, the Director of Central Intelligence sent the President a memorandum, including as the fifth paragraph:

The Iranian Ghorbanifar [sic], who the NSC staff believes arranged to release Weir, turned up in Washington over the weekend. Ollie North put him in touch with us. He has 3 or 4 scenarios he would like to play out. He gave us information about 3 Iranians going into Hamburg as a hit team. We have verified their movement but not their purpose. It could be a deception to impress us. It is necessary to be careful in talking with Ghorbanifar. Still, when our man talked to him on Saturday and asked him if he would take another polygraph he said he would. We think this is worth doing for what we might learn. We want to prepare thoroughly for polygraphing him and because he is going to Switzerland for Christmas, it is understood that he will return here in a week or so for further discussions and for a polygraph.

(Casey to President, 12/23/86)

Finally, Charles Allen told the Board that he understood that Nir came to Washington in December, and North briefed him on December 23 "on this initiative"—that is, on the program in light of McFarlane's meetings in London. (C. Allen 53) In late December, Allen

gave the NSC staff a copy of an August 1984 CIA "burn notice" on Ghorbanifar to the effect that he was a fabricator whose information should not be trusted. (CIA/IG Report 19) On December 24, North met Gen. Uri Simhoni and Col. Moshe Zur, (North calendar), whom his secretary described to Allen and Bernard Makowka as "Israeli intelligence." (CIA/IG Chronology 12)

Ghorbanifar took a polygraph test in the afternoon and evening, January 11, 1986 and showed deception on almost all of the questions. (Memorandum for the Record, "Ghorbanifar Polygraph Examination")⁵⁰ One report on the test stated:

He showed deception on virtually all of the relevant questions. He has lied/fabricated his information on terrorist activities and tried to mislead us concerning his relationship with the Farsi line inside Iran. He also has distorted [name deleted] role in Islamic Jihad. Moreover, Ghorbanifar was tested on his involvement in the deal to release the hostages. The test indicated that he knew ahead of time that the hostages would not be released and deliberately tried to deceive us both independently and with "B".

Ghorbanifar provided new information concerning an alleged terrorist plan to attack U. S. interests in Saudi Arabia. He was also tested on this information and was shown to be lying.

It seemed clear from Ghorbanifar's behavior that he realized that the polygraph test indicated deception. While he commented during the test that he was comfortable with all of the test questions, he said that perhaps the machine might indicate some problems on a series of questions concerning Farsi and the rightists inside Iran. He said he had been told by "White House representatives" not to discuss this topic with CIA because the operation was "too far advanced" and if CIA were involved "it would require Congressional briefings." He went on to add that he supposedly expended \$800,000 of his own funds for this

⁵⁰ George Cave and C/NE-1 told the Board that Cave prepared the questions for the examination. (Cave 3-5, C/NE (2) 76)

purpose and has been assured by these "White House representatives" that he will be reimbursed for these expenditures. (Comment: The polygraph operator stated that Ghorbanifar's explanation/rationalization would not influence the test results on the questions being asked in connection with Farsi and his supporters).

In discussing the hostage deal, Ghorbanifar stated he was very comfortable with the questions asked. During one of the breaks in the testing, he commented that the Israelis received \$24 million as soon as the shipment was delivered and they are holding all of the funds that the Iranians are requesting be returned. He added that the Israelis told him that they had "doubled" the cost of the shipment apparently because the Americans were involved. He said the Iranians were very upset about the last shipment and might resort to terrorist activities against U. S. interests. He remarked the Iranians have been refraining from these terrorist activities since the negotiations began.

Ghorbanifar is clearly a fabricator and wheeler-dealer who has undertaken activities prejudicial to U. S. interests.

Neither Ghorbanifar nor Ledeem have [sic] been advised about the results of the test. Michael Ledeem asked that he be informed about the results of the test as soon as possible. He was called on the morning of 12 January and told that the polygraph operator will be reviewing the results on Sunday [January 12] and we should have feedback about the test on 13 January.

(Id.)

A paper entitled "Comments on Ghorbanifar's Polygraph" noted, in part, that he

(a) Lied/fabricated his information on terrorist activities;

(b) Tried to mislead us concerning his relationship with the "rightist line inside Iran";

(c) He distorted the leadership role of Seyyed Mohammad Khatemi inside Islamic Jihad;

(d) He showed deception on the question of whether he was under the control of the Iranian Government.

The test also indicated Ghorbanifar knew ahead of time that the hostages would not be released despite our providing missiles to the Iranians. He deliberately tried to deceive us on this issue both independently and with the collusion of "B".

("Comments on Ghorbanifar's Polygraph")

The polygraph examiner reported, on January 13, 1986, to the effect that Ghorbanifar was indeed a fabricator of evidence. He noted, moreover, that polygraph examinations in March and June 1984 had produced the same conclusion. On January 11, 1986, Ghorbanifar was tested in "a local hotel" in Washington. "The english [sic] language was used." "Deception indicated to thirteen of the fifteen relevant questions. Inconclusive to the remaining two." Some "relevant" questions, answers, and tracings by the polygraph were:

A. Has IDEN C . . . personally told you he is willing to cooperate with "US" intelligence? ANSWER: Yes.

B. Are you trying to deceive us about IDEN C's actual degree of influence with IDEN E [Islamic Jihad]? ANSWER: No.

Testing showed deception to question B. Question A is inconclusive due to inconsistent reactions.

Ghorbanifar was questioned about his knowledge of Iranian terrorist activities. "Relevant" questions and answers were:

C. Are you trying to deceive us in any way about the source of the information regarding the three-man team (the IDEN G [Hamad Hassani] three-man hit team)? ANSWER: No.

D. Regarding European-based IDEN B [Iran/Iranian] terrorist, have you deliberately fabricated any of the information you have provided? ANSWER: No.

E. Did IDEN F . . . tell you the Hamburg Team (The IDEN G three-man hit team) killed IDEN L [Aziz Muradi]? ANSWER: Yes.

F. Other than what you have told us, are you aware of ongoing plans targeting "US" persons or interests for acts of terrorism you are not telling us about? ANSWER: No.

Testing showed deception to questions C, D, E, and F.

The test produced similar results when Ghorbanifar was questioned about "'new' information about terrorist's current plans targeted against 'USG'." While discussing this topic, 'G' was occasionally evasive and often reluctant to answer questions." He also contradicted himself, although he did outline a meeting, during which IDEN C asked an Iranian for 300 kilograms of plastic explosive to use against United States facilities in Saudi Arabia, and a Lebanese Palestinian Shiite terrorist asked for more efficient Iranian logistical support in delivering \$6,000,000 worth of terrorist armaments. ("Polygraph" Division to C/NE/IRAN, 1/13/86)

At the request of the Director of Central Intelligence, Charles Allen interviewed Ghorbanifar for five hours on January 13, 1986. This conversation generated a nine-page report. Director Casey wanted, Allen reported, "to obtain a general overview of the information he possesses, not to conduct a detailed debriefing." (C. Allen, "Interview with Subject [Ghorbanifar]," 1/29/86) Ghorbanifar sought a "more principled" relationship with the CIA, based on his usefulness as "a turn-key project man," rather than an employee. He explained that, when, in 1980-82 the CIA had communicated its mistrust of him to other intelligence agencies, he had retaliated. Ghorbanifar had persuaded individuals whom he could influence not to cooperate with the CIA. (Id. at 1-2)

Ghorbanifar explained his present goal was the modification of the Khomeini regime and the alignment of Iran with the West.

Subject [Ghorbanifar] stated that he wished to work with the US Government and CIA in a number of areas. Clearly, the US hostages held in Lebanon were a high priority. He would continue to work with the White House on this issue; this effort would be kept separate. A second area would be to assist the West in blunting Iranian terrorism. A third area would be working with the Agency to thwart Libyan

and Syrian-sponsored terrorism and to assist in the overthrow of Libyan leader Qadhafi. (Id. at 2)

With regard to the hostages, Ghorbanifar made three points. High Iranian officials were interested in a new relationship with the United States. They could release, or kill, the hostages. Whether the United States pursued a relationship with Iran would decide the hostages' fate. If the United States missed the opportunity, the hostages would be killed and new terrorist acts would occur.

Ghorbanifar's Tehran contact, Prime Minister Mir Hosein Musavi-Khamenei, and Minister of Oil Gholam Reza Aqazadeh "will lose face" unless the United States went forward with arms supplies through Israel. These men told President Ali Khamenei that the United States was willing to provide advanced weapons "in return for Tehran's promise to secure the release of US hostages held in Lebanon. They had assured other senior officials that a long-term relationship with the United States was possible and in negotiation; as a result, Iranian terrorist attacks against the United States had ceased for seven months. "Subject stated that 'the Islamic Jihad Organization (IJO)' would strike soon unless a new understanding was reached, perhaps as early as 24 January." (Id.)

Subject stated that he had convinced the Prime Minister and the Minister of Oil to trust the United States with Israel acting as an intermediary. Iran had shown "good faith" by paying in advance of arms deliveries in November. When the goods (Hawk surface-to-air missiles) arrived in late November, they were an "old model", costing four times the price "originally" agreed upon. The Hawk missiles are still at Tehran International Airport, awaiting pickup for return to the West. The Prime Minister and others believe they "were cheated." In fact, nine of the 18 Hawks have the Star of David inscribed on them. Subject stated that he has told the Prime Minister that, unless agreement with the United States is reached by 24 January, he would no longer wish to serve as an intermediary in dealing with the United States.

8. As far as his personal situation was concerned, Subject expressed no serious con-

cern. Musavi-Khamenei, . . . and Aqazadeh all owe Subject substantial sums of money. [His Tehran contact], moreover, has been photographed in compromising situations with Western women, an activity that would finish him with the Khomeini fundamentalist government were it to become known. Even though all three individuals are identified with Line Two [fundamentalist faction] and have blood on their hands, he has no fear of them. What concerns Subject is that, if talks break down with the United States, widespread terrorist activity will ensue.

(Id. at 2-3) Ghorbanifar said the Prime Minister was willing to accept American military assistance, including advice and an unofficial presence in Tehran, but had been dismayed by the "cheating thing". (Id. at 3) Originally, the five American and two Jewish hostages were to have been released in connection with the shipment of HAWKS. Now, Ghorbanifar said, a "terrorist war" was possible. Shiite terrorism in Pakistan, which would prove worrisome to the United States, was likely. He added that the "Iranian Revolutionary Guard Corps (IRGC) can exert control over the Shiite captors of the Americans. All that is required for the Americans to be freed is for Prime Minister Musavi-Khamenei to issue an order and the IRGC will secure their release." (Id.) Conversely, the three Iranian officials could ensure the death of the hostages if there were no agreement with the United States. Ghorbanifar feared the Soviets might exploit Iranian factionalism; the second highest official in the Foreign Ministry was pro-Soviet.

Ghorbanifar gave a long exposition on his links with Qadhafi's regime and ability to carry out a "scam" by faking the murder of Margarett, one of Qadhafi's targets; his sources of information regarding Iranian terrorism; his information about Syrian officials, who with the Polish government, supplied weapons to Iranian terrorist networks; and his knowledge of IRGC--particularly those plotting a *coup de main* against Bahrain.

Characterizing Ghorbanifar, Allen wrote that he

is a highly energetic, excitable individual who possesses an extraordinarily strong ego that must be carefully fed. Intelligent

and clearly an individual who has made a considerable amount of money in procurement of arms and in provision of "other services", he is relatively straight forward about what he hopes to get out of any arrangement with the United States. He deeply resents "his treatment" by the Agency in the 1980-82 timeframe and frequently speaks scornfully of a woman with the name "Lucy" from the US Embassy in London who met with him at that time. A personable individual, he also consistently speaks of his love of Iran and the need to change the composition of the current government there. It is difficult to gauge just what Subject's "organization" consist [sic] of but he appears to have influence over or business arrangements with a substantial number of individuals in the Middle East and Europe and inside Iran itself. We have hard evidence that he is close to the Prime Minister, the Minister of Oil, and other senior officials like an official in the Prime Minister's office. There is no question, however, that he exaggerates and inflates for his own reasons some [?of these?] relationships. He is impatient if one tries to pin him down on the specifics of some of the complex plots that he describes. For this reason, the best strategy is to go back over details in a series of meetings so that all aspects of the plot can be determined. This indirect approach takes time but builds rapport with Subject. The worst approach to Subject would be to attempt to lecture him.

(Id. at 8-9. Copies to: DCI, DDCI, DDO, DDI, DC/NE, O/DDO (Clarridge))

At Ghorbanifar's request, on January 23, Allen met a follower of Ayatollah Shirazi, who was visiting the United States. He confirmed Ghorbanifar's connections "in key areas" of the Middle East. (C. Allen, "Meeting with Hojjat ol-Eslam Seyyed Mohsen Khatami," 1/31/86)

G. The January 1986 Findings

After the December 10 meeting, Poindexter told the Secretary of State on January 5, 1986, the Israelis took action to "revive" the pro-

gram. Prime Minister Peres' terrorism advisor, Nir, had seen Poindexter, saying

Israel would identify Hezbollah prisoners held by Lahad [commander of the Christian South Lebanon Army] in southern Lebanon who were not "bloody" and offer to release them and to provide 3,000 TOWs in exchange for the hostages.

I [Shultz] said that this idea presented all the same problems as before. It would be a payment that "blows our policy," and Israel would have an interest in leaking such a deal. I remarked at the time, "so it's not dead" and noted that "Peres comes to me on some things and to the NSC on others."

I had been told that "Newsweek" had the story of the Kimche-McFarlane meetings, but did not run it. I noted that Kimche may have leaked it deliberately. My impression at the time was that Vice Admiral Poindexter's reaction to Mr. Nir's idea was negative.

The reason for all of that is that I felt that one of the things Israel wanted was to get itself into a position where its arms sales to Iran could not be criticized by us because we were conducting this Operation Staunch and we were trying to persuade everybody not to sell arms. That is what all that is about.

(Shultz, SRB, 37) ⁸¹

CIA General Counsel Stanley Sporkin continued working on a draft Finding, and on January 3, he carried a copy to North. (CIA/IG Chronology 13) His draft offered a choice between notifying Congressional intelligence committees or postponing such notification until the President determined it would be appropriate. (Sporkin 26) North then prepared the necessary documents for Poindexter to submit to the President with the proposed Finding. North's draft Finding did not refer to hostage rescue until Sporkin insisted that it do so. (*Id.* at 22-23; CIA/IG Chronology 13) The draft Finding

⁸¹ North told the Attorney General's team in November 1986 that, in January 1986, Nir suggested that the Israelis transfer funds from an account containing residual funds from the arms transfers to Iran and pay such funds into an account used by the Nicaraguan Contras. (Reynolds notes; Richardson notes)

did not include the option of notifying Congress.

North submitted the package to Poindexter by memorandum dated January 4. North wrote that the Finding was

based on our discussions with Nir and my subsequent meeting with CIA General Counsel Stanley Sporkin

At Sporkin's request, I talked to Bill Casey on [telephone] re the Finding and the overall approach. He indicated that he thought the finding was good and that this is probably the only approach that will work. He shares our goal of achieving a more moderate government in Iran through this process.

(North to Poindexter, Action Memorandum, 1/4/86.) The package included a memorandum from Poindexter to the President and a Finding, dated January 6. ⁸²

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Covert Action Finding regarding Iran

This week, Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which [Israel] with limited assistance from the U.S. ⁸³ can act [in concert] to bring about a more moderate government in Iran. [The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.] ⁸⁴

⁸² North's first draft Finding was dated January 3, 1986. The accompanying memorandum is undated. The changes from the first drafts are indicated below by square brackets. When the changes were material, the original language is reproduced in footnotes.

⁸³ The first draft read "the U.S. and Israel."

⁸⁴ The first draft contained the following sentence instead of the two sentences in this version: "The Israelis are obviously very concerned that the course of the Iran-Iraq war and the potential for further radicalization in Iran pose a significant threat to the security of Israel."

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy [sic]. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. [Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests.]

As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. [Since the Israeli sales are technically a violation of our Arms Export Control Act embargo for Iran,] a Presidential Covert Action Finding is required in order for us to allow the Israeli [transfers to proceed, for our subsequent replenishment sales to Israel, or for other assistance which may be deemed appropriate (e.g., intelligence).] ⁸⁵

The Covert Action Finding attached at Tab A provides the latitude [sic] for the transactions indicated above to proceed. If this Finding is signed, we would not interfere when the Israelis unilaterally commence sales and deliveries of TOW missiles during January, 1986. [The Finding also au-

⁸⁵ The first draft contained the following last sentence of this paragraph: "Since the Israeli sales are technically a violation of our Arms Export Control Act embargo for Iran, a Presidential Covert Action Finding is required in order for us to allow the Israeli sales to proceed and for our subsequent replenishment sales."

thorizes U.S. sales of] basic TOWs to Israel when they submit purchase orders for replenishing their own stocks.

The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold. We would be expected to replace the Israeli stocks in less than 30 days. 4,000 missiles represent [a significant percentage] of all available TOWs in Israel.

[The Israelis are sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action.] ⁸⁶ Prime Minister Peres held his emissary pointedly note that they well understand our position on [not] making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our *only* way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that [conditions inside both Iran and Lebanon are highly volatile and that] the current crisis in the Middle East provides a rationale for a significant [Israeli] purchase of TOWs and expedited delivery on our part. The Israelis are cognizant that this entire operation will be terminated if the Iranians

⁸⁶ The original opening sentence read: "The Israelis and the Iranians with whom they are in contact agree that the continued holding of the five American hostages in Beirut will be immediately solved through commencement of this action."

abandon their government or allow further acts of terrorism. In order to provide an answer to Prime Minister Peres, the Finding at Tab A should be discussed⁸⁷ with Secretaries Shultz, Weinberger, Director Casey and Attorney General Meese. (Because of the extreme sensitivity of this project, it is recommended that you exercise your constitutional prerogative [sic] to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.)⁸⁸

The following Finding was attached:

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE Iran

DESCRIPTION [Assist selected friendly foreign liaison services, third countries, which have established relationships with Iranian elements, groups, and individuals] sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, and (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, [and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups.]⁸⁹ Provide funds, intelligence,

counter-intelligence, training, guidance and communications, and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that [sic] provided by this Finding.

Regan remembered that Poindexter brought the idea of the Finding and the draft to the President.

[E]ither on the way back from the west coast or immediately upon our return from the west coast—I'm not sure which—Poindexter told the President that we had had more contacts from the Israelis urging a new line with the Iranians. But he said he wanted to do this in a proper fashion and wanted to have a Finding so that the thing could be put on a regular track and kept moving, if we were going to exploit it. And he brought in a tentative document, a Finding, for the President to sign.

There were a few things that had to be changed in that as a result of discussions, and then there was a formal meeting in the first part of January on this subject, an NSPG, a formal meeting.

As a result of that, the President decided that we should pursue this line, that we should be prepared to sell arms, and that we should make a Finding that would authorize and justify that and that he would sign it.

...

It was discussed with the President, the Vice President and myself on January 6 as, "[h]ere's something."⁹⁰ You know how you brief the President 24 hours in advance of this next meeting so when [he] is doing his homework he is familiar with the subject.

He was given that piece of paper by John Poindexter at a regular Monday morning meeting, a 9:30 meeting, saying "[t]his is what we're going to discuss tomorrow," and the President signing it for some reason. I don't know. I think it was in error.

(Regan 17-18; 22-23) After the President signed this draft, Sporkin reviewed it and, by hand, added the words "and third parties" after "third countries" in the second line of the "Description". (Sporkin 24-25) The Finding was retyped before the President signed it on January 17; Sporkin's addition was the only change.

On January 7, 1986, the President and his principal advisors met, apparently after an NSPG meeting that morning, to consider the Iranian project. As the Attorney General described it:

After an NSC meeting or an NSC type meeting in the Situation Room, a few of us were asked to gather in the Oval Office.

Now, if you have any information that would vary from or amplify on what I know, do not hesitate to bring up the questions I am trying to recall from memory.

One of the difficulties that I have, and that I suspect others may have, is that I considered this so highly sensitive and classified that I took almost no notes at any time during the thing because I didn't want to reduce anything to paper. I talked with no one about it, up until a certain point, which I will relate.

So, therefore, the memory even a year later, is fairly hazy.

...

⁹⁰ In response to a question, Regan said that he, the President, the Vice President, Poindexter, and Rodney McDaniel, Executive Secretary of the NSC, attended this briefing. According to the Presidential Diary, Fortier, not McDaniel, attended. (Jones to Stephens, 1/24/87) Regan remembered this fact, and subsequently corrected himself. (Regan 42)

Anyway, on the seventh, I joined with the President, the Vice President, Cap Weinberger, George Shultz, Don Regan, Bill Casey, John Poindexter, and I was there, and there may have been an assistant to John Poindexter. It may have been Don Fortier. I am not sure. . . . It was not North, to the best of my recollection. . . . Bud wasn't there. . . . At that time, the topic was brought up about an initiative to Iran. It was discussed in some detail, largely by John Poindexter, with some participation by Bill Casey.

It dealt with some overtures to be made to what were described as more moderate elements within the Iranian Government, and it was related to establishing a relationship so that we would have some influence in the future at whatever time it was possible for the Iranian Government to change, either with the death of the Ayatollah, or what.

There was also, as I remember, some discussion that these moderate, these more moderate forces, thought that they might effect a change in the government even sooner than that event happening.

They also talked about this being helpful in terms of ending the Iraq-Iran War, trying to get a more reasonable policy where the Iranian Government would be less inclined to participate or support subversion and terrorism in other countries; and it was also talked about these people using their influence to try to help us get our hostages back.

All of these were factors that went into this strategic initiative in regard to Iran.

(Meese 3-5) The Attorney General noted that prior events, such as the arms shipments, were not mentioned; nor was he then aware that the President had signed a Finding the previous day.

As the discussion ensued, it was the idea that these people wanted a showing of our good faith and that that involved the shipment of some limited quantities of arms. They particularly talked about TOW missiles, I believe, and that they, in turn, would show their good faith by using their

⁸⁷ The word "privately" appeared here in the first draft.

⁸⁸ The original sentence read: "If, based on their input, you decide to proceed, the Finding should be signed and held."

⁸⁹ Point (3) did not appear in the first draft. According to Sporkin, this language was added after a meeting on January 5 between Sporkin, North, and Director Casey at the Director's house. (Sporkin 22-23)

influence to get the prisoners, the hostages, back.

Again, this is not a precise recollection; but my general recollection is that this was anticipated: that it would take place over a fairly short period of time—30 to 60 days—and that that was kind of the general framework of which everybody was thinking, because they talked about us making available limited quantities of arms, then they would produce hostages as showing that they were really able to do something for us, and that we would then ship more arms if their good faith had been shown by helping us get the hostages.

It was kind of a sequence that these events would follow, along with each other.

There was also a discussion that, because of the extreme sensitivity, it was recommended that the President not inform Congress until we had gotten the hostages back. I vaguely remember there was discussion that as soon as we got the hostages, even on our planes en route to Wiesbaden, that we would notify Congress then, before it became public generally.

So, the subjects and the discussion of a finding was made at that time, that a finding would be necessary because of the way in which this was to be done, with CIA being involved in the transfer of the weapons.

This was discussed for about an hour and twenty minutes or so. I remember because I consulted back on my calendar, and I had a group waiting for me in the White House Mess that day, and I was late to that luncheon by more than an hour.

Cap and George were opposed to the idea. I don't remember what the Vice President or Don Regan might have said. Bill Casey was very much in favor of the idea.

My own views were that it was a very close decision. I have called it since a "51-49 decision." But I felt, in the long run, that the risks that were attendant to this probably were worth the potential benefit, and the potential benefits to me were both the opening into Iran and also the assistance that would be provided in getting the hos-

tages back. . . . It was my independent judgment because nobody had talked to me about it beforehand. But it was also as a result of the discussion back and forth, and particularly Poindexter and Casey were the principal protagonists of going ahead and doing this. . . . There was a relatively thorough—I mean, it was very clear that their [Shultz's and Weinberger's] positions were that they were opposed to it, that George felt this was at odds with our policy in regard to terrorism, that it could hurt us with our allies or with friends around the world.

Cap was concerned primarily about the terrorism policy.

The rejoinder, I think by Poindexter, was that this was a special situation and that this was not at odds with our overall policy; it was an exception to the general situation.

I think what most influenced me was the idea that we would be taking—that the risks would be fairly short-term because if it did not work, we would be able to stop it; if this didn't produce results after, say, the first foray, that the thing would be stopped. There was quite a bit of discussion about that, that this would be in stages so that it could be stopped.

We knew, in retrospect, that it did not work out that way.

But that was one of the things that made it, while a close call, more acceptable, as far as I was concerned.

(*Id.* at 6-10)

The Attorney General believed that the President had an adequate understanding of the arguments for and against the project. Nobody described the operational details, apart from the arms transfers from the Defense Department to the CIA. Ghorbanifar's name was mentioned, but not Khashoggi's or other middlemen's and financiers'. The "thinness" of operational security was not raised.

The feeling was that this would not be revealed, or at least not be revealed while the hostages were still in jeopardy, and the risks to the people involved was also dis-

cussed, so it was felt that they would not be revealing this.

(*Id.* at 11) The Attorney General had the impression "that the channel would be, sort of, simply from DOD to the CIA to the Israelis." (*Id.* at 12) The President was confident that the Israelis constituted "a relatively secure channel." (*Id.*) Nevertheless, the Attorney General remembered,

there were always, I won't say questions, but I think that the Iranians were the sort of a sticking point, that we had to try this out carefully and be cautious as we implemented this thing, to be sure that these Iranians would be able to or were sincere and would be willing to show good faith.

In other words, I think there was a questionmark left about the Iranians that could only be tested by going through with this thing.

(*Id.* at 13)

At his meeting with the Board on January 26, 1987, the President said he approved a convoluted plan whereby Israel would free 20 Hizballah prisoners, Israel would sell TOW missiles to Iran, the five U.S. citizens in Beirut would be freed, and the kidnappings would stop. A draft Covert Action Finding had already been signed by the President the day before the meeting on January 6, 1986. Mr. Regan told the Board that the draft Finding may have been signed in error. The President did not recall signing the January 6 draft.

The President told the Board that he had several times asked Secretary Weinberger for assurances that shipments to Iran would not alter the military balance with Iraq. He did not indicate when this occurred but stated that he received such assurances. The President also said he was warned by Secretary Shultz that the arms sales would undercut U.S. efforts to discourage arms sales by its allies to Iran.

The President did not amplify those remarks in his meeting with the Board on February 11. [He did add, however, that no one ever discussed with him the provision of intelligence to Iran.]

The Secretary of State also remembered the meeting as occurring in the Oval Office:

I again stated my views in full. I recall no discussion about a finding then or at any

time thereafter, until it was revealed by Vice Admiral Poindexter in a meeting at the White House on November 10, 1986.

I might say that when he read out that finding, I said that's the first I heard of that. Cap, who was sitting across the room from me, said, "I have never heard of it either."

I recall no specific decision being made in my presence, though I was well aware of the President's preferred course, and his strong desire to establish better relations with Iran and to save the hostages.

So I felt at that meeting that Cap was against it and I was against it and everybody else in the room was in favor.

• • •

Well, I stated all of the reasons why I felt it was a bad idea, and nobody, in retrospect, has thought of a reason that I didn't think of. I mean, I think this is all very predictable, including the argument against those who said well, this is all going to be secret or it is all going to be deniable; that that is nonsense.

So, all of that was said. And in that January 7 meeting, I know that I not only stated these things, but I was very concerned about it, and I expressed myself as forcefully as I could. That is, I didn't just sort of rattle these arguments off. I was intense. The President knew that.

The President was well aware of my views. I think everybody was well aware of my views.

It wasn't just saying oh, Mr. President, this is terrible, don't do it. There were reasons given that were spelled out and which are the reasons that you would expect.

• • •

[N]obody said very much. As I made these arguments, Cap basically agreed with them. He didn't restate them. But I took the initiative as the person in the room who was opposed to what was being proposed. I cannot give you a full accounting, but it was clear to me by the time we went out that the President, the Vice President,

the Director of Central Intelligence, the Attorney General, the Chief of Staff, the National Security Advisor all had one opinion and I had a different one and Cap shared it.

...

The nature of the players the risks when—I would say "when," not "if"—it came forward publicly — the description always was that Israel was going to be the conduit, and, therefore, it would be deniable, and we'd just say well, we don't know anything about it, and it's something Israel is doing, and so on. All of this was argued with, that it wouldn't work.

(Shultz, SRB, 38, 42-44)

Regan's recollection differed. He recalled discussion of Congressional notification at the NSPC meeting.

I remember Casey speaking on it and Ed Meese speaking on it at the NSPC on December 7 [sic: January 7], that this should be on a close hold basis . . . and notification given later to the Congress because there were lives involved where we would be dealing here with hostages and because of the sensitivity of the new contacts we were attempting to establish within Iran being blown if there was premature disclosure, that the notification should come later rather than now.

...

Now why did the President do it? There are two things, I think. First of all, he does have this feeling, still has this feeling, that we cannot allow Iran to fall into the Soviet camp. Khomeini is 86. He's been reported and reported in ill health and on the verge of death. We have no contacts there. We are alone. Well, not alone, but we are one of six nations that doesn't have an ambassador or some type of relationship with that country.

We are in the position of not being able to be ballplayers there if any type of situation erupts as a result of the Ayatollah and we should have contacts.

Secondly, there is no doubt in our minds that they have an enormous amount of influence on various religious factions within

the Lebanon-Syria area. Some of these factions probably have our hostages and they can be instrumental in getting those out, and he wants to keep that avenue open.

I think [that] is what led him to do it.

(Regan 24, 29)

In response to a question about the degree of discussion of the risks, Regan noted:

The President was told, but by no means was it really teed up for him of what the downside risk would be here as far as American public opinion was concerned. There was no sampling. No one attempted to do this. The NSC certainly didn't in any paper or any discussion say that.

I don't believe the State Department in its presentation arguing against this really brought out the sensitivity of this. None of us was aware of that, I regret to say.

(*Id.* at 30) Nor was the President warned that "all hell would break loose" with Congress. (*Id.* at 31) Regan heard, but disagreed with, the opponents of the program.

I recognized the validity of what [Secretaries Shultz and Weinberger] were saying, you know, that we didn't want to be in a position of trading one for one. Give me a hostage, and to get 100 rifles or whatever the price would be. No, we couldn't be in that.

But I have to be a little bit personal here. In my other capacity as head of Merrill, Lynch, I opened an office in Tehran for Merrill, Lynch and have very close connections in Tehran in the era of the Shah during the '70s. I believed in that country and I thought that that country had quite a future. And I recognized that for us, the United States, to have no connections whatsoever with Iran was a foolish thing to do from an international political point of view as well as an economic point of view.

And, accordingly, I was all for keeping a line open to whoever was the constituted government of Iran in an effort to sometime be a player in that country's future.

(*Id.* at 36-37)

The Secretary of Defense had an imprecise recollection of the meeting, except with regard to one point:

The only time that I got the impression the President was for this thing was in January, which was January 6 or 7, and at that time it became very apparent to me that the cause I was supporting was lost and that the President was for it. And shortly after that, we got a call, I didn't, but Colin Powell did, I believe, from John Poindexter who by that time had succeeded, saying there had been such a decision and the President wanted us to proceed with the transfer of this initial set of arms. The numbers changed. I think initially it was 2,000, and went up to 4,000, but they were to be transferred in amounts sort of as drawn.

But we were to transfer them to the CIA and to nobody else. And I made clear that that was the only way that we would operate, that it had to be transferred to the CIA, not directly by us to anyone else because we couldn't do that, and that it had to be an Economy Act transfer, which as you know, means we've got to be paid value for it.

I said we would carry out the Commander-in-Chief's orders to do this, and obviously we would hold it as closely as possible because that was not only the direction but the obvious thing to do.

(Weinberger 14-15)

The President signed a new Finding, identical to the January 6 document with Sporkin's revision, on January 17. He told the Board on January 26, 1987, that the Finding was presented to him under cover of a memorandum from Poindexter of the same date. The President said he was briefed on the contents of the memorandum but stated that he did not read it. This is reflected in Poindexter's handwritten note on the memorandum. That note also indicates that the Vice President, Regan, and Fortier were present for the briefing.

Regan did not recall the event. He wondered if Poindexter had not simply placed the document in the President's daily briefing book for signature during the morning intelligence briefing. (Regan 20, 41-42)

The Action Memorandum to the President to which the Finding was attached differed in few, but material respects from the memorandum submitted January 6. Unlike the earlier memorandum, it noted that the President had already discussed the matter with his principal advisors. It also contained a test for success: if, after 1,000 TOWs were transferred to Iran, the hostages were not released, the program would terminate.⁴¹ The latter part of the memorandum contained the material changes.

Some time ago Attorney General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales.

⁴¹ According to the CIA Inspector General, the Secretary of Defense, the Attorney General, the Director of Central Intelligence, and Poindexter met and discussed delaying Congressional notification (CIA/IG Chronology 15) The Secretary of Defense did not remember the meeting (Weinberger 56) The Attorney General recalled that Sporkin attended the January 16 meeting in Poindexter's office. Discussion focused on the law regarding arms exports and notice to Congress. (Meese 15-20)

Possibly in preparation for this meeting, the CIA General Counsel's Office prepared the following talking points for the Director of Central Intelligence:

"The Israelis are moving ahead on their Tow for Hostage deal with the Iranians. You recall that in Sporkin's legal analysis there were two options: One for DoD to do it directly with the Israelis, the other to do it through CIA. Sporkin feels that the most defensible way to do it from a legal standpoint is through CIA. We prefer keeping CIA out of the execution even though a Presidential Finding would authorize the way Defense would have to handle the transactions.

"Under this option the idea was that the Israelis would buy the improved version of the TOWs and ship the basic TOWs they now have to the Israelis [sic]. The Israelis would then replace those basic TOWs by buying the improved version. Unfortunately, there is not enough money available to do this. The Iranians have placed \$22 million in an account in Switzerland. This is enough for the basic TOWs but for the Israelis to buy the improved version would cost about \$44 million.

"Therefore, they want to use the second option under which CIA would buy 4,000 basic TOWs from DoD for \$21 million. As far as Defense is concerned these purchases would be purchased in general for CIA uses for assistance in [country names deleted] and other purposes. The money for the Iranian account would be transferred to the Israelis. The Israelis would transfer that money to a CIA account to pay for this purchase, provide the TOWs from DoD, the shippers would move the TOWs to the Israelis who would then move them on to the Iranians. The Israelis would keep their basic TOWs and the problem of upgrading them to the new TOWs would be handled in the normal DoD Israeli relationship.

"I am told that time is of the essence in getting this done for two reasons: First, the situation in Lebanon is deteriorating so that any delay [sic] we can see in the prospects of getting the hostages out of Lebanon should be avoided. . . ."

The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold. The Israelis [sic] are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hezbollah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our *only* way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4,000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA.⁴² The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1,000 weapons, further transfers would cease.

⁴² Probably a reference to General Secord.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

At the bottom of this page appeared:

Recommendation

OK NO

"RR per JMP" That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment

Tab A—Covert Action Finding "1000
17 Jan 86

President was briefed verbally from this paper. VP, Don Regan and Don Fortier were present.

JP"

The President made the point to the Board that arms were not given to Iran but sold, and that the purpose was to improve the stature within Iran of particular elements seeking ties to the Iranian military. The President distinguished between selling arms to someone be-

lieved to be able to exert influence with respect to the hostages and dealing directly with kidnappers. The President told the Board that only the latter would "make it pay" to take hostages.

The President told the Board that he had not been advised at any time during this period how the plan would be implemented. He said he thought that Israeli government officials would be involved. He assumed that the U.S. side would be on its guard against people such as Mr. McFarlane had met in London in early December. He indicated that Director Casey had not suggested to him at any time that the CIA assume operational responsibility for the initiative, nor was he advised of the downside risks if the NSC staff ran the operation. He recalls understanding at the time that he had a right to defer notice to Congress, and being concerned that any leaks would result in the death of those with whom the United States sought to deal in Iran.

VI. The United States Sells Iran 1,000 TOW Missiles.

Before the President signed the Finding of January 17, 1986, North began to lash together the CIA and Department of Defense to implement the plan he had outlined to Poindexter in December and incorporated in Poindexter's memoranda to the President in January. Before January 17, he encountered resistance. Poindexter asked him to discuss the matter with the Director of Central Intelligence. North did so on January 14. He reported that

I[n] A[ccordance] W[ith] yr direction, met w/Casey last night after W'bgr speech at Ft. McNair. Casey then tried to contact Cap but he had already departed. Casey has called urging that you convene a mtg w/ he and Cap ASAP so that we can move on. Casey's view is that Cap will continue to create roadblocks until he is told by you that the President wants this to move NOW and that Cap will have to make it work. Casey points out that we have now gone through three different methodologies in an effort to satisfy Cap's concerns and that no matter what we do there is always a new objection. As far as Casey is concerned our earlier method of having Copp deal directly with the DoD as a pur-

chasing agent was fine. He did not see any particular problem w/ making Copp an agent for the CIA in this endeavor but he is concerned that Cap will find some new objection unless he is told to proceed. Colin Powell, who sat next to me during Cap's speech asked the following questions (my answers are indicated):

Q. Does Copp deal w/ Iranians or Israelis?

A. With the Israelis.

Q. Is the intelligence a prerequisite?

A. It is probably something that can be negotiated but in any event it is not a DoD matter. It is covered in the [January 6] finding and is in fact one of the few means we have to make a long term penetration in Iran. Our ultimate objective of changing/moderating the govt. is served by this.

Q. What cost are the Israelis willing to pay for the basic TOWs?

A. They (thru Copp) have funds to pay Fair Market Value (FMV should be about \$4900-5400 ea. depending on age) and to cover the cost of transportation. They do not have enough to pay for I TOW (about \$9500 ea. or TOW II (about \$15000 ea.). We have frequently sold the Israelis weapons/material at FMV vice the replacement cost to the U.S. Since we have over [quantity deleted] of the basic TOW in our inventory and cannot even use it in training due to its age, we ought to look at this as an opportunity to collect on a weapon which we aren't using [location deleted] according to Koch) and will eventually have to dispose of because we cannot sell them off otherwise. (I'm told that Hughes Acft, the mfr. has an agreement w/ DoD that all normal FMS transactions will be handled as a producer sale in order to keep DoD fm undercutting the production line by selling off old stocks).

The most recent proposal (Copp as agent for the CIA and sales to the Israelis who

then deliver weapons to the Iranians) can only work if we can get the Israelis to come up on their price. I have been unable to contact NIR who is in Europe for a meeting w/ an Iranian. He still does not know that we are aware that the Iranians have offered \$10K per TOW. He has however left a message that we must have a go/no go decision today and that conditions in Brt. [Beirut] continue to deteriorate. You shd also have seen yesterday's [intelligence report] which pertains.

(North PROF note to Poindexter, 1/15/86, 12:04:22; 13:01:06)

While coordinating with the Defense Department and the Director of Central Intelligence, North also spoke to Nir about the Israeli-Ghorbanifar side of the transaction. Nir, who had just spent thirty-six hours in Lebanon, "believes that Gorba does indeed have at least \$10,000 per Tow [sic] available," North reported to Poindexter on January 15, "and that Gorba probably lied to Schwimmer and that Schwimmer probably lied to Nir re how much there was available. Nir is fully prepared to proceed any way we wish but noted that time is rapidly running out." (North PROF note to Poindexter, 1/15/86, 15:41:44)

Nir explained his sense of urgency later that day.

[H]e believes the GOI [Government of Israel] is about to formally withdraw its offer to assist on this matter so that it cannot be blamed when the AMCITs are killed. I asked him about [t]he rumor that one had already been killed. He replied that it was probably another of the Jews since they (Hezbollah) will undoubtedly kill the Jews first to make their point.

I then asked Nir to reconfirm the requirements as he understood them. He said that the Iranians want 1000 TOWs, 25 Moslems released by Lahad and the AMCITs and any surviving Jews (sic) wd be released along w/ the Brit if they (the IRG) [Iranian Revolutionary Guard] can still find him.

The Israelis are very very concerned that they cannot make a delivery of 1000 TOWs w/o a promise to replenish. Nir points out that he is operating in an environment which is very hostile since the

USG never made good on its promise to promptly replenish the original 504 [sic] TOWs that they shipped in September and that if we had but sent these TOWs as promised it might have been possible to take the further risk of another 1000.

IAW instructions have invited Sec W'bgr to mtg w/ Casey in yr ofc at 1700 on Thursday. It is my sense that by that time we will have a msg fm the GOI that they are withdrawing their offer. Is it possible to arrange a telephone conference call tonight to see if we can make this work?

(North PROF note to Poindexter, 1/15/86, 18:37:47)

To clear up the confusion about what the United States had or had not promised Israel, on January 14, Poindexter asked North to speak to McFarlane.

As I [North] understand it, there was a USG commitment to SEIL, over time, replacements to the Israelis for what they sent for Weir. We DO, according to RCM [McFarlane] have a commitment to make this SALE. We did NOT have any agreement on prices or ultimate dates, though it was understood by both sides that the transaction wd be concluded promptly.

(North PROF note to Poindexter, 1/15/86, 13:39:54 (reply to note of 1/15/86) Also on instructions from Poindexter, North spoke again to Nir about how implementation was supposed to proceed, and how it, in fact, proceeded. Problems abounded.

As I understand the current problem w/ the purchase of the 504 [sic: 508]:

—The Israelis received funds adequate to purchase only the basic TOW. Whether this is because Schwimmer pocketed the rest or whether there was a kick-back to [Iranian officials in Tehran], neither Nir nor I know. Gorba told me that he had paid \$10000 apiece for these weapons and pocketed \$500 for each one delivered.

—When the Israeli purchasing office in NYC, following their normal procedures, made inquiries w/ the Army Materiel Command (AMC) on the

availability and price of basic TOWs, the AMC immediately began to question why the IDF wanted to revert to the basic model which was no longer in production and the IDF has already begun purchases of the I TOW for their inventory upgrade. AMC noted that there was an "understanding" with the Mfgr not to compete w/ the production line by selling the older weapons fm army stocks and that selling fm Army stocks wd be the only source available for the basic TOW. At this point, the purchasing office terminated the inquiry since they believed that the purchase wd raise so many questions that it wd leak and complicate further action which, by then, was in the planning stages. The Israelis have made no further effort to purchase the basic TOWs but have been told in an unsolicited call from AMC that the basic model wd have to be the same price as the I TOW so that the AMC can recover replacement costs.

—Nir continues to be apprehensive about going back in to ask his people to ship w/o some kind of guarantee of replenishment whether or not it succeeds in getting the hostages out. He is going to get back to me at 0300 EST re results of his meeting w/ the PM. I passed yr msg verbatim to include "cool yr plans on going into the Bekka." He laughed and noted that the IDF would have even greater impetus to go into the Bekka if the hostages were killed rather than released, thus there are some who have argued against proceeding on this tack any further since it jeopardizes Israel w/ no promise of return.

(Id.) In light of these arrangements and obstacles, North proposed simplifying the mechanics by reducing the number of participants.

At this point I believe that we could proceed along the following lines. Nir goes directly to Gorba (cutting out Schwimmer [and the Tehran contacts]) and gets \$10M for 1000 basic TOWs. He then sends 1000 basic TOWs fm Israeli stocks to Iran. hopefully [sic] the hostages are then released.

He gives Secord whatever the FMV price is for 504 TOWs from the \$10M (should be about \$2.8M). Secord then buys and ships 504 Tows to Israel as replacement for the first exchange (Weir). This process wd at least provide the IDF w/ one third of what they had withdrawn from inventory. It is important to note that in my last discussion with Nir (he doesn't sleep either) he is very concerned about credibility all around. He noted that before they shipped the first 504, they had what they believed to be an ironclad promise to allow them to buy replacements but that all along the way there have been obstacles. He has confided that part of the pressure is indeed political in that he is concerned about a leak inside the cabinet from someone who is disaffected over the drawdown of stocks, but if we wanted him to push for it he would. I believe that Nir himself is both so exhausted and in such jeopardy of losing his job over this that he may no longer be functional. I do not believe that Nir is lying to us. I do believe he is sincerely concerned about the outcome and wants to do what he can—for both Israel and the U.S. He has promptly agreed to every proposal we have made to date except the final one of shipping 1000 TOWs w/o promise of replenishment. He will be back to us. Will advise.

(Id.)

The Americans pushed for a meeting with an important Iranian official. McFarlane asked Poindexter to have North find out from Nir when the meeting could take place. Kimche had told Ledeer that January 24 would be convenient. (McFarlane PROF note to Poindexter, 1/14/86, 08:08; Poindexter PROF note to North, 1/14/86, 09:27:35) Two days later, North reported that

Nir has advised that the 24th still appears good IF we are proceeding w/ the first step of the long range plan to change the govt—ending the hostage problem and getting rid of the 18 HAWK missiles still parked in Tehran. He believes that if the first step is scrubbed that the mtg will be too. He will get back to us on Tuesday next week [January 23] re location and go/

no-go decision if we make an affirmative decision on the first steps re the hostages.

(North PROF note to Poindexter, 1/16/86, 13:39:54)

At the same time, the Director of Central Intelligence, Poindexter, and North expressed concern about Ledeen's role.

Have told this to Ami [?Nir]. You [Poindexter] should be aware, however, that it is my opinion, based on my meeting w/ Gorba on Monday night [January 13], that Gorba tells Ledeen everything. Ami suspects that there is probably a secret business arrangement among Schwimmer, Ledeen and Gorba that is being conducted w/o the knowledge of any of the three respective governments and that this will result in at least some cross-fertilization of information. This may not be altogether bad if we can keep in touch w/ Ledeen enough to get a feel for what is really going on. I have no problem w/ someone making an honest profit on honest business. I do have a problem if it means the compromise of sensitive political or operational details. We might consider making Mike a contract employee of the CIA and requiring him to take a periodic polygraph. Yes? No?

(North PROF note to Poindexter, 1/16/86, 13:50:49) Further,

Casey shares our concerns. More recent information tends to indicate that there is even further grounds for concern given what may well be/have been a financial arrangement among Schwimmer, Nimrod[i], Gorba and our friend.

(North PROF note to Poindexter, 1/24/86, 10:40:36) Perhaps because of these doubts, Ledeen ceased to be an official American contact with Ghorbanifar.

A. Launching "Operation Recovery"

The day after the President signed the Finding, the CIA formally joined the program. Clair George, Director of Operations, Sporkin, and Chief of the Near East Division (C/NE), met Poindexter, North, and Secord and read the

Finding. (C/NE (1) 4; George 9) C/NE and North then discussed logistics and financing. "At the meeting on that Saturday [January 18]," C/NE recalled, "it was clear that what was needed was 4,508 TOW missiles, which were to be sold to the Iranians as a portion of a larger strategic effort which would get all the American hostages back out, but would also move to changing the nature of the relationship with the U.S. and the Iranians." (C/NE (1) 4) C/NE thought the program had been "an NSC operation" since November; nothing that subsequently happened changed his mind. (*Id.* at 43, 44)

North instructed C/NE to contact General Powell about arranging for the CIA to purchase the missiles from the Defense Department; C/NE found Powell already working on the problem. Powell directed C/NE to consult Major General Russo, Assistant Deputy Chief of Staff for [Army] Logistics, about pricing. When informed that the TOWs would cost some \$6,000 each, North told C/NE that old TOWs, useless to the American Army and in less than optimal condition, would suffice. These cost about \$3,407 a piece. (*Id.* at 4-6) The Defense Department insisted on being paid value for the missiles; the CIA insisted that its treasury not provide a float; and the Iranians would pay only on delivery. North needed a Swiss bank account to hold the money. C/NE provided an already existing account as the quickest solution to North's problem. Setting up a new account for the sums in question would take time. (*Id.* at 6)

The structure made Ghorbanifar important to success; he raised the necessary "venture capital." (*Id.* at 7) As a result of the polygraph, George decided not to use Ghorbanifar for intelligence or covert actions and, moreover, to terminate CIA relations with Ledeen. (CIA/IG Chronology 14 (1/12 or 13/86)) The Director of Central Intelligence took a more flexible position, and C/NE followed his lead.

The Director's position when this started up, late January-early February, was Ghorbanifar is a rascal. They had a lot of experience with this guy. He's unreliable. But the channel, there's something in this channel that's working and it's worth a try, and nothing else is working, so let's see where it goes.

And if it doesn't go, we'll turn it off.

(C/NE (1) 23-24)

Deputy Director John McMahon, who had opposed arms transfers to Iran from the beginning, read the January 17 Finding on January 24. "[G]iving TOW missiles was one thing," he remembered telling Poindexter. "[G]iving them intelligence gave them a definite offensive edge, and I said that can have cataclysmic results." (J. McMahon 14) He was unimpressed with Poindexter's description of the plan:

[G]ive some intelligence to the Iranians on the Iraqi front, . . . to establish bona fides that the U.S. really was intent on moving in this direction, and then give them 1,000 TOW missiles and then see what the Iranians did, like release a hostage.

...

I objected to that. Poindexter didn't take me on. He didn't challenge that at all, but he said: We have an opportunity here that we should not miss, and we ought to proceed to explore it; and if it doesn't work, all we've lost is a little intelligence and 1,000 TOW missiles; and if it does work, then maybe we can change a lot of things in the Mideast.

So I came back to the building. Bill Casey was [abroad] at the time. I sent him a cable laying out what was happening, saying we have a directive from the President, a finding to do this. Poindexter said that the Attorney General had checked off on it, and that we were so directed to proceed to support the mission.

And I said, I am so proceeding. I asked for confirmation from Bill to make sure that he was aware of what was happening, and I didn't receive any. Casey had moved on to [country name deleted], so I sent it again to [country name deleted]. And it came back saying: Yes, he has read it and confirmed, and he had seen it.

Then we proceeded to have DoD transfer weapons to us, and we would arrange for the flights over there. All throughout this, I must insist that even at its peak the Agency was only in a supportive role. We took directions, we followed directions.

(*Id.* at 14-16) On January 26, McMahon persuaded North to provide the Iranians only a segment of the Iraqi front. It would show American good faith without giving the Iranians a fighting edge. (*Id.* at 16-17)

According to the CIA Inspector General, North met Ghorbanifar in London before January 24. Among other things, they may have agreed that the United States would provide Ghorbanifar with some intelligence about the Iraqi front. (CIA/IG Chronology 17) Charles Allen transmitted the "limited" intelligence in London on the 26th; Ghorbanifar gave him information about Iranian terrorism in exchange. (C. Allen 13) ⁴³

When North returned from a late January meeting with Ghorbanifar in London, he prepared "a notional timeline for major events in Operation Recovery." (North to Poindexter, draft Action Memorandum, 1/24/86.) ⁴⁴ "[T]he only persons completely cognizant of this schedule," North wrote, "are: John Poindexter, Don Fortier, Oliver North, John McMahon, Clair George, C/NE, Dewey Clarridge, Richard Secord, Amiram Nir, Prime Minister Shimon Peres." (*Id.*) The timeline was attached:

Notional Timeline for Operation Recovery

Friday, January 24

- CIA provide cube and weight data to Copp for a/c loading.
- CIA prepare intel sample for pass to Gorba.
- Copp provide a/c tail # to CIA for pickup. . . .

Saturday, January 25

- Dispatch intel sample to Gorba via Charlie Allen.

Sunday, January 26

- C. Allen deliver intel sample to Gorba at Churchill Hotel, London.

⁴³ The CIA Inspector General dated this meeting January 25. (CIA/IG Chronology 18)

⁴⁴ North's draft recommended that Poindexter privately discuss the subject with the President. There is no evidence that the Memorandum was put into final form. It bears the caption "PLEASE DESTROY AFTER READING".

—Copp finalize a/c requirements w/ air carrier in Oklahoma.

Monday, January 27

—Gorba place intel sample on 1300 GMT flight to Tehran fm Frankfurt, Germany.

Wednesday, January 29

—Gorba transfer funds for purchase/transport of 1000 basic TOWs to Israeli account at Credit Suisse Bank, Geneva.

—Israeli account manager automatically transfers deposit fm Israeli account to Copp account in same bank (bank record keeping transaction).

—Copp's account manager automatically transfers \$6M to CIA account in same bank (bank record keeping transaction).

Thursday, January 30

—CIA transfers \$6M to DoD account by wire service transaction.

—CIA orders movement of 1000 TOW missiles fm DoD storage facility Anniston, Alabama . . .

—CIA bills Copp account \$26K for cost of moving 1000 TOW missiles fm Anniston, Alabama . . .

Sunday, February 2

—Copp travels to Israel for site survey of transfer point (Eliat [sic], Israel).

—Copp proceeds to rendezvous w/ Claridge to establish command post.

Monday, February 3

—Lahad responds to papal ltr that he will release 50 Hezbollah prisoners in 2 groups of 25.

Tuesday, February 4

—1000 TOWs sanitized and prepared for shipping. . . .

—Copp a/c packers arrive . . . and arrange for Copp a/c to lift TOWs fm

Kelly AF Base, San Antonio, TX, on CIA contract.

Wednesday, February 5

—Copp a/c arrives Kelly AF Base for loading.

—CIA provides remainder of first intel sample to Gorba at Iranian Embassy in Bonn, Germany.

Thursday, February 6

—Copp a/c commence lifting TOWs fm Kelly AF Base to transfer point at Eliat, Israel.

—Israeli AF "sterilized" 707 a/c arrives at transfer point for loading.

—Copp a/c crew arrives Eliat, Israel, to pilot Israeli a/c.

—Remainder of first intel sample flown fm Germany to Tehran in diplomatic pouch on scheduled Iran Airways flight.

Friday, February 7

—Israeli "sterile" a/c piloted by Copp crew commences movement of TOWs fm Eliat to Bandar Abbas, Iran, via Red Sea route.

Saturday, February 8

—Delivery of 1000 TOWs completed.

—25 Hezbollah released by Lahad.

—Returning Israeli a/c pickup 18 HAWK at Tehran airport for return to Israel.

Sunday, February 9

—All U.S. hostages released to U.S./British or Swiss Embassy.

—Second group of 25 Hezbollah released by Lahad.

—Israelis return \$5.4M to Gorba when HAWKs land in Israel.

Monday, February 10

—Gorba transfers funds to Israel account for purchase/transportation of 3000 TOWs (amount transferred is

sufficient to cover purchase of 508 additional TOWs owed to Israel for Weir release and all transportation costs).

—Israelis transfer funds to Copp account at Credit Suisse Bank, Geneva.

—Copp transfers funds to CIA account for purchase/transportation of 3508 TOWs (\$21.048M).

—Four (4) remaining Lebanese-Jews released by Hezbollah.

Tuesday, February 11 (Anniversary of Iranian-Islamic Revolution)

—Khomheim steps down.

—CIA transfers \$21.048M to DoD account for purchase of 3508 TOWs at \$6K each.

—CIA starts moving TOWs . . . Im Anniston, Alabama, in lots of 1000.

Thursday, February 13

—Copp packers return . . .

Tuesday, February 18

—Copp a/c pickup 1000 TOWs at Kelly AF Base, Texas; deliver to transfer point (Eliat).

—Israeli "sterilized" 707 a/c w/Copp crew commences delivery of 1000 TOWs to Iran.

Thursday, February 20

—Copp a/c pickup 1000 TOWs at Kelly AF Base, Texas; deliver to transfer point (Eliat).

—Israeli "sterilized" 707 a/c w/Copp crew commences delivery of 1000 TOWs to Iran.

Saturday, February 22

—Copp a/c pickup 1000 TOWs at Kelly AF Base, Texas; deliver to transfer point (Eliat).

—Israeli "sterilized" 707 a/c w/Copp crew commences delivery of 1000 TOWs to Iran.

Monday, February 24

—Copp a/c returns . . . pickup 508 TOWs for delivery to Israel.

—Collett (British hostage) and Italian hostages released and Buckley remains returned.

Tuesday, February 25

—Second sample of intel provided to Gorba at Iranian Embassy in Bonn, Germany. . . .

By early February, CIA had put in motion the acquisition of the weapons, designated a Swiss bank account, and arranged for two Boeing 707s to be at the disposal of General Secord at Kelly Air Force Base. (CIA/IG Chronology 18)

B. Forward

On February 5, North traveled to London. (North calendar) According to the NSC chronologies, he met Ghorbanifar, Nir, and Ghorbanifar's Tehran contact.⁴⁶

Ghorbanifar told the Board

Let's say this meeting is somewhere around between first of February till fifth of February. It took place in Frankfurt . . . The Iranian delegation stayed also in

⁴⁶ According to the Maximum Version and the Historical Chronology, C/NE attended this meeting (Maximum Version at 5, Historical Chronology at 9). The CIA Inspector General notes that a meeting occurred, but does not mention C/NE (CIA/IG Chronology 18). C/NE denied that there was a meeting with the Tehran contact on February 15. (C/NE (1) 14). The Maximum Version states that the meeting was in Germany, the Historical Chronology places the meeting in London. The accounts of what was discussed are similar.

—The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.
—The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.
—Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.
Using the procedures stipulated above, funds were deposited in the CIA account in Geneva on February 11, 1986 and on February 14, 1000 TOWs were transported to Israel for pre-positioning. The TOWs were off-loaded and placed in a covert Israeli facility. (Maximum Version 6. Cf. Historical Chronology 9).

Hotel Intercontinental, in Frankfurt—a mixture of Iranian authorities, from Prime Minister's [office] and Iranian officers from intelligence department.

This is a historical meeting, after seven years of break, that the two top officials of the two countries, they come together for such an important meeting, such an important mission, to work out against the intelligence against the Russians, against the Iraqis, and also to clean the mess [the November 1985 shipment of HAWKs].

(Ghorbanifar 131-32) On the American side, Ghorbanifar said, were North, Secord, and someone identified to Ghorbanifar as "one of the top senior officers from the CIA. His hair was all white, white hair, good looking—baby face."⁴⁶ . . . Nol[t] Cave. Cave came later on for making the total disaster." (*Id.* at 134) Nir, who was always identified as an American in meetings with Iranian officials, (*Id.* at 135-36), also attended. Ghorbanifar described a "happy" scene, with Americans kissing Iranians. (*Id.* at 136) The military men talked, and

Mr. North told him [Ghorbanifar's Tehran contact] that if you want to know that we were good feeling, good gesture, we were not going to cheat you now. We take out what we brought back in mistake [the 18 HAWKs] and we give you 1,000 TOWs. And then the Iranian kissed them and they made again dinner party.

(*Id.* at 137) The next day, Khashoggi lent Ghorbanifar \$10 million to pay for the missiles; Khashoggi insisted on a 15-20% return to pay finance costs. On February 7, Ghorbanifar said, he [Khashoggi] deposited the money in Lake Resources' Swiss account. North "told us that this time no Israeli deal. Off. This is ourself we directly will dealing." (*Id.* at 138)

The money was paid to Lake Resources directly, and then they delivered the stuff. There was no talk of release of hostage. There was no hostage. So it is proof to you that there is no deal on hostage. There is no deal for hostage, it for tat — give me, take this. You understand clearly it was a policy. It was a very big policy, very impor-

⁴⁶ This description might fit C/NE.

tant strategic policy to go into water. No question about who is going.

(*Id.* at 142)

Whether or not this meeting took place as described by Ghorbanifar—his description does not resemble C/NE's of the Frankfurt meeting, February 24-25 (C/NE (1) 18-20)—North returned from London on February 7, (North calendar), with the operation in full swing. The next day or the day after, he met Charles Allen, C/NE, Noel Koch from the office of Assistant Secretary of Defense Armitage, and Secord to review the schedule. TOW missiles would be delivered, hostages released, and Buckley's body returned by early March 1986 (C. Allen 14) At North's request, C/NE made flight arrangements for Southern Air Transport, a former CIA proprietary, to fly into Kelly Air Force base (CIA/IG Chronology 19)

The United States Army made a record of its role in the TOW transfer because of Congressional reporting requirements. Under the Intelligence Authorization Act for Fiscal Year 1986, transfers of defense articles or services by an intelligence agency worth \$1 million had to be reported to Congressional intelligence committees. Once apprised of this statute, the Army General Counsel advised Russo that where the Army "support[s] another agency, it is responsible to make the necessary notification." (Russo, note, 2/13/86, on Crawford to Marsh, 2/13/86) "During the course of coordination with OSD (M[ajor] G[eneral] Powell) and O[ffice of the] S[ecretary of the] A[rmy] G[eneral] C[ounsel], questions were asked as to the responsibility for end item usage. This was identified as a responsibility of the receiver." (Russo, "Support for Intelligence Activities," 2/25/86.) The "receiver" was Southern Air Transport, operating under the direction of General Secord and Colonel North.

The Army's involvement began on January 18 when it received a request to deliver 3,504 (later increased to 4,509) TOW missiles to "the receiver" at Redstone Airfield, for an unknown purpose and destination. Transfer depended on receipt of funds by the receiving agency. It was delayed. On February 10 and 11, a total of \$3.7 million was deposited (by Ghorbanifar) in the CIA account used to pay for 1,000 TOW missiles. (CIA/IG Chronology 19) Having re-

ceived certification that the money was available, the Army delivered the first 1,000 missiles on February 13-14.

North's and Secord's reports complete the story of the delivery. North's notional timeline had to change. On February 13, 1986, North wrote Poindexter that

Operation RESCUE is now under way. 1000 items are currently enroute [sic] . . . from Anniston[,] Alabama. Copp is enroute to Ben Gurion Apt [airport] to conduct final briefing for his flight crews who arrived today and commenced fam flights on the two Israeli 707s. All 1000 items will lift off from Kelly AFB at 1400 on Saturday. 500 will be delivered to Bandar Abbas to arrive at dawn on Monday [February 17]. The meeting we had wanted has now been slipped to Weds [February 19] by Gorba. We will explore a second mtg/agenda/location/participants w/ him at this mtg per yr dir. Second 500 will go to Bandar Abbas on Friday vice Thurs. Copp, North plan to meet in Frankfurt on Tues. [February 18] along w/ one of Dewey's people to wire my hotel room for mtg. Carrying the luggage C/NE gave me for this purpose is too much of a hassle going thru customs/airport security in Europe.⁴⁷ If all goes according to plan, Lahad will release 25 Hizhallah . . . , hopefully on Friday. This wd keep our schedule for releasing the Americans on for Sunday, Feb. 23. Something to pray for at church that day.⁴⁸

(North PROF note to Poindexter, 2/13/86, 21:39:47)

On February 18, 1986, North asked Poindexter to authorize the issuance of alias documentation for the delegation that would travel to Germany to meet Ghorbanifar and his Tehran contact on the 19th. (C/NE (1) 14) His

⁴⁷ Possibly a reference to video and recording devices requested by C/NE on January 21 (CIA/IG Chronology 16)

⁴⁸ The Secretary of State recalled that "on January 22, my staff noted reports received about Lieutenant Colonel North. They speculated that perhaps the operation was alive again. But the reports seemed implausible, namely a proposal by Lieutenant Colonel North to seek the help of the Pope and Cardinal O'Connor, and to trade some Shia prisoners held by General Lahad in South Lebanon as Nir had earlier suggested.

"I heard nothing more until February 28, 1986." (Shultz, SRB, 50-51)

memorandum reproduced Secord's February 18 report of the first delivery of 500 TOWs.

Aircraft returned safely to Ben Gurion this morning at 0730 EST. Seventeen HAWK missiles⁴⁹ aboard. Gorba called one hour ago. [Ghorbanifar's Tehran contact]

will head Iranian side of meeting in Germany along with five others. Iranians will provide all names after we give names and titles to them through Gorba. All will arrive via private plane in Frankfurt, Thursday [February 19] p.m. Meeting to start at 1700 in Iranian Embassy (sic) for two hours. Iranians have asked for second delivery of 500 TOWs on Friday a.m. They say they will release all hostages, if, repeat, if [intelligence is good]. They say we will get hostages Friday or Saturday. They envision a future meeting in Iran with us to consider next steps while we are delivering balance of TOWs (3,000). We have already rejected embassy as meeting site. Suggested following names from our side:

Nir (Office of Israeli Prime Minister)

MCEN Adams (Director, Current Intelligence—DIA) (AKA—Secord)

William Goode (Office of President)

Albert Hakim (Support Assistant to Director DIA)

(Secord to North, 2/18/86, [received at] 8:30 a.m., in North to Poindexter, 2/18/86) North identified Hakim for Poindexter as "VP of one of the European companies set up to handle aid to resistance movement. He is fluent in farsi [sic] and would need one time alias documentation as a DIA official." (*Id.*)⁵⁰ Secord,

⁴⁹ Ghorbanifar told the Board that one of the 18 HAWK missiles had been test-fired against an Iraqi fighter over Kharg Island. (Ghorbanifar 143)

⁵⁰ In discussing what he insisted was a meeting in Frankfurt in the first week of February, but which he may have confused with the meeting February 20, Ghorbanifar told the Board that when he heard that Hakim was to attend the meeting, he successfully persuaded the Americans to change the delegation.

I said are you crazy? The Albert Hakim is known to all Iranian intelligence agencies and Iranian authorities, that he works, is operating for CIA. He was acting against Islamic Republic by CIA in 1980 and 1981, in Turkey, in the form of companies performing for making trouble for them in the Turkish border, and so on. They know him. If he comes in, they call this again another trick. So, I don't accept that such a man comes. They call me back in two days and say you are right. (Ghorbanifar 133)

using the alias Major General Adams, also needed documents—"[t]o date, CIA has refused to provide him with any alias documentation."

North wrote, "we appear to be much closer to a solution than earlier believed. [The attendance by an official from the Prime Minister's office] at the Frankfurt meeting tends to support our hope that this whole endeavor can succeed this week, if we appear to be forthcoming." (Id.)

On February 20, North, Nir, C/NE, and Secord met Ghorbanifar in Frankfurt. (North calendar) They expected the official from the Prime Minister's office, but he did not appear. C/NE remembered that: "we told Ghorbanifar to let us know when his Iranian friend came, that we were going home, and that we wouldn't be back until we had a confirmation that the Iranian had come off from Tehran and was waiting." That happened within a week. (C/NE (1) 13) 81

(CIA/IG Chronology 19) On February 20, a deposit of \$7.85 million was made to an Iranian

81 C/NE remembered who attended and that the meeting took place February 19. (C/NE (1) 14) According to the Maximum Version, the meeting occurred February 19-21.

U.S. and Iranian officials (NSC and CIA) met again in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. (Maximum Version 6)

The Historical Chronology states:

On February 19-21, U.S. (NSC and CIA), Israeli, and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. After coded authorization was received from Washington, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft. On the return flight from Iran, these aircraft carried the 18 HAWK [sic] missiles which Israel had sent to Tehran in November 1985 with USG aloof knowledge. [sic] (Historical Chronology 10)

The CIA Inspector General's chronology states:

19 February 1986 C/NE, North, Secord, and Nir meet with Ghorbanifar in Frankfurt. Iranian officials are expected but do not show.

20 or 21 February 1986 The delivery of 1,000 TOWs from Israel to Iran begins, using a false flag aircraft. The back load on the return flight from Tehran was the HAWK missiles which had been shipped in November 1985. The Iranians returned them because they were outdated models. The delivery is completed 27 February.)

(CIA/IG Chronology 19)

an account at Credit Suisse in connection with the delivery of the TOWs.

On February 24, North went to Frankfurt to meet the official from the Iranian Prime Minister's office. He returned through London. In Frankfurt, he, Secord, Hakim, Nir, Ghorbanifar, and Iranian officials held the meeting the Americans thought was going to occur the 20th. North returned to Washington on February 26 and reported on the meeting the next day to the Director of Central Intelligence, Poindexter, and McFarlane. He wrote McFarlane:

Just returned last night from mtg w/ [official from the Iranian Prime Minister's office] in Frankfurt. If nothing else the meeting serves to emphasize the need for direct contact with these people rather than continue the process by which we deal through intermediaries like Gorbani-lahr [sic]. Because CIA wd not provide a translator for the sessions, we used Albert Hakim, an AMCIIT who runs the European operation for our Nicaraguan support activity. [C/NE] accompanied so that I wd have someone along who wd provide "objective" account.

Throughout the session, Gorbani-lahr intentionally distorted much of the translation and had to be corrected by our man on occasions so numerous that [the Iranian official] finally had Albert translate both ways. Assessment of mtg & agreement we reached as follows: —[the Iranian official] has authority to make his own decisions on matters of great import. —He does not have to check back w/ Tehran on decisions take [sic]. —The govt. of Iran is terrified of a new Soviet threat. —They are seeking a rapprochement but are filled w/ fear & mistrust. —All hostages will be released during rpt during the next meeting. —They want next mtg urgently and have suggested Qeshm Is [sic] off Bandar Abbas. —They are less interested in Iran/Iraq war than we originally believed. —They want technical advice more than arms or intelligence. —Tech advice shd be on commercial & military maintenance [sic]—not military tactics—they committed to end anti-U.S. terrorism. —They noted the problems of

working thru intermediaries & prefer dir. contact—noted that this was first USG/GOI contact in more than 5 yrs. [sic] Vy important—recognizes risks to both sides—noted need for secrecy. —stressed that there were new Sov. moves/threats that we were unaware of[.] While all of this could be so much smoke, I believe that we may well be on the verge of a major breakthrough—not only on the hostages/terrorism but on the relationship as a whole. We need only to go to this meeting which has no agenda other than to listen to each other to release the hostages and start the process. Have briefed both JMP and Casey—neither very enthusiastic despite [C/NE]/North summary along lines above. Believe you shd be chartered to go early next w/ [sic]—or maybe this weekend—but don't know how to make this happen. Have not told JMP that this note is being sent. Help. Pls call on secure yr earliest convenience. Warm, but fatigued regards, North.

(North PROF note to McFarlane, 2/27/86, 8:54:13)

C/NE recalled:

This is the second meeting. This is the first meeting with [the official from the Prime Minister's office], the second February meeting. This is the first time we've had somebody like this out. It should be a very interesting experience. This is a man who . . . is on the low end of the scale in intelligence for [his former profession], and he's an even dumber member of the Iranian Prime Minister's office, but he's full of a little fear and a little trepidation and a lot of distrust of the U.S., for we truly are the great Satan in his eyes.

But he has been promised hundreds of Phoenix missiles, howitzers, TOWs; just about anything else he wants, he's going to get in this channel. He's promised that by Ghorbanifar in order to get him to this meeting. And we are promised that all the hostages will come out after the first two transactions, and that we are going to have a meeting with Raisanjam and President Khamenei within the first two months of this procedure, and one of the things in the scenario was that sometime in April

there was a precise date given that Khomeini was going to step down and that he was going to resign all powers.

This is extraordinary nonsense. Essentially Ghorbanifar, as a negotiating technique, lied to both sides to get them to the table, and then sat back and watched us fight it out. It was a real slugging match. It was awful.

At the end of the first meeting, which was at 3:00 a.m. on the 25th, we agreed to nothing except that we would have another meeting the next day.

The next day's meeting was an agreement that we would proceed immediately to ship in 1,000 TOWs as a sign of our good faith and that [the Iranian official] would immediately arrange for one or two hostages to be released as a sign of their good faith. We left the meeting; nothing happened. No hostages.

The communications were still going through Ghorbanifar. We had several hints at this meeting with [the Iranian official] that he wasn't happy with Ghorbanifar. Ghorbanifar was clearly very concerned that this Farsi speaker, Hakim, would in some way arrange to cut him out and have direct contacts with [the Iranian official].

There was enormous distrust all the way around. Nir was insistent that we keep Ghorbanifar in it. They had a relationship that went back with him prior to the revolution. So they know him well, and they recognize his limitations. They recognize that he's a congenital liar, but they know how to deal with it and they know how to use him.

(C/NE (1) 18-20)

On February 26 and 27 1986, the official from the Prime Minister's office remained in Frankfurt to coordinate the shipment to Bandar Abbas with his colleagues in Tehran.

The morning of February 27, North heard from Secord. The second 500 of the 1,000 TOWs had been delivered to Iran.

707 has signaled success and due to land at Ben Gurion in a few minutes.

Met with Nir and Gorba this a.m. for one hour. Nir continues to agonize over the two soldiers, while Gorba worries about money matters and how he can stay in the center as the indispensable man. Nir then left for Tel Aviv. Subsequently, Gorba, Abe [Albert Hakim], and I met with [the Iranian official] for about one hour. Abe did beautiful job of rug merchanting with [the Iranian official] and also helped Gorba's ego a lot. He was extremely interested in Russian intentions. He propagandized a lot about Iranian fighting spirit and we assured him Americans respected Iranian people. He emphasized need for quick meeting at Kish** and said he would possibly, repeat, possibly surprise us by getting some hostages released before meeting. [S]uggest you make contingency plan to accommodate early release (i.e., as early as Sunday). So, bottom line is on to Kish ASAP to seize the potential opening now created.

("Copp 2/27/86 1020. 161455Z Feb. 86")

North wrote the following note on this message:

"1120 EST — 707 Back at B.G. Apt.

Gorba got 13,200/missile Gets \$260/missile Gives \$50/missile to Ledeem.

(Handwritten note on id.)

The Board has seen no evidence supporting the implication contained in this Document, and Ledeem "flatly" denied receiving any commissions in connection with the arms transfers to Iran. (Ledeem (1) 63)

North reported his later activities of February 27 to McFarlane:

Since the missive of this morning, met w/ Casey, JMP, [C/NE], Clair George and all have now agreed to press on. Believe we are indeed headed in the right direction. Just finished lengthy session w/ JMP he indicated that he has passed substance to you and has given me dates that you are not avail.

** An "old SAVAK-maintained island off the coast of Iran" (C. Allen 13)

Will endeavor to sched. mtg so that these do not conflict but noted to JMP that it was their call as to date of mtg. Just rec'd msg fm Secord via secure device we are using. [The Iranian official] has again reaffirmed that once we have set a date we shall have a very pleasant surprise. Dick & I believe that they may be preparing to release one of the hostages early. Dick also indicated that yr counterpart at the mtg wd be Rafsanjani. Nice crowd you run with! God willing Shultz will buy onto [sic] this tomorrow when JMP brief[s] him. With the grace of the good Lord and a little more hard work we will very soon have five AMCITS home and be on our way to a much more positive relationship than one which barter TOWs for lives.

I value your friendship and confidence very highly and did not mean to infer that you had revealed these exchanges. By asking that you not indicate same to JMP I was only informing that I had not told him anything of it so as not to compromise myself at a point in time when he needs to be absolutely certain that this can work. He is, as only you can know, under tremendous pressure on this matter and very concerned that it go according to plan. My part in this was easy compared to his. I only had to deal with our enemies. He has to deal with the cabinet. Many thanks for yr. trust. Warm regards, North.

(North PROF note to McFarlane, 2/27/86, 20:11:51)

Meanwhile, McFarlane had written North that afternoon:

Roger Ollie. Well done—if the world only knew how many times you have kept a semblance of integrity and gumption to US policy, they would make you Secretary of State. But they can't know and would complain if they did—such is the state of democracy in the late 20th century. But the mission was terribly promising. As you know I do not hold Gorbaniyar [sic] in high regard and so am particularly glad to hear of [the official in the Prime Minister's office] apparent authority.

I have just gotten a note from John asking whether or not I could go some time next week and the President is on board. I agreed. So hunker down and get some rest; let this word come to you in channels, but pack your bags to be ready to go in the next week or so. Incidentally, I have had periodic requests from Mike [Ledeem?] to assist in getting visas for [sic] Gorbaniyar to come to Switzerland . . . I have refused. Surely if they have any real bona fides they can get a visa in Tehran from the Swiss embassy or somewhere else. I do not intend to tell Mike any of this new info. Recommend against your doing so. Bravo Zulu.

(McFarlane PROF note to North, 2/27/86, 16:02:23)

North replied in the evening.

Am reading things out of sequence due to fatigue. Many thanks for yr note. Have responded to most of this in my reply re exchanges—before I read this one. Yr concerns re Mike are shared here. WILCO re the passing of info. He means well but poses a significant problem. Nir says he has info that Mike has a financial relationship w/ Gorba, Nimrodi and perhaps Schwimmer. If true, this is not good. We also know that Gorba tells Mike everything and that is an additional reason to get Gorba out of the long range picture ASAP. We will still need to have him involved in the TOWs transactions since he manages the financial end for the Iranians [sic] Europe. We ought to sit quietly and think about how we handle Mike so that he does not start talking out of disgruntlement (if that's a word). Have asked JMP for a session w/ you and Dick Secord as soon as possible after Dick returns tomorrow night fm Eur where he is setting up an arms delivery for the Nic resistance. A man of many talents ol' Secord is. Must be off. Am supposed to make a speech on aiding the Nic resistance to a group of supporters. Best regards, North.

(North PROF notes to McFarlane, 2/27/86, 20:22:22)

On February 28, Poindexter told the Secretary of State that the hostages would be re-

leased the following week. According to the Secretary of State:

Poindexter reported nothing about arms. Rather, he said that the Iranians wanted a high-level dialogue, covering issues other than hostages. He said the White House had chosen McFarlane for the mission, and that he would go to Frankfurt, West Germany, to meet with a deputy of Rafsanjani.

I [Shultz] said fine, but asked that Mr. McFarlane be given instructions to govern his negotiations. I was shown these instructions, and I was satisfied with them.

Wholly independent of the hostage issue, Vice Admiral Poindexter said the Iranians had asked for help on intelligence as to what the Soviets were doing on the Iranian border and in Afghanistan. He saw a path to reemerging relations.

Vice Admiral Poindexter said that the hostages would be released at the time Mr. McFarlane was meeting with the Iranians in Frankfurt.

[T]he presumption was that, after the meeting, they were pursuing this matter, and that, as a result of pursuing it, the Iranians wanted the meeting, and the meeting itself, having it with a high-level person like Mr. McFarlane, the President's former advisor, was a mark of a high-level interest; and the other side of that coin was the release of the hostages. It's sort of like the London proposition returning again, I thought.

It seemed very unlikely to me, but I said well, if you've got that arrangement, that's great.

(Shultz, SRB, 51-52)

VII. Hostages and Iran Pursued: March-May 1986

By the end of February 1986, the representatives of the United States were disappointed by the results of negotiations with Gorbaniyar and Iranian officials. But disappointment was gilded in hope, and the effort was pursued.

At this time, American policy changed with regard to terrorism. Since the terrorist bomb-

ings at the Rome and Vienna airports in December 1985, the United States was prepared to use military force to affirm its rights. In March 1986, units of the Sixth Fleet undertook what was described as a routine assertion of the right of passage through the international waters of the Gulf of Sidra. In the course of that exercise, ships crossed what Qadhafi had designated a "line of death," and Libyan forces attacked them. In April, Libya directed the bombing of a West Berlin discotheque frequented by Americans, and, in response, American aircraft attacked Libyan targets on April 14.

A. Prologue to a McFarlane-Iranian Meeting, I: March 1986⁵³

Preparations for the next meeting with Iranians, in which McFarlane was to participate, immediately began when North returned from Frankfurt. Clair George, with C/NE's support, urged that George Cave join the team as interpreter. C/NE recalled that he had told North on the way home from Frankfurt at the end of February that the government should provide an interpreter. Secord and Hakim, who is of Iranian origin, had appeared at the first and second Frankfurt meetings, respectively, without prior notice to C/NE. (C/NE (1) 11; C/NE (2) 76) C/NE not only believed that the government could perform the roles assigned to

⁵³ McFarlane told the Board:

I left the government and didn't hear anything more on the issue until I had a call from Admiral Poudexter in late April of this year, and he summarized that basically, that the program had been renewed and contacts re-established, and that the President had authorized quite an active dialogue and the transfer of weapons.

And to make a long story short, it wasn't a long conversation. He said: We believe we have an arrangement whereby they would release all of the remaining hostages, and they have agreed to start this exchange on political matters, and the President wants to know, will you undertake that political exchange.

• • •
[Between the date that he reported on his December trip and Poudexter's call in April, McFarlane's contact with the Iranian question amounted to one or two phone calls that dealt with other matters, either Lieutenant Colonel North, just kind of in a social context, but just by way of mentioning how things were going in life and professionally and so forth. I remember either it was him or it was Admiral Poudexter. I don't know saying. By the way, things aren't totally moribund on the Iranian connection, we have some promise there, but without any precision (McFarlane (1) 28-29)

Secord and Hakim, but also thought Hakim had a potential conflict of interest arising from his own business relationships. (See C/NE (1) 11-12, 40) C/NE recalled that Hakim was involved in arms transactions "that might or might not be legal. There wasn't any prosecution going against him, but there was a little suspicion . . . And North, to his credit, accepted that advice and we introduced George Cave." (Id. at 12)⁵⁴

Cave had served in Tehran and was widely respected for his knowledge of Iran and Farsi. At this time, although retired, he was a consultant to the CIA. (CIA/IG Chronology 20; George 11; C/NE (1) 12; Cave 3) He had been responsible for terminating the CIA's relationship with Ghorbanifar in 1983, and had helped craft Ghorbanifar's polygraph examination in January 1986. (C/NE (2) 76) He joined the team on March 5. When C/NE introduced him to North, (North calendar; Cave 3), he recalled being "a little bit horrified when I found out that [Ghorbanifar] was involved in this." (Cave 5)⁵⁵

On February 27, the Director of Central Intelligence met with Poudexter, George, and C/NE. (DCI Telephone Calls and Meetings, 1-9/30/86); talking points were prepared on the same day for the Director, possibly for use in that meeting.

Continued discussions on a very serious and important matter and I would like to suggest some guidelines:

- (1) The initial meeting should be exploratory only.
- (2) We should provide information about the Soviet Union threat to the northern

⁵⁴ On February 27, C/NE asked the CIA for alias passports for C/NE, Cave, Secord, and Hakim. On March 3, the passports were provided. Hakim never used his passport, which was returned on May 22. Secord's passport was returned on November 20, 1986. (CIA/IG Chronology 20)

⁵⁵ In contrast, on February 20, 1986, after Ghorbanifar passed him information on preparations for a number of terrorist attacks, Charles Allen wrote that "I believe we should move quickly to consolidate our relation with Subject [Ghorbanifar]. Although he exaggerates and manufactures some of his information, he has excellent contacts with Iranian officials in Tehran. He also has interesting contacts with Iranian nationals in Western Europe. I believe we would be remiss unless we begin to work with Subject and evaluate the potential of some of his associates particularly [names deleted]. I have met [name deleted] and believe that he has excellent potential." (C. Allen, Discussions with Subject, 2/20/86)

border, about the level and quality of Soviet arms going to Iraq, about the Soviet thrust in Afghanistan That seems like another reason for emphasizing the Soviet aspect. If the fact of the talks leak, that would be the best way to get public and Arab understanding of the discussions.

(3) The contact should be direct. Israel and Ghorbanifar [sic] should not be involved in these discussions. We can't afford any more telephone conversations which the Soviets and others can listen in on.

(4) The first indispensable step is to set up a secure commo channel from the point where the talks are held or some point in that country to Western Europe where further secure conversations can be passed through to Washington. We should have this before discussions begin, and for this purpose we should fly Secord into Teheran as soon as possible.

(5) The group at the meetings should be as small as possible. I recommend that it consist of McFarlane, North, [C/NE], a staffer for McFarlane, and George Cave. George Cave is an ideal interpreter. He speaks not only Farsi, but also Mullah and understands all dialects. He is a known and proven quantity. In contemplation of where these discussions could possibly go, we should avoid having a foreign interpreter, even though the man in Switzerland is accepted and trusted.⁵⁶ He should be our man.

(6) These discussions ought to go forward. The President should call Prime Minister Peres, thank him, tell him we are not going to take his man to the meeting because we think it is in the best interest of the two countries not to involve them directly at this time, assure him that we have Israel's interests in mind, and will protect them and report to Peres after the meeting.

(7) We need to continuously plan in case the discussions leak. The fact of discussions between the United States and Iran could change the whole universe. Iraqi re-

sistance could weaken. The Arab world could go mad unless the discussions are carefully and adequately explained. Some element of the explanation could be:

—The Soviets have been talking to both parties for years;

—The Arabs would cheer if Iran could be moderated; and

—Of course, we will do almost anything to get our hostages back.

We should remember that leaking the fact of this meeting could be viewed as working to the advantage of Israel. Only four men in Israel know of the discussions—the Prime Minister, his military secretary (Neer [sic]) who attended the Frankfurt meeting and who is the Prime Minister's terrorism advisor, and Neer's boss in the Prime Minister's office.

(DCI, Talking Points, 2/27/86)⁵⁷ At the beginning of March, Robert Gates, Deputy Director for Intelligence, asked that briefing materials on the Soviet threat to Iran be prepared for McFarlane's use. (CIA/IG Chronology 20)

North, C/NE, and Cave travelled to Paris on March 7 to meet Ghorbanifar the next day.⁵⁸

⁵⁷ Attached to the copy of these talking points in North's file was the following note in North's handwriting:

- Probing for foothold
- Access before transition
- Fear of Soviets—left inside
- Anti Western terrorism
- Tactical success in near-term could be to our advantage in that it offers opportunity for settlement
- People who know
- Shultz
- Weinberger
- Powell
- Koch

- Casey
- C/NE
- McMahon

- Allen
- Gates
- WR
- JMP
- Don R[egan]
- Don F[letcher]
- VP
- Peter [Rodman]
- Howard [Fletcher]

(Handwritten note, Feb 1986)

⁵⁸ Cave said the meeting took place on March 7. (Cave 5) According to North's calendar, travel forms, and subsequent report to McFarlane, it took place on March 8.

⁵⁶ Probably a reference to Hakim. Ghorbanifar told the Board that Cave's Farsi was "very, very poor," probably due to disuse (Ghorbanifar 159)

On his return from Paris, North reported to McFarlane.

Per request from yr old friend Gorba, met w/ him in Paris on Saturday [March 8].⁶⁰ He started w/ a long speech re how we were trying to cut him out, how important he is to the process and how he cd deliver on the hostages if only we cd sweeten the pot w/ some little tid-bits—like more arms, etc. After his speech I allowed as how he was not getting the message, but that I wd reiterate:

—The hostages are a serious impediment to serious govt-to-govt discussions and this must be resolved before we can discuss any further transactions.—We remain ready to go to Kish [Island] or anywhere else to discuss issues of mutual concern as long as the hostages are going to be released during or before this meeting.—The real problem facing Iran—that of Soviet intervention was becoming a reality and the Iranians are in no position to deal w/ this problem. We can help—and are willing to because a free, independent, Iran is in our best interests. Unless the hostage issue is resolved quickly and favorably, U.S./Iranian cooperation on opposing the Soviets is out of the question.

Much more said in this respect, but you have the essence. Bob Gates has assembled a nice amt of intel on the Soviet threat . . . There does indeed seem to be a growing awareness in the USSR that their Iraqi friends are having their asses handed to them and that the situation in Afghanistan is getting worse, not better. . . .

(North PROF note to McFarlane, 3/10/86, 21:10:24)⁶⁰

⁶⁰ According to Cave, Nir proposed the meeting "to see what we could salvage" after the meeting with the official from the Iranian PM's office in February. (Cave 5) On March 4, Ghorbanifar called Charles Allen, among other things, to suggest that he establish a "continuing relationship" with Allen and the CIA. (C. Allen, "Conversation with Subject, 4 March 1986," 3/6/86, CIA Docs.)

⁶¹ In the same message, North asked McFarlane's advice about an opportunity to return to the Marine Corps. McFarlane replied that the two should discuss it. He added:

Frankly, I would expect the heat from the Hill to become immense on you by summer. Consequently, it strikes me as wise that you leave the White House. At the same time, there will be no one to do all (or even a small part of what) you have

Cave recalled that, in Paris, Ghorbanifar purported to communicate Iran's present position. He indicated that Tehran was "prepared to do something to get additional hostages released" and was interested in pursuing a political discussion with the United States. (Cave 6) Ghorbanifar presented "a list of 240 line items for HAWK spare parts. This was basically what transpired at that meeting." (*Id.*) Cave remembered much discussion about why no hostages had been released after the delivery of 1,000 TOWs, but no explanation—"just the proposal that the Iranians had indicated to Ghorbanifar that they would be interested in opening negotiations with the United States, both on the political side and the strategic side. The one specific area that was first discussed at this meeting was Afghanistan." (*Id.*)

C/NE recalled frustration after the Paris meeting.

We had delivered our missiles and the shoe was on their foot, but they were acting like the shoe was still on our foot. Ghorbanifar came to that meeting and said, well, they've decided they didn't want TOWs after all. So the TOWs don't count. What we need now are HAWK spare parts; we don't need any more TOWs. We want HAWK spare parts.

And he presented us a list of HAWK spare parts he needed. So, you know, it's a bag of worms. I was present when North briefed Poindexter after that meeting, and Poindexter at that point was fed up and wanted to just cut it off entirely, forget it. It wasn't going anywhere.

(C/NE (1) 20)

As C/NE noted, the program was not cut off. Based in part, at least, on reports from Cave, who worked under his direction, C/NE recalled:

done. And if it isn't done, virtually all of the investment of the past five years will go down the drain.

How's this for a self-serving scenario: 1. North leaves the White House in May and takes 30 days leave. 2. July 1st North is assigned as a fellow at the CSIS and (lo and behold) is assigned to McFarlane's office. 3. McFarlane/North continue to work the Iran account as well as to build other clandestine capabilities so much in demand here and there. Just a knee jerk muting.

(McFarlane PROF note to North, 3/10/86, 22:14:24)

There was a lot of discussion essentially to try to figure out a way to get Ghorbanifar out of it and, North, who you must have sensed by now is a man of a lot of energy and a lot of determination, essentially kept it alive because of the President's personal and emotional interest in getting the hostages out—in my view.

The political reality of this thing was it would be very nice if you could get a strategic thing done, a real improvement, a real change in Iranian relations, a securing of Iran, again as having a relationship with the U.S. and denied to the Soviets. All that was fine. But the real thing that was driving this was that there was in early '86, late '85, a lot of pressure from the hostage families to meet with the President and there were articles in the magazines about the forgotten hostages, and there were a lot of things being said about the U.S. Government isn't doing anything, not doing anything.

And, of course, what is being done is we are desperately trying to keep secret. And there is a lot of fear about the yellow ribbons going back up and that this President would have the same problems that the last President had had with Iranian hostages, Iranian control. We learned as time went on that the Iranians didn't fully control these hostages, but as it was being portrayed until Ghorbanifar got out of it there wasn't any question that we could get all those hostages out through the Iranians.

We had tried to do the same with the Syrians. We had tried the same through the Algerians. . . . There had been several emissaries sent secretly to see Assad. There were a lot of nice words said by Assad, but he never lifted a finger, not once.

On at least two occasions we told the Syrians precisely where those hostages were and the Syrians said we'll do our best to see if we can find these people, and we certainly are going to make sure that nothing is done so that they are harmed as we try to rescue them. But we'll try to get them out right now. But we had intelli-

gence that they weren't doing anything. Nice words, but no action.

So an enormous amount of frustration that there wasn't any other way and that there was an enormous amount of intelligence consistent from the time that Buckley was taken that the captors wanted to have an exchange, that the Kuwaitis would have to release the Dawa prisoners in Kuwait, the ones who were involved in the bombings there in December of '83, and that nothing else would work to get those hostages released.

And that was true until this channel released Weir.

(*Id.* at 21-23)

Prior to the March Paris meeting, Ghorbanifar received word from his Tehran contact that he was having difficulty persuading his government colleagues to respond positively to the delivery of 1,000 TOWs. He insisted that Iran needed 100 surface-to-air missiles but Iran would not accept more HAWKs of the type shipped in November. It was apparent that Ghorbanifar and his Tehran contact had discussed other arms deliveries as well.⁶¹

McFarlane was concerned by North's reports about the meeting in Frankfurt. He wrote late on March 10:

I guess I'm a little puzzled about the Iranian wiring diagram. From whom are we getting the word concerning a meeting in the Gulf? Is Gorba involved in that dialogue or is that info coming through the Israelis? It strikes me that it is probably OK to keep Gorba in the dark—to the extent that is possible to do if there is another channel. Gorba is basically a self-serving mischief maker. Of course the trouble is that as far as we know, so is the entire lot of those we are dealing with. The Soviet threat is the strategic menace and I would guess that they would like to avoid having the Russians in Iran. But it is going to take some time to get a feel for just who the players

⁶¹ On March 9, Ghorbanifar called Charles Allen, reporting, among other things, that the Paris meetings had been successful, although additional effort remained. Allen thought Ghorbanifar "seemed unusually subdued and less sanguine than in previous conversations." (C. Allen, "Conversation with Subject," 3/11/86, CIA Docs.)

are on the contemporary scene in Teheran [sic]. So the sooner we get started the better.

(McFarlane PROF note to North, 3/10/86, 22:14:24)

On March 11, North answered McFarlane:

[Ghorbanifar] is aware of the Kish mtg and is basically carrying our water on the mtg since he is still the only access we have to the Iranian political leadership. It wd be useful, I believe, for you to talk w/George Cave, the Agency's Iran expert. He shares our concern that we may be dealing only w/ those who have an interest in arms sales and their own personal financial gain. . . . Will advise. If you wd like to meet w/ George, pls let me know and I will arrange.

(North PROF note to McFarlane, 3/11/86, 07:23:34) On March 11, Poindexter told the Secretary of State "that this arrangement [a McFarlane-Iranian meeting in Frankfurt] had fallen through, apparently because Mr. McFarlane objected to the idea." (Shultz, SRB, 52)

Just before North, C/NE, and Cave went to Paris, Howard Teicher, who at that time was working on Libyan matters, again became involved in the matter. C/NE told him in the last week of February "I hope you're getting a lot of rest, you're really going to be tired." (Teicher 16) Teicher subsequently met with Fortier, Rodman, and North. He "was briefed orally on the President's January 17 finding, and advised that [he] would be providing staff support to Mr. McFarlane, travelling with him to Tehran, when the arrangements were completed that would permit a delegation to travel to Iran for meetings with the senior Iranian leadership." (Id. at 17) Teicher recalled being informed in general terms about a shipment of TOWs, "a joint operation with the Government of Israel," and that the Finding specified that Congress would not be informed at this time. He remembered remarking that he understood Congress was normally informed and being told that the Attorney General believed exceptions were permitted, as in this case.

Teicher was instructed to work with Rodman and North on terms of reference for McFarlane's use, and submit them to Fortier. (Id. at 17-18) Teicher later submitted a draft of terms

of reference to North. (Teicher 2). An unsigned, undated draft document may be this draft (original spelling and grammar):

We are concerned with three problems of mutual interest:

1. . . .

2. Soviets. The Soviets are deeply concerned about the possibility of an Iranian military victory in Iraq. The 1972 treaty of friendship between Iraq and the USSR calls for consultation between the two powers when Iraqi territory is threatened by hostile military action. The wording of this treaty is not specific so the Soviets have considerable latitude in deciding on actions to on the actions to take in their own interests. . . . The Soviets see the collapse of Iraq as greatly weakening their influence in the Arab Middle East. To date the Soviets have shied away from direct military assistance, but they have keep [sic] open the military supply line to Iraq. They have also increased their intelligence support to Iraq. This was particularly apparent during the Val fahr 8 offensive. Further Iranian successes in its war with Iraq might lead to Soviet military moves along the Iranian border. These moves would be the threatening type in hopes of drawing off Iranian troops from the Iraqi front. . . .

3. Syria. The Syrians are concerned about the consequences of an Iranian victory in Iraq. They see the inevitability of a clash of interests in Lebanon between the Syrians and the Shiah. An Iranian victory in Iraq will strengthen Shiah resolve in Lebanon. The Syrians also do not want a fundamentalist Islamic state in Iraq. Assad has been threatened [sic] by fundamentalist movements in Syria in the past and has been forced to deal very harshly with them. The bombardment of Hama being the best example Syria would like to see Iraq weak, but not overrun by Iran. Assad is already being forced to consider the possibility that relations with Iran are going to

become strained at some point in the future. Syria's most immediate concern [sic] is its growing problem with the Hizbullah movement in Lebanon. . . .

B. Prologue to a McFarlane-Iranian Meeting, II: April-May 1986

The exchanges of fire with Libya in March and April 1986 complicated, but did not interrupt, attempts to schedule a meeting between McFarlane and important officials of the Iranian government. Toward the end of March, Ghorbanifar travelled to Tehran, North reported to McFarlane on March 20, "and returned with a proposed meeting scenario that is being communicated to us thru the Israeli, Nir, fm Petes' office. Still don't have details yet since his secure comms down, but should have necessary info tomorrow." (North PROF note to McFarlane, 3/20/86, 07:21:03. 1986 PROF notes) ⁶² On March 25:

[The Iranian official in the PM's office] called the phone drop that Dick Secord had given him. Al Hakim, who [sic] we passed off as a "White House interpreter" at the Frankfurt mtg, spoke to [the official] twice yesterday [March 25]. The bottom line of the calls is that [the Iranian official] wd like to have us meet w/ the Iranian side next week at Kharg Island. Supposedly, during the mtg the hostages wd be released and we wd immediately start delivering the 3k TOWs and agree at the mtg to the delivery of spare parts which they desperately need. They profess to be very concerned about the nature of the Soviet threat and want all we can give them on that score. Not sure at this point how real this offer is, but he says Rafsanjani wd

come as the head of the Iranian side. If this looks like a go—and we shd know more tomorrow when the next phone call is scheduled—how are you for travel during the week of 31Mar-4Apr?

(North PROF note to McFarlane, 3/26/86, 09:19:12)

In part to work on scheduling, Ghorbanifar came to the United States at the beginning of April.⁶³ At the end of March and beginning of April, Ghorbanifar complained to Charles Allen and Nir about two calls from Hakim in which Hakim claimed to speak for the President. According to Ghorbanifar, Hakim said that there was no longer any reason for Ghorbanifar to be involved. (C. Allen, "Conversation with Subject," 4/2/86. CIA Docs.) Partly to reassure him, North invited Ghorbanifar to the United States on an urgent basis. He came on April 3, by Concorde. On April 7, North reported the meeting to McFarlane.

Met last week w/ Gorba to finalize arrangements for a mtg in Iran and release of hostages on or about 19 Apr. This was based on word that he had to deposit not less than \$15M in appropriate acct. by close of banking tomorrow. Have talked at length w/ Nir who is handling him on this [sic] bank xfer and Nir believes that Gorba may be having trouble closing the final arrangements back home. Per request of JMP have prepared a paper for our boss which lays out arrangements. Gorba indicated that yr counterpart in the T[ehran] mtg wd be Rafsanjani. If all this comes to pass it shd be one hell of a show. Meanwhile we have some evidence that Col Q. [Qadhafi] is attempting to buy the hostages in order to stage a propaganda extravaganza. As far fetched as this may seem, CIA believes it is a distinct possibility. Bottom line: believe

⁶² Ghorbanifar went to Tehran on March 15, "at some personal risk" returning to France on the 17th. (C. Allen, "Conversation with Subject," 3/12/86. CIA Docs.) On March 20, Ghorbanifar told Allen he had briefed Nir ("Adam") on his meetings with the Iranian Prime Minister, Rafsanjani, and Ahmad Khomeini (the Ayatollah's son). He reported that the Ayatollah remained "very ill", that the Prime Minister had uncovered Soviet penetration of his office, that he was sending a report to North, which would include some requirements from the Iranian military, and that he hoped a meeting of principals could take place soon. (C. Allen, "Conversation with Subject," 3/21/86)

⁶³ In a series of telephone conversations with Ghorbanifar and Nir, March 24-April 2, Charles Allen learned that Ghorbanifar was under pressure in Tehran; that he was passing through a difficult period financially, but that the Israelis were helping him; that an important meeting would occur on March 29, at which Khomeini himself would be informed of the state of play with the United States; and that, after that meeting, Ghorbanifar had "excellent news" for North. An NSC consultant reported to Allen that Ghorbanifar was upset in part because his California girlfriend's house had been entered, as had Furmark's office in New York. Ghorbanifar blamed the CIA. (C. Allen, Memoranda for the Record, 3/24, 3/28, 3/28, 3/31, 4/2/86)

you shd avail yrself of this paper @ yr earliest convenience. Wd like to see you anyway. Am going home—if I remember the way.

(North PROF note to McFarlane, 4/7/86, 23:18:58)

Cave recalled meeting Ghorbanifar on April 3-4 with Charles Allen, C/NE, and North. Ghorbanifar reported that the Iranians now proposed a meeting. According to Ghorbanifar, "the Iranians were looking at the hostage situation and hoping that they could get all the hostages released in return for consideration on arms, specifically the HAWK missiles and the HAWK missile parts and the TOWs." (Cave 6-7) The Americans gave him a list of available HAWK spare parts.

Now, on the pricing, the way we handled the pricing is we calculated up all our costs, and this included the cost of the items, whatever shipping costs we had to pay for packing, guards, what have you, and we would give this figure to Colonel North.

(Id.)

North's memorandum for Poindexter to forward to the President reviewed the negotiations and specified how the profits on the sale of weapons to Iran could be spent. The Board has obtained no evidence that Poindexter showed this memorandum to the President.

Background.—In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

—not object to the Israeli transfer of embargoed material to Iran;

—sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September 13, the Israeli Government, with the endorsement of the USG, transferred 508 TOW missile to Iran. Forty-eight hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with an official in the Iranian Prime Minister's office—the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need to establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that the hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it also became apparent that our conditions/demand had not been accurately transmitted to the Iranian government by the intermediary and it was agreed that:

—The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediaries.

—A subsequent meeting would be held in Iran with senior U.S. and Iranian officials during which the U.S. hostages would be released.

—Immediately after the hostages were safely in our hands, the U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1985 transfer.

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the

3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understanding reached in Frankfurt on February 20, and were [sic] therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provided.

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26, [the official in the Prime Minister's office] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [He] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [The Iranian official] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation.—On April 3, Ari Gorbani-fahr [sic], the Iranian intermediary, arrived in Washington, D.C. with instructions from [his Tehran contact] to consummate final arrangements for the return of the hostages. Gorbani-fahr was reportedly entrusted to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran. A Farsi-speaking CIA officer in attendance

was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

—By Monday, April 7, the Iranian Government will transfer \$17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of \$15 million.

—On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer \$3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.

—On Wednesday, April 9, the CIA will commence procuring \$3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to . . . This process is estimated to take seven working days.

—On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts at . . . and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.

—On Saturday, April 19, McFarlane, North, Teicher, Cave, [C/NE], and a SATCOM communicator will board an aircraft in Frankfurt, Germany, enroute [sic] to Tehran.

—On Sunday, April 20, the following series of events will occur:

—U.S. party arrives Tehran (A-hour)—met by Rafsanjani, as head of the Iranian delegation.

—At A+7 hours, the U.S. hostages will be released in Beirut.

—At A+15 hours, the IDF aircraft with the HAWK missile parts

aboard will land at Bandar Abbas, Iran.

Discussion.—The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

—The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

—The Iranians know, probably better than we, that both Arafat and Qaddafi are trying hard to have the hostages turned over to them. Gorbani-fahr specifically mentioned that Qaddafi's efforts to "buy" the hostages could succeed in the near future. Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC [Iranian Revolutionary Guard Corps] to effect the release of the hostages will become increasingly more difficult over time.

—We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.

—We have told the Iranians that we are interested in assistance they may be willing to provide to the Afghan resistance and that we wish to discuss this matter in Tehran.

—The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.

—We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq. . . .

—The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbani-fahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs, they will make 200 out of each 1,000 available to the Afghan resistance and train the resistance forces in how to use them against the Soviets. We have agreed to discuss this matter.

—The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages.

—The residual funds from this transaction are allocated as follows:

—\$2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.

—\$12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally-approved lethal assistance (beyond the \$25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of im-

proving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating our points on Afghanistan, Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve — Disapprove —

(Unsigned, undated memorandum, "Release of American Hostages in Beirut.")

The following "Terms of Reference" for a "U.S.-Iran Dialogue" were attached:

I. BASIC PILLARS OF U.S. FOREIGN POLICY

—President Reagan came into office at a time when Iran had had a certain impact on the American political process—perhaps not what you intended.

—The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.

—Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its

interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.

—At the same time, we are prepared to resolve political problems on the basis of reciprocity.

—We see many international trends—economic, technological, and political—working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy

—We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.

—Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.

—Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.

—Support for terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages/return of those killed (over time) is essential.

—We see your activity in many parts of the world, including even Central America.

—The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

—Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

—The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersection of U.S.-Iranian Interests

—Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose to explore these areas.

—First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

—Second, we have no interest in an Iraqi victory over Iran. [Discussion of US-Iraq Relationship] We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

—Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. Our mutual friends—China and Pakistan—are threatened. We have ties with different elements of the Mujahideen. But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today

—We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

—In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

III. SOVIET MILITARY POSTURE

—[Discussion of Soviet interests in Iran]

—Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

—Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

—U.S. is aware of Soviet activity in Baluchistan, air strikes.

—Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs—makes U.S.-Iranian relationship more diffi-

cult (\$100 million in oil last year, plus arms).

—U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

—[Discussion of situation in Afghanistan]

V. HARDWARE

—We may be prepared to resume a limited supply relationship.

—However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture

—What does Iran want?

("Terms of Reference U.S.-Iran Dialogue," 4/4/86) **

Ghorbanifar conveyed the Iranian response to Allen on April 8. He said "he had 'good news', asserting that an agreement had been reached in accordance with Washington's wishes." (C. Allen, "Conversation with [Ghorbanifar]," 4/8/86) He claimed to be "working the problem through Line One adherents, i.e. those conservative elements within the Iranian Government that are concerned over the Soviets and who do not believe that the clerics should necessarily be in charge of all government activities." (Id.)

During April, other activities, including the strike against Lihya, occupied the attention of those responsible for the Iran operation.

** Teacher prepared the draft terms of reference and submitted it to North and Rodman, "and they worked on it." (Teacher 18) On April 22, a United States Customs operation resulted in the arrest of 17-18 arms dealers, including Ghorbanifar, allegedly violating the embargo with Iran. Ghorbanifar was held only briefly (CIA/IG Chronology 22) On April 25, Charles Allen set forth his own views as to the parties' desiderata. He thought the Iranians urgently needed weapons; wanted a source of continuing supply; a favorable end to the Iraq war, and "re-establishment of their 'rightful place' and spread of fundamentalism." in that order. He noted that the United States refused to supply HAWK radars, which Iran has demanded, and had imposed a termination date 2-3 weeks hence if the operation had not succeeded. He thought that, unless the United States were "willing to sweeten the pot, we can only stand fast and present to them the appearance that time is on our side and not on theirs. This would require resolve on our part in the face of possible damage to one or more hostages." The Israelis could solve the problem of continuing supply to Iran by the United States committing a sin of omission. (C. Allen, Working Paper, 4/25/86) Allen sent this paper to North on April 26. (C. Allen 15; CIA/IG Chronology 22)

Progress toward the long-promised high-level meeting with representatives of the Iranian government was slow. On April 16, North wrote Poindexter that:

Recognize that all are very busy. Have been unable to get thru to you or Don [Fortier] via phone/appointment. [C/NE] and Gates have urged that Cave and North proceed tomorrow to meet with [the Iranian official] and Gorba in Frankfurt on Friday, and return to Washington on Saturday. All this based on a series of phone calls btwn Gorba/[the Iranian official]; North/Nir; Nir/Gorba; Allen/Gorba over the last 72 hours.** In order to arrive for a Friday mtg Cave/North wd fly out tomorrow night to arrive Friday a.m. No deposit has been made yet because Nir does not want to risk losing the money if the operation is not going to go to closing.

He doesn't need the 240 parts. We have a problem on our side in that over 50 of the parts now do not appear to be in stock or are no longer made for our version of the system. Nir is checking in their older inventories to see if they have them on hand. Please advise soonest, must make reservations.

(North PROF note to Poindexter, 4/16/86, 16:40:45) Poindexter replied:

You may go ahead and go, but I want several points made clear to them. There are not to be any parts delivered until all the hostages are free in accordance with the plan that you laid out for me before. None of this half shipment before all are released crap. It is either all or nothing. Also you may tell them that the President is getting very annoyed at their continual stalling. He will not agree to any more changes in the plan. Either they agree finally on the arrangements that have been discussed or we are going to permanently cut off all contact. If they really want to save their asses from the Soviets, they should get on board. I am beginning to

** The NSC staff and CIA officers involved in the initiative learned at this time that the Iranian official's instructions to Ghorbanifar were that, if the U.S. did not deliver all the HAWK spares with the arrival of the U.S. delegation, only one hostage would be released. It was presented to Ghorbanifar as a "take it or leave it" proposition to the U.S.

suspect that [the official in the PM's office] doesn't have much authority.

(Poindexter PROF note to North, copy to Thompson, 4/16/86, 21:08:42)

The President said he had no knowledge of the diversion prior to his conversation with Attorney General Meese on November 25, 1986. No evidence has come to light to suggest otherwise. Contemporaneous Justice Department staff notes of North's interview with the Attorney General on November 23, 1986, show North telling the Attorney General that only he, McFarlane, and Poindexter were aware of the diversion.

North reported the last days' activities to McFarlane on April 21.

Both Charlie Allen and Nir have been in touch w/ Gorba in an effort to set up a meeting with [the Iranian official] in Europe. We know that [the Iranian official] is apparently trying to extract additional concessions from us prior to releasing the Americans. George Cave, our resident expert believes that [the Iranian official] had probably received some kind of authority to cause the release of the hostages prior to our Libyan action and that the current delays and efforts to force new concessions are a consequence of internal disputes over what the Iranians shd do about this matter in the wake of the U.S. action in Libya. Gorba has been out of touch all day and Cave/North cancelled the trip to Frankfurt for a second time because we do not want to meet again w/ only Gorba. The Kilburn tragedy has us very concerned because there appears to be some possibility of Syrian complicity in Kilburn's death and the same could happen to our other hostages if the Syrians are able to put their hands on them.

If the mtg takes place this week it would still be a minimum of eight and a maximum of 10 days from deposit of funds before we can assemble the requisite parts. We do not believe they will make this deposit until after the mtg. We also need to make it known that we simply do not have some of the parts requested since we have modernized our HAWK systems. I have sent Nir a coded msg asking him to deter-

mine whether or not they have in stock the items which we lack. If it is determined that they do not have them we will have to determine the effect this will have on the understanding we reached last week w/ Gorba. Nir believes that the Israelis will be able to give us an answer in the next 2 days. Cave and North are prepared to lunch again tomorrow if Gorba surfaces and has set up a mtg w/ [his Tehran contact]. Bottom line: earliest timeframe for RCM/Cave/North trip to Iran is 30 April and this will slip a day for every day of delay in the Frankfurt mtg & its complementary financial transaction.

(North PROF note to McFarlane, 4/21/86, 20:31:28) Poindexter transmitted North's note to McFarlane and added the following cover:

[The Iranian official] wants all of the HAWK parts delivered before the hostages are released. I have told Ollie that we can not do that. The sequence has to be 1) meeting; 2) release of hostages; 3) delivery of HAWK parts. The President is getting quite discouraged by this effort.

This will be our last attempt to make a deal with the Iranians. Next step is a Frankfurt meeting with Gorba, [the Iranian official], North and Cave. Sorry for the inconvenience.

(Poindexter PROF note to McFarlane, 4/21/86, 20:31) McFarlane agreed with Poindexter's outline. "Your firmness against the recurrent attempts to up the ante is correct," McFarlane responded. "Wait them out; they will come round. I will be flexible." (McFarlane PROF note to Poindexter, 4/22/86, 20:35:17)

In North's view, the situation warranted continued pursuit of the meeting and consummation of the transaction. He received support from Major Julius Christensen, a member of the Director of Central Intelligence/Hostage Location Task Force. On April 24, Christensen sent North an analysis of options to secure the release of the hostages. On balance, he concluded that "the back channel initiative" could succeed. But he noted that arms shipments could affect the balance in the Iran-Iraq war and that the longer the operation lasted the greater the risk of exposure. He attached a fuller analysis of the options—doing nothing,

diplomatic efforts, Waite, paying ransom, and using force, unilaterally or multilaterally. He looked to the NSC for guidance. (Christensen to North, 4/24/86) In turn, North wrote Poindexter on April 29:

We are seeing increasing evidence of Libyan efforts to buy the hostages and other signs of increasing disarray inside Lebanon. Further, there is increasing indication of seepage around the edge of our hostage project. Bottom line: [the Iranian official] knows this and wants to proceed quickly with a release. [Available information indicates that [the Iranian official] does indeed have the requisite authorities to bring this all to a conclusion. We are, at this point concerned only that he may be unable to proceed because of the two radars issue and that the timing of their delegation to Beirut should be such that the delegation is already there by the time we arrive in Tehran—and that they not wait to dispatch it until we arrive. Casey and company believe that we have made too big a deal over the radars issue noting that they were proposed with the original parts list and we should not be treating them as separate items. They note that no one else sees them as such and that I should not have presented them as separate items. They believe that we can order them up from the normal logistics acquisition process that they have established with the Army and that they will simply be delivered as they are made available. In any event—all here agree that Cave, North and Nir ought to go to meet w/ [the Iranian official]. Agency has prepared foreign Documents as necessary. If you approve, we wd depart Thurs p.m. [May 1], commercial to Frankfurt then to Tehran Friday via private jet over Turkey. If you do not believe that we can proceed with the radars I will try to convince them to take what we have in terms of parts and if necessary some of the TOWs as acceptable alternatives. We know . . . that Gorba has tried, unsuccessfully to date, to convince [the Iranian official] that this is the preferred course of action.

(North PROF note to Poindexter, 4/29/86, 19:46:06) According to the CIA Inspector Gen-

eral, the NSC staff and CIA received word that Iran would welcome a high-level American delegation to Tehran. (CIA/IG Chronology 22)

At this time, the Secretary of State again heard that the operation had not died. While at the Tokyo economic summit, Under Secretary Arnacost cabled a report from Ambassador Price in London about Khashoggi's efforts to interest Tiny Rowlands, a British entrepreneur, in the transactions with Iran. Rowlands met with Khashoggi, Nir, and Ghorbanifar. Nir outlined the plan, indicating that the shipment of spare parts and weapons to Iran . . . Nir and Khashoggi told Rowlands

[t]he scheme, moreover, was okay with the Americans. It had been cleared with the White House. Poindexter allegedly is the point man. Only four people in the U.S. government are knowledgeable about the plan. The State Department has been cut out.

(Arnacost to Shultz (State cable), 5/3/86)

The Secretary of State recalled that:

That same day, I sought out Vice Admiral Poindexter with the President's party, but found Mr. Regan. That is, I got this in the morning. We were in the midst of these meetings. You know how they are. And I read this thing.

So I am in one part of the hotel; the President and his staff—Regan, Poindexter, and so on—are in another part. So I just marched over to their wing of the hotel to find whoever I could find, and I wound up finding Don Regan. Everybody else I could not get to.

I told Mr. Regan and I showed him this—I said that he should go to the President and get him to end this matter once and for all. I opposed dealing with people such as those identified in the message and said it would harm the President if the activity continued.

Mr. Regan, I felt, shared my concern, said he was alarmed and would talk to the President.

I later learned that Vice Admiral Poindexter reportedly told Ambassador Price that there was no more than a smidgen of reality to the story. "Smidgen" is his word.

When I got to him, I told Vice Admiral Poindexter my feelings, but he did not share my concerns.

He claimed that we were not dealing with these people; that that was not our deal.

I told him the President was very exposed.

Soon thereafter I recall being told by both Vice Admiral Poindexter and Mr. Casey that the operation had ended and the people involved had been told to "stand down."

• • •

During this period [May 1986], I heard from time to time of reports that the operation may have resumed—that is, through the things that roll around on the grapevine. I heard nothing official to this effect, however.

(Shultz, SRB, 53-55)

Ambassador Price also called Poindexter with the same news. Poindexter wrote North a summary of the tale.

I told Charlie [Price] that there was only a shred of truth in this and the US connection was highly distorted. Tiny told [Bob] Frasure [on Price's staff] that he didn't like the deal and did not want to get involved unless it was an American operation. I told Charlie to advise him not to get involved.

What in the hell is Nir doing? We really can't trust those SOB's.

(Poindexter PROF note to North, 5/3/86)

North replied at length, seeming to inform Poindexter of the way the operation was financed.

I agree that we cannot trust anyone in this game. You may recall that nearly a month ago I briefed you to the effect that Tiny Roland [sic] had been approached and we went back through Casey to tell these guys that the whole thing smelled very badly. We know that Khashoggi is the principal fund raiser for Gorba and that only after Gorba delivers a cargo does he get paid by the Iranians. We do not believe that Tiny is still engaged in this effort. Nir has been told to stay off the skyline on the issue.

The story you had relayed to you by Price was the one made up by Nir to cover the transaction and Clair George reported it to us when the issue first came up several weeks ago. At the bottom line, this typifies the need to proceed urgently to conclude this phase of the operation before there are further revelations. We all know that this has gone on too long and we do not seem to have any means of expediting the process short of going to Iran. In that regard, George [Cave] and I are leaving tomorrow at 0700 to meet with Gorba in London. We intend to tell him that unless a deposit is made by the end of the week, the whole operation is off. We wd then have Gorba call [his contact in the PM's office] in our presence and have George reinforce the criteria for proceeding: We go to Tehran; within 24 hrs all hostages released; 8hrs [sic] later we deliver the 240 parts; within 10 days we provide those parts which cannot fit on the a/c. In return we get to raise the issues of Nicaragua, no more terrorism and help for the Afghan resistance. This SEEMS to be what [the Iranian official] has already said he has gotten the "authorities" at his end to accept, but we want to be sure before we proceed. Lord willing, Gorba will then make the requisite deposit on Thursday, we will start to assemble the cargo by Friday, and the following weekend we will go to Tehran. We all hope.

(North PROF note to Poindexter, 25/5/86, 22:34:44)

North went to London on May 6. The evening before, Poindexter instructed him: "Do not let anybody know you are in London or that you are going there. Do not have any contact with Embassy . . ." (Poindexter PROF note to North, 5/5/86)

Cave remembered that the first May meeting set the stage for the trip to Tehran. Cave spoke to the Iranian Prime Minister's office to fix the arrangements. They haggled over what the Americans would bring with them, the Iranians asking for all the HAWK spare parts. Agreement was reached on one-quarter—one pallet. Ghorbanifar said

we would be meeting with the Prime Minister, the President, Khomeini, possibly Ha-

shemi Rafsanjani, and another well-known conservative Ayatollah, named Ayatollah Farsi. He was one of the original candidates for president in the election when Bani Sadr was elected President.

(Cave 8) Ghorbanifar informed the Americans that financing had been arranged, and that he would deposit funds "in an account controlled by Mr. Nir. We eventually got the money in our account on the 16th of May, and that was a deposit from General Secord into the account we had in Switzerland, in Geneva." **

Cave told the Board that the CIA had no idea where the money went after Ghorbanifar made the deposit into Nir's account, "nor do we have any idea of how much was deposited." (Id. at 9)

When North returned to Washington, he wrote Poindexter that

I believe we have succeeded. Deposit being made tomorrow (today is a bank holiday in Switzerland [May 8]). Release of hostages set for week of 19 May in sequence you have specified. Specific date to be determined by how quickly we can assemble requisite parts. Thank God—He answers prayers.

(North PROF note to Poindexter, 5/8/86, 8:07:46)

** The transaction involving HAWK spare parts in May 1986 covered some 299 items worth \$6.5 million. Iran was to have paid \$15 million. The financial arrangements followed the pattern established for the February shipment of 1,000 TOWs. Khashoggi raised \$15 million from various financiers and deposited the funds in the Lake Resources account on 14 May. CIA's Swiss account was credited with \$6.5 million on 16 May to repay the Defense Department. The transaction was not completed. The United States failed to deliver all the spare parts because Iran failed to secure the release of all American hostages being held in Lebanon. In reviewing price lists for what had been provided, Iran discovered a substantial overcharge. By August, Tehran had provided Ghorbanifar with only \$8 million to repay Khashoggi, leaving the Saudi \$10 million in debt (the balance of the \$15 million advanced plus a 20 per cent "costs and financing" markup—in this case \$3 million). When the United States decided not to use Ghorbanifar as an intermediary, Khashoggi had little prospect to recover the rest of his money. All he held were unfunded drafts from Ghorbanifar. When Khashoggi attempted, through Roy Furmark, to obtain his money from Lake Resources, he discovered that only \$30,000 remained in the Lake account. An other \$8.5 million was unaccounted for, leaving the amount for diversion at somewhat just short of \$15 million (including \$6.5 million unaccounted for from the February transaction). An additional \$2 million was unaccounted for after the November 1986 shipment of 500 TOWs.

C. Excursions: May 1986

The way was now clear for McFarlane to visit Tehran. While planning the trip, other issues continued to occupy the NSC staff. The United States received information about Iranian terrorist operations to be conducted against the United States. Poindexter wondered if Ghorbanifar should be reminded "that we thought we had a commitment [sic] from them on future terrorist activity against US." (Poindexter PROF note to North, 5/13/86, 19:08) On May 15, North replied in two parts. First, he noted that everybody shared Poindexter's concern. Some members of the team thought the Syrians had recruited important members of Hizballah. Others, like Cave, blamed factionalism with Iran's ruling group.

Nir is already aware of this and intends to note to Gorba that his \$15M is at great risk if one of these events does indeed happen. Gorba is probably not the best interlocutor on this matter and we wd stand a far better chance talking directly to [the official in the Prime Minister's office]. It wd be worthy of some consideration to do just that before we go all the way through with the execution of what is now in motion. Cave and North are still prepared to go if you think it wd help. I do. So does George.

(North PROF note to Poindexter, 5/13/86)

North's second note informed Poindexter that his wish had been carried out, and warned of Ghorbanifar's having "penetrated" the CIA.

Nir and Copp are with Gorba. Both have made points as you urged. In response, Gorba has promised that every effort will be made to stop unauthorized actions being undertaken by Hizballah or Iranian activists in the field. He has also provided the following which was transmitted a few minutes ago via Dick's secure device: "As you remember fm London, Gorba suggested we get together with Howaldi Al Homadi (or Hamadi) of Libya whom Gorba claimed to be the head of internal security and de facto number 2 man in the country. Nir checked this in his records and indeed Homadi is head of internal security and in key govt position plus connection to terrorists abroad. . . . Homadi

does not believe that this is an effective channel since FoMin is not well connected. Homadi is willing to come to any point in Europe to meet with North or other appropriate official without preconditions. Homadi willing to deliver three things—no more attacks against U.S.; work out schedule to get terrorists out of Libya; to transfer business contracts from EastBloc [sic] to West. In return, Homadi wants to settle misunderstandings btwn Libya and U.S. to include some kind of mutual public expressions. Willing to come anywhere in Europe given one week's notice. Gorba says Homadi sees himself as heir apparent to Qadhafi, knows about USG plans to use exiles for new Libyan govt; says it will not work." END OF NIR MESSAGE FROM GORBA.

There may or may not be anything to what Gorba has said of Homadi wanting to meet w/ North or other USG official. . . . I have not passed any of this to any but you. Nir has asked that we protect him and not reveal his involvement in this to CIA. Nir is, as you know, operating w/o Mossad back-up and has considerable concern about the CIA becoming more knowledgeable about his activities. Based on what Gorba has just told us, Nir has reason to be concerned.

(North PROF note to Poindexter, 5/15/86, 21:36:09) "The CIA are really bunglers," Poindexter replied. You had better pass most of this to Casey directly. I would not pass it to anybody else. Leave me out of it. We need to think about a message to pass back to Homadi thru Gorba next week." (Poindexter PROF note to North, 25/16/86) **

In the course of informing Poindexter that he had passed Ghorbanifar's information to the Director of Central Intelligence and Clarridge, North told Poindexter that the Nicaraguan resistance

** At this time, Poindexter became concerned that North's "operational role" was becoming "too public. From now on," he wrote, "I don't want you to talk to anybody else, including Casey, except me about any of your operational roles. In fact you need to quietly generate a cover story that I have insisted that you stop." (Poindexter PROF note to North, 5/15/86, 21:21:58) North replied on May 15: "Done." (North PROF note to Poindexter, 5/15/86, 21:39:23)

now has more than \$6M available for immediate disbursement. This reduces the need to go to third countries for help. It does not, however, reduce the urgent need to get CIA back into the management of this program. We can only do this by going forward with the reprogramming proposal and getting the requisite authorities for CIA involvement. Unless we do this, we run increasing risks of trying to manage this program from here with the attendant physical and political liabilities. I am not complaining, and you know that I love the work, but we have to lift some of this onto the CIA so that I can get more than 2-3 hrs of sleep at night. The more money there is (and we will have a considerable amount in a few more days) the more visible the program becomes (airplanes, pilots, weapons, deliveries, etc.) and the more inquisitive will become people like Kerry, Barnes, Harkins, et al. While I care not a whit what they say about me, it could well become a political embarrassment for the President and you. Much of this risk can be avoided simply by covering it with an authorized CIA program undertaken with the \$15M. This is what I was about to say in the meeting today⁸⁸ and a point that I believe Shultz does not understand in his advocacy of Third [sic] country solicitation. I have no idea what Don Regan does or does not know re my private U.S. operation but the President obviously knows why he has been meeting with several select people to thank them for their "support for Democracy" in CentAM. In short, we need to proceed with the \$15M. Shall I work this up?

(North PROF note to Poindexter, 5/16/86) Poindexter authorized North to prepare a paper "for the \$15M reprogramming." (Poindexter PROF note to North, 5/17/86) He added: "I understand your concern and agree. I just didn't want you to bring it up at NSPG. I guessed at what you were going to say. Don Regan knows very little of your operation and that is just as well." (Id.) When North suggested that, before departing for Tehran, he and Poindexter have a quiet meeting with the Presi-

⁸⁸ An NSPG on aid to the Nicaraguan resistance was held on May 16. North attended.

dent and McFarlane, without papers, and that Poindexter might want to include the Secretaries of State and Defense and the Director of Central Intelligence. Poindexter responded negatively: "I don't want a meeting with RR, Shultz and Weinberger." (North PROF note to Poindexter, 5/19/86; Poindexter PROF note to North, 5/19/86)

D. Tehran: May 25-28, 1986

Notes made by the NSC Executive Secretary indicate that at the daily national security briefing on May 12, 1986, VADM Poindexter discussed with the President the hostages and Mr. McFarlane's forthcoming trip. The notes indicate that the President directed that the Press not be told about the trip. Notes made by the Executive Secretary on May 15, 1986, indicate that the President authorized Mr. McFarlane's secret mission to Iran and the Terms of Reference for that trip. Those notes indicate that the trip was discussed again with the President on May 21.

After the President approved the trip,⁸⁹ Poindexter relied on North to make arrangements. At the same time, he kept informed and made his views known. North's first plan required that the delegation stay in Israel for most of the weekend, May 23-25, and that Poindexter approve a request for aircraft. (North PROF note to Poindexter, 5/19/86, 12:03) Poindexter had

problems with this plan. An a/c request is too closely linked to what is happening. I don't see how we can use a military a/c. Why do you have to stay so long in Israel? I had in mind you would travel separately, RDVU [rendez-vous] in Israel at a covert location, and proceed to Iran.

⁸⁹ According to both the Maximum Version and Historical Chronology, the President approved the trip on May 15. (Maximum Version 7, Historical Chronology 11) McFarlane told the Board that, in his view,

the President was very moved by the hostage captivity and that is purely speculation. But I know that that was terribly important to him.

(The President met with the hostages [families] almost every time he took a trip. I remember one to Dallas, Indianapolis, Chicago, on separate occasions. And there would be a family or two, and they would come in and he'd meet with them, and it would be a very anguishing kind of a thing.

(McFarlane (1) 30)

(Poindexter PROF note to North, 5/19/86)

Late on May 19, North prepared a detailed plan

We will endeavor to do it any way you want but we are experiencing significant logs [logistics] problems which are considerably eased by the use of a military a/c which can deliver the people, communications equipment (classified SATCOM, beacons, etc.) and still provide a modicum of rest. The present plan includes the A/C as a part of the OPSEC in that RCM has reason to use such an A/C. . . . The same applies to a lesser extent to RCM. The following sched is what is driving us:

Weds; May 21

1000—Copp dep for final sched mtg w/ Gorba

1000—240 Items arrive for final packing/sanitizing by CIA.

Thursday; May 22

1000—240 items + 508 TOWs moved fm to Kelly AFB by CIA

1400—Commercial 707 (#1) arrives Kelly to load most of 240 items

30—Copp arr. Geneva

1700—Commercial 707 (#1) Dep Kelly for Israel w/ bulk of 240 items aboard

45—North Dep Wash. for London

2000—Copp Dep Geneva for Israel w/ 707 Special Crew for IAF 707 via Lear Jet.

Friday; May 23

0100—G-3 Dep Andrews w/ Cave, Teicher, CIA communicators (2) plus equipmt

0200—G-3 P/U RCM at Laguardia [sic] (speech that evening in NYC)

0230—Copp arr. Israel w/ 707 Spec Crew

1400—G-3 w/ RCM arrive Gatwick; P/U North

1400—Commercial 707 (#2) Dep Kelly AFB w/ 508 TOWs for IDF enr Israel

1400—Commercial 707 (#1) Arr Israel w/bulk of 240 items; commence xfr to IAF 707s prior to commencement of Sabbath.

Saturday; May 24

0800—G-3 w/ RCM; communicators & party arrive Israel—start rest period

1700—Commercial 707 (#2) Arrives w/ 508 TOWs & remainder of 240 items; complete xfr of 240 items to IAF 707s after sunset (end of Sabbath)

2200—IAF 707 (#A) w/ Copp special crew & RCM party dep Israel enr T.

2200—bulk of 240 items transloaded fm Commercial 707 (#2) to IAF 707 (#B).

Sunday; May 25

0830—RCM & party on IAF 707 (#A) arrive T. prepared for mtgs.

Monday; May 26

0800(?)—U.S. parties turned over to CRS or ICRC in Btr. [Beirut]

1000—IAF 707 (#A) Arrive T. w/ bulk of 240 items.

In the plan above all times are local. As indicated in earlier discussions we have had on this matter every effort is being made to preserve OPSEC. Because of real world constraints on what can fit in the a/c we will load part of the 240 on 707 #2 and they will be handled separately when they arrive in Israel w/ 508 IDF TOWs. We have tried to compartment the whole effort at . . . Kelly AFB so that no two work shifts at either location has a clear picture of what is being loaded out via the two commercial 707s. The same thing applies to the 707 aircrews (3 of them) which we are providing for this mission. No one crew knows about the other, nor will they see each other. For example, the crew that is going out with Copp to fly the IAF 707 (#A) w/ RCM & party does not know about the two 707s arriving fm Kelly. The only part of this operation that we are not doing ourselves is the CIA comms, beacons and documentation for the party. ALL other arrangements have been made through Copp or affiliates and if we have to, I suppose we can arrange to fly RCM and the communicators out on their own. Quite frankly, however, I do not see the vulnerability of using a military G-3 which will considerably ease our clearance problems given the hour of the day/night in which we are moving. We now have, I believe, a G-3 (or two) available which do (does) not have the usual USA marking on the side. Finally, the length of stay in Israel is not, in my opinion excessive, given the rather rigorous [sic] schedule we are attempting to accomodate. We are being driven by Sabbath requirements in Israel,

Ramadan in T. and an awareness that the situation for our four in Beirut looks more desperate by the day. In an effort to address all of these competing and conflicting concerns (to include the availability of commercial 707s, cleared special mission crews, and the peculiar demands of low profile work schedules at . . . Kelly AFB and in the IAF) we have had one hell of a circus. In short, the use of a military G-3 would provide a much needed respite from the havoc of trying to answer all of these issues all over again without further risking OPSEC. It can be done, but it would be much better if we did not have to.

(North PROF note to Poindexter, 5/19/86, 23:00:07)

Poindexter then wondered about using a CIA aircraft: what did the Director of Central Intelligence use when he travelled. (Poindexter PROF note to North, 5/20/86) North replied that CIA aircraft in the United States lacked the necessary range, and available CIA proprietary aircraft were overseas and lacked certificates necessary to fly in the United States. The Director of Central Intelligence used military aircraft, but that option, North wrote, "is in the realm of too hard." He proposed "to make other arrangements." (North PROF note to Poindexter, 5/20/86, 10:38:12) Poindexter noted that

It is not that it is too hard; I just don't think it is a good idea. Leaks at this point could be disastrous. This is different from other secret missions in that anybody that knows anything (or thinks they know something) connected with this mission will be sorely tempted to talk about it afterwards if it is successful. Let me know what you work out.

(Poindexter PROF note to North, 5/20/86, 14:10:03) Later on May 20, North sent Poindexter another schedule and itinerary for the delegation:

This further re transportation arrangements for RCM & party: Cave + Teicher + Communicators will depart IAD aboard Private (Democracy INC.) G-3, stops in NYC to p/u RCM. G-3 Proceeds direct to Rhein Main military airfield, cleared thru customs by CIA . . . North . . . picked up

in London by Lear 35 owned by Democracy INC. European subsidiary. Lear 35 drops North at commercial side of Rhein Main, North passes thru customs/immigration as Goode, proceeds to military side to rvs [rendez-vous] w/ RCM party. RCM party on arrival at FM offloads from G-3, transloads to CIA 707 (if available) or to chartered Swiss Challenger a/c for direct flight to Tel Aviv. Still having local point clearance problems for bringing G-3 into RM w/o customs/immigrations clearances. We are going to have to bring . . . Frankfurt into this to work out clearances. Will talk to him tonight via PRT-250 @ approx 0300. Shd have answer shortly thereafter . . . today provided recommended turnover points for hostages. We have sent one of our Democracy INC couriers to deliver flight schedule and turnover info to Gorba in London. Gorba scheduled to go to Tehran on Thursday [May 22]. Copp departure for Geneva/Tel Aviv postponed 24 hrs fm original schedule in order to complete coordination of RCM flight planning. North [sic] still on schedule to depart Thurs pm for . . . London. Complete ops plan and annexes being prepared for yr use during op. Will prepare in advance necessary paperwork and cables for dispatch of Hostage debrief team, Nightengale Medevac support and hospitalization alert for Wiesbaden-all of which wd be dispatched only when hostages are released. Will also have required checklist for alerting State to notify families, move same to Europe for reunion. OPLAN includes three sets of press guidance—appropriate to various circumstances which could occur on mission.⁷⁰ Finally, need guidance as to whether or not you want to predeploy. . . . It wd be good insurance if things get screwed up during/after turnover of hostages—particularly if turnover does not result in hostages being brought all the way to our embassy. All involved believe it is unlikely that Iranians can get them this far with or without help from

⁷⁰ Press guidance prepared covered the release of the hostages, the discovery of the mission to Tehran, and the holding of the delegation hostage. (North to Poindexter, "Hostage Recovery Plan," 5/22/86)

Hizballah. Most likely is release at one of the few Western Embassies remaining in W Beirut or at AUB Hospital. We also suggested the Military Hospital crossing on the green line as a possibility. At the afternoon planning mtg [C/NE] suggested that we look at the Finding again to determine whether we can sell certain items of hardware to IRAQ in concert w/ what we are doing in Iran. He believes that such a step wd add considerably to our leverage in the area if this activity is uncovered by the Sovs. I share his concern. Far too much is being said over the open telephone by Gorba for them to be completely ignorant. Finally, we have several policy issues which need to be addressed.

—RCM should be able to suggest to the Iranians that we are willing to put a permanent Comms unit (2 CIA) into Tehran to facilitate future exchanges of information — w/o a middle man/[sic]

—What do we do if they can only spring one two or three of the hostages after making a good faith effort?

—What do we do if, after 72 hrs, nothing happens?

These are the kinds of things I had envisioned for discussion in the private mtg w/ RR. At the very least, you shd talk to RCM about these things, preferably face to face. While we all expect this thing to go peachy smooth, it may not. RCM, is taking no small risk in this endeavor—just flying around the way we will have to. He doesn't have to take this kind of chance. I know that everyone is very busy, but it wd, in my humble opinion, be thoughtful if you can find a few minutes to discuss the issues above w/ him and say good by. While I'm confident he'll be back next week, I could be wrong and it might be a very long time before anyone sees him again.

(North PROF note to Poindexter, 5/20/86, 15:37:49) In the afternoon of May 22, North submitted to Poindexter an updated schedule for the trip. It did not materially differ from the versions prepared on the 19th and 20th.

The updated schedule was part of a package of materials North prepared. It included an

"Operations Plan," which defined the objective as: "To secure the return of four American hostages [Jenco, Anderson, Jacobsen, and Sutherland] who continue to be held by Hizballah elements in Lebanon." (North to Poindexter, "Hostage Recovery Plan," 5/22/86, Tab I, "Operations Plan") The "Concept" was: "Provide incentives for the Government of Iran to intervene with those who hold the American hostages and secure their safe release." (*Id.*) The CIA was responsible for delivering "supplies" to Kelly Air Force Base; providing an interpreter, communicators and their equipment, and travel documents; providing an intelligence briefing package, with photographs; "[f]und maintenance and test/calibration of two Phase I radars at Letterkenney, PA. Investigate availability of two Phase II radars from DOD/FMS channels"; provide a communications schedule, including frequencies; recommend site and conditions for the release of the hostages in Beirut. "Democracy Inc. Charter" was to provide two Boeing 707s to transport "supplies" from Kelly to Tel Aviv. "Democracy, Inc." would provide two vetted crews for the Israeli aircraft; a Swiss Air Learjet to transport Secord from Geneva to Tel Aviv on May 22; a "CANAIR Challenger for delegation airlift from Dulles to Ramstein AFB on Friday, May 23;" and six Blackhawk .357 magnums in presentation boxes. Secord would act as liaison by secure communications between the CIA/NSC and the delegation. The Israelis were to provide funds for 508 TOWs (to replenish Israeli stocks after the August/September 1985 transfers, (CIA/IC Chronology 24)); two black 707 aircraft for transport to Tehran; and a "liaison officer" to the American delegation.

NSC responsibilities constituted the longest list. They included the senior emissary; liaison with the White House; contingency press guidance; and arranging for the debriefing of hostages and the reunion of families, among other details. The Defense Department's role consisted of providing equipment and supplies "through intermediaries," transport for the hostage reception team and transportation in connection with the release of the hostages. The delegation would carry alias passports. There would be no rehearsal. (*Id.*) The schedule noted that McFarlane would board a CIA

proprietary 707 at Ramstein for the trip to Tel Aviv.

North's package also included "Terms of Reference" for the delegation. It had been printed at various times since the draft of April 4, but had undergone no material change since then. The "Terms of Reference" were boiled into an outline and talking points for the delegation.

The day North submitted his package, Ledeen saw Peter Rodman, Deputy Assistant to the President for National Security Affairs (Foreign Policy). Rodman wrote Poindexter that Ledeen

urge[d] that we use our Iranian channels as a vehicle for stirring up dissidence within Iran, rather than for (as he puts it) cutting deals involving arms for hostages.

Mike says his contact Gorbanifahr [sic] has access and influence with a dissident Ayatollah . . . as well as with disloyal elements spread throughout the military and the bazaars. There is great potential here. Mike feels, for a U.S. covert program to undermine the regime. He claims that both Bill Casey and Bud agree with this, and that it's a perfect program for Dewey Claridge's operation.

The obstacle, he says, is that we are following an alternative approach that is too much hostage to the hostage problem.

I said nothing to Mike, but I have to say that I have long had a similar concern that we might be gearing our policy too much to the hostage issue rather than to the strategic menace that the regime represents. The special one-page finding of a few months ago put the hostages in a properly subordinate place among our objectives—but in practice our approach seems to require a hostage release as an early token of good faith. . . .

Perhaps this is something for you to discuss with Casey, with Bud, and with Ledeen.

(Rodman to Poindexter, 5/22/86)

McFarlane recalled that Poindexter asked him to attend a briefing on the trip in the last week of May.

I was asked by the Admiral to come by and get my instructions that he said had been approved by the President—these were about four pages—the political agenda. Here are the political issues that you should develop and they dealt basically with our view of our interests in the Middle East, our view of Iranian conflicts with us and disagreements, basically—terrorism, the continuity of the war, the expansion of fundamentalist influence in other moderate regimes in the area, and, separately, our view of their vulnerabilities to the Soviet Union and our sense of milestones for dealing with specific issues that might over time get us toward a more stable relationship.

And I asked again. I said, is the Secretary of State and Defense, DCI, the President all on board with this. He said, well, they are involved in the preparation of these instructions. He said that, and they are involved in this decision, yes. The President has approved it. And then these instructions. The positions haven't changed. The Secretary of State is against the arms component of it, as is the Secretary of Defense.

(McFarlane (I) 33-34) McFarlane had the sense the instructions represented an NSPG "product." He was not aware that his aircraft would carry military equipment to Iran until he arrived in Tel Aviv. (Id. at 34)

McFarlane's delegation—McFarlane, North, Cave, Teicher, Nir, and a CIA communicator—left Tel Aviv for Tehran on May 25. Secord and one communicator remained in Tel Aviv. According to Cave, the Israeli government pressed for Nir's participation, and McFarlane ultimately decided to include him. (Cave 10) The aircraft carried a pallet of HAWK spare parts, which was loaded in Israel. The delegation also carried a chocolate cake from a kosher bakery in Tel Aviv — "more of a joke than anything else between North and Ghorbanifar" (Teicher 10)

McFarlane sent Poindexter two reports of the meetings; Teicher made detailed memoranda of conversations. McFarlane's first cable reported:

Delegation arrived Tehran Sunday morning. Absence of anyone to receive us for

over an hour and recurrent evidence anxiety ineptitude in even the most straightforward discourse makes it clear that we must take a step back from the history of the past 8 years and put our task in a different light.

It may be best for us to try to picture what it would be like if after nuclear attack, a surviving Tatar became Vice President; a recent grad student became Secretary of State; and a bookie became the interlocutor for all discourse with foreign countries. While the principals are a cut above this level of qualification the incompetence of the Iranian government to do business requires a rethinking on our part of why there have been so many frustrating failures to deliver on their part. The other reason for the several snafus has been the extreme paranoia that dominates the thinking of the political leadership here. More about this later. First let me debrief the meetings that have been held before giving you a sense of where and how fast matters can progress.

Once matters were sorted out at the airport, we were met by Gorba and [the official from the Prime Minister's office] taken to the Hilton Hotel and installed in the top floor along with considerable security (CI) people from their side. After a short rest we convened our first meeting at 1700 local Sunday afternoon. It was a foundation session in which we established that we acknowledged the Iranian revolution; had no interest or intention in trying to reverse it; indeed believed that a strong independent, non-aligned Iran was in the U.S. interest but that such a situation was unlikely to be possible in our judgement for a number of reasons. First, it seemed clear to us that the Soviet Union was prepared to go quite far to prevent an Iraqi defeat in the war and may well have ambitions vis a vis Iran that we would be pleased to discuss during our talks. For our part, we can envision restoration of a normal relationship with Iran but not under circumstances in which they work against our interests
WHETHEPPj\$1.u#ERRORISM [?whether by support of terrorism] or support for

subversion of our interests in Nicaragua and elsewhere.

Our interlocutors were [officials in the Iranian Prime Minister's office]; Gorba and one other functionary.

Their response to all this was on the whole expressed in a spirit of good will. "We are open to a stable relationship with the U.S. but it will not be easy to overcome a bitter history etc etc" but in a larger sense the central message to us was how uncertain, fearful and timid these third and fourth level officials were. Further, it has become more and more clear that while Gorba has brought us to the beginning of a dialogue with the GOI, he has done it with considerable hyperbole, occasional lies and dissembling. Our interlocutors' defensiveness was expressed through a diatribe about how we hadn't brought enough supplies and thus were acting in bad faith. This was easily rebutted and they were put on the defensive regarding their failure to produce on the hostages but it made clear the need to get beyond their level if we are to do any serious business here. The meeting ended on a harmonious note. They asked that we propose an agenda for today's meetings. We did so last night; basically an abbreviated statement of the TOR paper I reviewed before leaving. [page cut off] brought with us. We recalled them later in the evening and in no uncertain terms let them have it for Iran's breach of faith and insolent behavior that we expected to be corrected forthwith.

This morning, after apparently considerable internal to and fro on their side, [name deleted] was dispatched to apologize and to say that they wanted the meetings to succeed. (Late entry: beginning with our arrival and frequently since Gorba has continued to say "The hostages will be released and things are going in the right direction and don't worry" and other rhetorical irrelevancies.) [name deleted] also said that their leaders had designated an official with higher authority than they to come to meet with us this afternoon (Monday). I made clear that if he was coming to spend needless time discussing

the supplies or other forms of niggling that he could do so with the staff.

He arrived at about 9:45 tonight and lasted until just about 1:45 Tuesday morning. As it turned out this man [a senior foreign affairs advisor] was a considerable cut above the bush leaguers we had been dealing with. In the course of the 4 hour meeting it became evident that the three Iranian leaders—Rafsanjani, Musavi (Prime Minister) and Khamenei (President) are each traumatized by the recollection that after Bazargan met with Brzezinski in the Spring of 1980, he was deposed (so strong was popular sentiment against doing business with the Great Satan). Today the force of events and self interest has brought them to the point of realizing that we do have some common interests (vis a vis the Russians, Afghanistan and perhaps even against Iraq.) But they still cannot overcome their more immediate problem of how to talk to us and stay alive. But from the tenor of this last man's . . . statements, conviction and knowledgeable expression of what is possible in the way of a stable cooperative relationship, I believe we have finally reached a competent Iranian official—and that's good.

Nevertheless we cannot, in my judgment be swooned by serious dialogue without acts. Thus I did not meet with this man as a firm signal that although we have come to set in motion a sustained process, we must first set aside a number of obstacles—notably by the release of the hostages. This was forcefully stressed to [name deleted] tonight and we have received throughout the day periodic reaffirmations that steps are in motion, we are working on it, don't worry etc. etc. etc. With that in mind, when he comes back tomorrow to go discuss—the agenda, I intend to have him meet with the staff with perhaps an intervening summons for him to come visit with me to try to set some specific milestones for moving ahead. These would include: 1. An end to the extreme rhetoric on both sides (although we will call it as it is if there is a recurrence of terrorism against us) 2. The establishment of a communications capability between us

full time as soon possible. 3. The positioning on the ground here a technical expert to get us away from these endless exchanges of requests for items they don't need.

With regard to the hostages we have and will continue to make clear that their release is the sine qua non to any further steps between us. And if that has not happened by tomorrow night, they are aware that we will leave and that the balance of this shipment will not be delivered nor will any change to our stance be considered.

As to my judgment on where we stand, it seems clear that we are dealing with people at the top who: 1. Understand that they have an important interest in trying to establish a dialogue that leads to a measure of cooperation with us. 2. That doing so requires that they deliver on certain kinds of behavior e.g., release of the hostages and no further terrorist acts against us. 3. Are very fearful for their own vulnerability to factional attack if they are discovered in this dialogue before they can condition the people to a different perception of the U.S. 4. Are trying to run a country with almost no competent officials below the very top and need help.

So we are on the way to something that can become a truly strategic gain for us at the expense of the Soviets. But it is going to be painfully slow. As we proceed we cannot be gulled by promises of what will happen tomorrow—at bottom they really are rug merchants. But little by little we can make progress because it is a matter of self interest for both of us to do so.

I will give you a more thoughtful fill tomorrow after our meetings—it is now 3:35 a.m. local. I feel that we have entered a sensible process and finally gotten a competent interlocutor on the other side. If you have any special instructions before we meet tomorrow please let me know. Hope you had a nice weekend. Your guys are doing a fantastic job as is Cave and the communicator who is near death.

MEMORANDUM OF CONVERSATION
SUBJECT: U.S. - Iran Dialogue
PARTICIPANTS:

U.S.
Robert C. McFarlane
Oliver L. North
George Cave
Howard R. Teicher

Israel
Amiran Nir

Iran
[A Deputy Prime Minister]
[Assistants to the Prime Minister]
DATE: May 25, 1986
PLACE: Tehran, Iran, Independence Hotel
TIME: 5:15 p.m.

[The Iranian official] opened the plenary meeting. He said he was very happy to see the U.S. delegation here. Hoped this will be a useful trip with good results. Expressed regret for inconvenience at the airport. "Ready to begin negotiations and talks." After introducing his colleagues [the Iranian official] said the main purpose of this meeting is to prepare an agenda for other political discussions.

McFarlane expressed on behalf of the President his pleasure to be in Iran to start what the U.S. hopes will be sustained discourse. McFarlane made the following opening statement: "The President asked that I portray for your leaders U.S. goals, the basis of disagreements, and try to find common ground for cooperation. Perhaps I could propose a format for our exchanges. First a session for an exchange on fundamental issues. In such a session we could present our goals, the nature of the peace we seek in the M.E. and more broadly. We could then turn to how we see our responsibilities vis-a-vis the USSR, and what we see as important to U.S. security interests in other parts of the world. We can also describe how we see the history of U.S.-Iranian relations going back 10 years. In these talks, on bilateral matters, we would hope to make clear that the U.S. accepts the Iranian Revolution and has no wish or presumption of influencing it in any fashion."

McFarlane stressed "the U.S. hope that from this day forward, the U.S. and Iran can proceed where interests converge. No doubt there are elements of Iranian policy that the U.S. will disagree with. But it is important we understand the disagreements." After a general discussion of the global and bilateral agenda, McFarlane suggested that it might be useful for experts to exchange information, e.g., nature of Soviet intentions and capabilities in this part of the world. "I'd like to stress something at the beginning. Obviously we've had disagreements over the past eight years. But the U.S. recognizes that Iran is a sovereign power and we should deal on the basis of mutual respect, not intimidation. That's why before we begin high-level talks we put behind us hostage-taking which has occurred in the past. We are pleased that informal talks resulted in agreement on release of American hostages. Once that is completed we can begin serious talks. I want to stress our appreciation for your hospitality, especially during Ramazan [sic]. All of us are pleased to be here. This can lead to an historic new beginning."

[The Iranian official] replied that "he wanted to lay a groundwork regarding certain issues before meetings begin. This revolution was totally depending on God, independent Iranian power and unique ideology. These factors allowed this revolution to come into being. This revolution came to power because for years the nation was under dictatorial pressures. These pressures contributed to the revolution's success. I am sure you can feel how the nation and people think after so many years under pressure. Iran can now act freely. What do you expect from them now that they are free? I want to express a very important point. This revolution cost much blood. After so much blood, the people don't want hostility directed against them. The leader and the people expressed their will to look forward, not to the past. The key question to the past eight years may help explain why our relations were not good. We have a famous saying "Past is a mirror for the future." It is not the time to

discuss what went wrong over past five years, but I want to emphasize a few points. We don't want to align with East or West, but that doesn't mean we don't want relations. Iran had relations with the U.S.A. at first. But refuge for the Shah and interference in our internal affairs damaged relations. U.S. refuge for the Shah was bad but your military action was a demonstration of hostile intent. All the points combined led to break in confidence in U.S.G. To rebuild bridge of confidence will take time. We are moving toward this goal. Best proof and reason we are moving is informal meetings and your presence here in Iran. You know better than anyone that your presence here is most important development in this process. Believe we will reach this goal by fulfilling the necessary steps that have already been agreed to. I didn't want to review the past but I needed to mention the background."

Turning to the agenda, [the Iranian official] said he needs to make the agenda clear for Iranian leaders. "The first item should be U.S. goals in the area. The basic priority is to build a bridge of confidence. Both Iran and the U.S. must build confidence and trust. Once bridge of confidence is established then other priorities can be addressed and solved. We expect from you that the U.S. will supply physical support to Iran. U.S. support will be with us. This is best way to build confidence. For the U.S.A. to demonstrate that it is with Iran."

McFarlane welcomed climate of [the Iranian's] remarks. Bodes well for talks. "We agree that we should take advantage of certain measures that were agreed in the informal talks. Regarding the commitment of the U.S. to turn a page, this is expressed by my presence on behalf of the President. The corresponding commitment on the part of your government to put the past behind us is to use your influence to secure the release of captive Americans. They are not held by Iran but the captors are also subject to Iranian influence. Finally as an earnest showing of our good faith, we are prepared to transfer certain items which may be of assistance. We have

brought some of these with us. In virtually all cases we could handle via aircraft. If not, other items will follow as this sequence evolves. Perhaps we could start discussions tomorrow morning on goals. At the conclusion of this discussion, we could have specialized sessions on the Soviet Union and Middle East situation."

[The Iranian official] specified Soviet intentions, Afghan issues, Lebanese affairs, Middle East peace, Iran-Iraq war, Kurdistan. "What is your view about Iraq? It's regime?"

McFarlane said, "We are prepared to discuss all of those issues. Let us begin with a long session where we can make summary comments on each topic. Then later, when talking about Soviet capabilities, perhaps experts could meet. But the general threat and how to meet it can be done in a general session. In order to have clarity we can write out the agenda tonight."

[The Iranian official] changed the subject, stating that "for humanitarian reasons we have acted on your hostages. But we expected more than what came on the aircraft."

McFarlane answered that we could not bring it all on the plane. But the rest can be brought forward.

[The Iranian official] reiterated the humanitarian dimension, noting that "[Iran did not take these people captive."

North expressed U.S. gratification for Iran's humanitarian assistance. He asked what Tehran wants the U.S. Government to say about Iran's role. The U.S. does not want to embarrass Iran. But if the Iranian government would be served by a U.S.G. statement it can be made. "We hope this will happen in next few hours."

[The Iranian official] said that Iran took this step as a humanitarian act. "We started the process, but cannot forecast when it will happen. We can discuss this affair later. We expect anyhow to receive more items from you so that we will be in a better position with our leaders. I want to make this point very clear. Iran has been at

war for six years. Fao was a great accomplishment. We are expecting more equipment."

McFarlane stated that the agreement which was concluded will be fulfilled to the letter. "A bridge of confidence is a useful metaphor. I have come as an expression of good will. In addition to my own presence, we put items on the aircraft which can be brought forward. The corresponding act on your side, a humanitarian gesture, involves the release of our people. While separate and not related, these acts do contribute to mutual confidence. You have my word, the bond of my country, that we will fulfill our agreement."

[The Iranian official] replied that "what Iran expected is not here, but as a humanitarian gesture, Iran will send a delegation to Beirut to solve that problem while expecting Iranian logistics needs to be met." He emphasized that no one knows about the *McFarlane* team's presence in Tehran. The Air Force is suspicious since someone is still on the plane. [The Iranian official] suggested that he stay at the hotel instead.

McFarlane said, "we can't do that. Although his presence on the plane may complicate suspicions, he performs communications functions as well as logistics accountability. We can give instructions for him to stay out of sight."

[The Iranian official] said there is no problem with communications. But having him staying on board is a problem because he's at the military airfield.

McFarlane stated that "we need communications all the time. Otherwise there is no way to communicate with the President."

[The Iranian official] stressed there is a security problem with Air Force questioning. Turning back to substance, *McFarlane* said, "this is a good beginning. We do have much to do and very little time." He argued that the U.S. team's presence here should be kept brief for security.

[The Iranian official] opined that "everything depends on good will and restored confidence. But there are some things which cause doubt. We were told that one-

half of the equipment would be brought with *McFarlane*. You did not bring one-half. This behavior raises doubts about what can be accomplished."

McFarlane forcefully interjected to end the Iranian official's protests. "Let's be clear. I have come. There should be an act of goodwill by Iran. I brought some things along as a special gesture. So far nothing has happened on your side. However, I am confident it will."

[The Iranian official] apologized, stressing that he and his colleagues are not decision-makers. "We just give you a message and take your message. But we told our leaders that you would bring one-half of the items." S9307

North noted that the aircraft has weight and fuel limitations.

[The Iranian official] commented that some of the spare parts are used.

Angrily, *McFarlane* replied that "I have come from U.S.A. You are not dealing with Iraq. I did not have to bring anything. We can leave now!"

[The Iranian official] said that "We promised things to higher authorities regarding one-half of the items we purchased. Could you have told us it would only be one-fourth due to technical flight requirements? Now we will have internal problems."

[The Iranian official] stated that this problem can be solved in parallel with the other problem. A special delegation has already left to deal with the humanitarian problem. "We have all done what we should do. We respect our guests' need."

The meeting concluded at 7:00 p.m.

PARTICIPANTS:

U.S.
Robert C. *McFarlane*
Oliver L. *North*
George Cave
Howard Teicher

Israel
Amiram Nir

Iran

[A] Deputy Prime Minister
Assistant to the Prime Minister

DATE: May 26, 1986

PLACE: Tehran, Iran, Independence Hotel

TIME: 3:30 p.m.

North stated that "we are confused and concerned. We have tried for months to come to a point where we could talk government-to-government. Some in our government opposed. McFarlane favored. I was convinced that necessary arrangements had been made. We received President Reagan's permission to proceed. We have now been here for over a day and no one will talk with us. Where are we going? Nothing is happening."

[The Iranian official] replied that he wondered "why we came to this situation. We were both happy last night. Why are you now confused? We are working to make things happen. We have similar problems with our people, but don't see any insurmountable problems. I understand McFarlane is unhappy about something. I want to see McFarlane."

North spoke privately with McFarlane who agreed to see [the two Iranian officials] at 3:30. The meeting resumed at 3:30 with McFarlane. [The Iranian official] stated he is at McFarlane's service to solve his problems. "I want to remove obstacles. Sorry, I want to solve problems, misunderstandings, so they won't be repeated."

McFarlane said he was pleased to hear that [the Iranian official] was committed to solving problems. "My purpose in coming was to establish a basis of trust and after that to address important problems. Before coming, my President and I believed preliminary problems affecting mutual trust were resolved by the staff. On your part, bringing about the release of hostages. On our part, providing some defensive supplies. But upon arriving, I learned that the steps had not been taken by your government. That is disappointing. The more important purpose is to share with your Ministers how to restore a basis of trust between us. There are crucial matters related to the Soviet Union, Afghanistan and Iraq

that we should discuss. But we cannot begin to address these matters until preliminary problems are solved. Perhaps your government is not ready to deal with these larger issues. Maybe we should wait for another day. But I must depart tomorrow night. I would like to meet with your Ministers. But I cannot if preliminary problems have not been solved. I have no more to say."

[The Iranian official] said, "We seem to be moving in a positive direction. I hope we will overcome these problems. Yesterday we mentioned the Air Force problem. We are only concerned over leakage. There is no problem sending someone to the plane whenever they need to. We thought it understandable that you would go back and forth to communicate. On top of everything else, you are our guest and we respect our guest on top of all else. The delay at the airport was due to your early arrival. Our main problem is that we cannot inform staffs. Regarding your gifts, we held them for security reasons. We will bring them back now, same as passports. The delay is due to the difficult effort needed to make everything work out. At 4:00 p.m., a gentleman with higher authority will be here."

McFarlane repeated that "there are important things to discuss about the future. But this entire visit will surely provide us with indications of your commitment and good faith. So far the experience has not been a happy one. I am here to deal with larger problems. As soon as problems you are working on are solved, I am prepared to meet with your Ministers. No other meetings are necessary."

[The Iranian official] said he had no authority to decide on these matters. The important authority will arrive at 4:00. McFarlane said he would not meet the person. He came to meet with Ministers. The staff can meet this other person.

[The Iranian official] argued that the Iranians were having problems trying to arrange a Ministerial meeting. "We have to build up to that stage."

McFarlane said he did not want to interfere with [the Iranian official's] problems. "Work with my staff."

[The Iranian official] said his government had now appointed a high authority to follow up. This will help to open the stage.

McFarlane expressed his great disappointment. "We understand it takes time to make a decision to renew a dialogue with the U.S. But I must return to Washington tomorrow night. The preliminary problem in Lebanon must be overcome. I hope your Minister will come to my country next year. He will be received by my President. As I am a Minister, I expect to meet with decision-makers. Otherwise, you can work with my staff."

[The Iranian official] said at the start of relations, there are always misunderstandings.

McFarlane agreed, wishing the Iranians "good luck."

The meeting was ended at 4:00 p.m.

PARTICIPANTS:

U.S.

Oliver L. North
George Cave
Howard Teicher.

Israel

Amiram Nir

Iran

Senior Foreign Affairs Advisor
Assistants to the Prime Minister

DATE: May 26, 1986

PLACE: Tehran, Iran, Independence Hotel

TIME: 9:30 p.m.

[The Foreign Affairs Advisor] said he was very pleased to welcome the delegation in Tehran.

North stated that "we have a great opportunity to establish a relationship between our countries. There is a long history of unfortunate relations which cannot be forgotten in a minute. Men of good will have a chance to build a bridge of confidence. We may be able to work toward a common goal. Hope you've seen the proposed agenda. It provides a basis for discussion

between our leaders. There is a technical agenda as well. All contribute to this great opportunity. I explained our respective commitments and the process to the President. Perhaps we came prematurely, with our hopes too high. Our hope was to remove certain hurdles to a better relationship. We understand it is hard for both our countries. But we have acted in good faith. The key is in your hands. It is not easy to turn that key. Misunderstandings have occurred. We have put them aside."

[The Foreign Affairs Advisor] said "you did a great job coming here given the state of relations between us. I would be surprised if little problems did not come up. There is a Persian saying: Patience will bring you victory—they are old friends. Without patience, we won't reach anything. Politicians must understand this."

North thanked [the Foreign Affairs Advisor], noting that this shows the value of being able to talk. "There are factions in our governments that don't want something like this to succeed. This is why McFarlane grew angry when things didn't take place as I suggested they would. He took a risk urging our President to do this. There is great opposition to this project. We have to be able to show progress, not for personal reasons, but for the future. This is not a deal of weapons for release of the hostages. It has to do with what we see regarding Soviet intentions in the region. We accept the Iranian revolution and respect your sovereignty. Some people want to ensure that our countries find a common foundation for the future."

North continued that there are areas of agreement and disagreement. "What we had hoped was to agree on the direction for a dialogue between Iran and the U.S. Political decisions will be required. We may not agree this week or year. But this process must begin. It can begin in total secrecy, with certain non-political actions."

[The Foreign Affairs Advisor] asked whether the U.S. can keep a secret?

North said "We will try. But one of the greatest liabilities is a lack of secure communications."

Nir said there are ideas on this problem. It is a subject for technical discussions.

North offered to show the Iranians a device. "We can secretly put someone here. We know the Soviets are trying to find out what we are up to. We know the Soviets know a little bit about this and are trying to find out more. They will make a major effort to expose us. Our major hope is to pacify this opposition through technical [sic] measures. If your government can cause the release of the Americans held in Beirut, 10 hours after they are released, aircraft will arrive with HAWK missile parts. Within 10 days of deposit, two radars will be delivered. After that delivery, we would like to have our logistics and technical experts sit down with your experts to make a good determination of what is needed. We need a technical survey. It must be done very secretly. However, if we go home without setting aside obstacles, there will be new obstacles."

[The Foreign Affairs Advisor] asked which obstacles?

North replied, "The release of the U.S. citizens. You said it was difficult for us to come here. We also know it was difficult for you to invite us."

Nir said that the back and forth on arms has tested the patience of the President. Hostage release is important as demonstration of Iranian influence and good will.

[The Foreign Affairs Advisor] asked to hear about the U.S. perception of the Soviet threat.

Teicher summarized the Soviet military posture and threat around Iran. There are 26 divisions. The military districts in the Trans Caucasus have been reorganized and improved. Exercise activity has intensified with respect to military action against Iran. The Soviets are increasing the frequency of their cross-border strikes into Pakistan and occasionally Iran, while initiating a terror campaign in Pakistan. He stressed the im-

portance of beginning a dialogue on the Soviet Union for both Iran and the U.S.

[The Foreign Affairs Advisor] said, "there are training camps for Mujhadeen in Iran. Weapons and logistics support are provided. We are ready to send troops into Afghanistan. The Russians already complain about Iranian bullets killing Russians."

North asked if it would help to provide the Mujhadeen with TOWs?

[The Foreign Affairs Advisor] said the T-72 is not the best weapon against the Mujhadeen. Gas, napalm, and other criminal actions are their biggest problem. One million innocent victims. "Primary difficulty is not TOWs, though, we can cooperate with you in this area. The chemical warfare equipment is too developed. We need help curing wounded. Many die due to lack of first aid. Do you have anything more to say about Russians?"

Cave said we have eight hours worth of briefing materials.

[The Foreign Affairs Advisor] said he was ready for a detailed intelligence briefing, and agreed to the agenda without change. "We are ready to listen in all areas. Though we know we won't agree in every area, we will agree on some subjects. We have to bring up some subjects from the past, around the revolution. We don't need to discuss what came before. We believe that the United States Government from 1856 (one year before the revolution) made mistakes against all peoples. Our own belief is that our revolution is greater than the French or Russian Revolutions. There have been more changes. Today we feel many in the third world are thinking as revolutionaries like us."

"You see many pictures of Khomeini in the Afghan trenches,["] [the Foreign Affairs Advisor] continued. "He is their leader. We see the Imam's picture in South Africa, Lebanon, and West Africa. There are protests in Marrakesh. We didn't send this picture in the mail. We have no relations with Morocco that would allow us to give them the Imam's picture. The influence of this revolution has passed to many Moslems.

Islamic countries express themselves honestly. But there is bad propaganda against us in America and Europe. We have been victimized by more terrorism than anyone else. The President, Prime Minister, Minister of Justice, 10 percent of Parliament, clerics, and innocent, have all been killed by terror. What the Afghans are doing is not terrorism. But we don't call action in South Lebanon against Israel terror."

"We are against kidnapping," [the Foreign Affairs Advisor] said. "What happened here was exceptional. Because of one exceptional act we should not be considered terrorists. When we turn to the subject of our relations, there are many serious things to say. We saw past U.S. leadership trying to destroy all the bridges of confidence. We did not start confronting you. This was not the clergy, army, or [sic] party. It was the people. In such a revolution, there is no law and order. Not one drop of American blood was spilled one year after the revolution. American military advisors took all their belongings, as well as things they should not have taken. The memoirs of Ambassador Sullivan show it was a mass revolution. But the U.S. supported Bakhtiar, who confronted us harshly. We do not accept that. We did not see you sitting alone doing nothing. If there is only one other country in the world against the Soviets, it is Iran. We have a famous saying: Enemy of your enemy is your friend. You don't see it this way. Because we are neither east nor west, you are both pulling us. Neither the U.S. nor the Soviet Union likes independent states."

[The Foreign Affairs Advisor] said, "I am sorry to be so harsh. But I need to be frank and candid to overcome differences. We have the same problem that you have. Some here oppose relations with the U.S. I am happy to hear you believe in an independent sovereign Iran. We are hopeful that all American moves will be to support this dialogue. But we feel the whole world is trying to weaken us. We feel and see the Russian danger much more than you. You see the threat with high technology. We feel it, touch it, see it. It is not easy to sleep next to an elephant that you have

wounded. To weaken Iran does not mean the Soviets want Iran. It means they want to reach the warm waters of the Gulf. Our Gulf neighbors know this. We share thousands of kilometers of land and water border. If we are weakened, you can forecast what will happen."

After a pause, [the Foreign Affairs Advisor] continued, "When we accepted your team with McFarlane, it symbolized a new political development here. But there has been a misunderstanding. When we accepted his visit, it did not mean a direct dialogue would occur on the spot. It is too early at this stage."

The discussion adjourned for a watermelon break. Detailed discussion resumed over difficulty of spare parts delivery. [The Iranian official] said he would try to arrange for an Iranian 747.

[The Foreign Affairs Advisor] resumed the discussion of bilateral relations. "Our relations are dark. They are very bad. Maybe you don't like to hear it, but I must be outspoken. The Iranians are bitter. Many Iranians call America the Great Satan. The first revolutionary government fell because of one meeting with Brzezinski. As a government, we don't want to be crushed tomorrow. We want to stay in power and solve these problems between us. We should not insist on special issues or a Ministerial meeting. There was no agreement that when McFarlane led the team it would lead to Ministerial meetings. Let us turn the key in a way that will work. We don't see the release of hostages as the key. You all must know that establishing this dialogue is the greatest challenge. China, Russia, Lebanon are easy. If you wanted formal meetings, McFarlane would have been received differently."

North stated that he had told McFarlane that he would meet Speaker Rafsanjani, Prime Minister Mousavi, and President Khomeini. "I was told this would happen," North said. McFarlane and Kissinger made three trips to China to set up meetings for the President.

[The Foreign Affairs Advisor] asked why was McFarlane promised there would be Ministerial meetings?

North repeated that Ghorbanifar, in [George Cave's] presence, had stated that the U.S. team would meet with the senior leadership.

[The Iranian official] interjected that it had been previously agreed that North would come to Tehran to make arrangements and set the agenda. But North did not come. "We did not mention McFarlane. The last phone call did not mention Ministerial meetings. We did not agree to such meetings for McFarlane. We keep our word."

[The Foreign Affairs Advisor] said the Iranian side wants to solve the whole problem. "Iran does not just want to discuss spare parts. I want to state clearly, we do not encourage terror. Even the Imam officially condemned skyjacking. We accept that we have influence in Lebanon. Many Islamic groups in Lebanon respect the revolution. We sent a man to Lebanon. We are very hopeful that we can help you and solve this problem. By solving this problem we strengthen you in the White House. We are waiting for an answer. As we promised, we will make every effort. We are working right now. We hope to get you news about the situation tomorrow. We will finish the job without waiting for the other parts. Regarding the agenda, we are willing to discuss all the items you proposed, especially where we have mutual interest. Afghanistan, the Soviets, Iran-Iraq War, Lebanon. We are ready to discuss. We have some objections to your positions on some of these issues. I have been appointed to represent Iran in this dialogue. I hope this will be a good start."

North asked whether [name deleted] thought it was possible to convince those who hold the Americans to release them?

"I answered you," [the Foreign Affairs Advisor] replied. "They're difficult to deal with. But anything we start we are hopeful about."

North said if that succeeds, the other aircraft and other things would be delivered.

"Can a secret meeting be arranged with McFarlane and your leaders?"

[The Foreign Affairs Advisor] said he would have to wait or come back. "You can be sure that this will be conveyed. But 10 days is so early. We believe that after the hostages are free and the deliveries completed, there will need to be more positive steps."

North argued that he did not believe we should further the relationship with give and take. [The Iranian official] got bad advice. Some of the parts Iran asked for it does not need. "Why do you need twenty radars? You should fix your radars rather than buy new ones."

Nir said, "we need to deliver a system that would allow both sides to exchange technical data, advice, and information. A long-term system is required. Such a development can only be agreed at the top."

[The Iranian official] said Nir was right. But North said the U.S. already knows what is needed.

[The Foreign Affairs Advisor] said Iran worries about the Russians. "They have missiles that can reach Tehran, as well as high altitude jets. You can't compare quality and quantity of our weapons. But the will of the Iranian people is greater than the Soviet people. I myself have a sister with two sons who were martyred in the war. One body was not even found. Two others are handicapped. All four were volunteers. I have a young brother who was not accepted as a volunteer. He took his older brother's ID when he returned from Ahwaz. Martyrdom is great. We congratulate the family of martyrs with congratulations and sorrow. During Ramazan we ask God to let us be a martyr if we are to die. Ramazan is the night of fate and power. Russians sell their rifles and prisoners for cash. Such a Russian can't fight an Iranian. But if we try to get such technology to strike them they will not fight. Islam tells us to be strong to prepare to fight. Millions of Soviet Moslems listen to our influence. Many believe the Imam is their leader, not Gorbachev. They are real Mos-

lems. Secret groups in the Soviet Union print the Koran and distribute it. Their heart is on this side of the border. If we put aside nuclear power, we don't think Russians will take advantage of Iran. Of course everything is possible with these people."

[The Foreign Affairs Advisor] continued, "We appreciate and want to discuss everything with you. There is \$2.5 billion deal. No one knows what it is. Rafsanjani said officially Iran is ready to buy weapons from America. This was a very positive statement. We really find more confidence and trust in our discussions. We hope in this way we can have a general dialogue before we come to the technical level. We want TOWs, especially with technicians. Easier to operate than MILAN. We would appreciate your advice on F-14/phoenix and harpoon missiles. You know how our people face you in public. When the spare parts come on a large scale, the public will naturally know where they come from. The Air Force, land forces, Pasdarans will see. But they don't need to know about the dialogue, etc. Naturally, after some of this movement, our leaders could meet and accept this change officially. We rule on the basis of the people. We respect our people's will. This is our policy. The people hear the Parliament. Three sessions a week. We have to prepare the people for such a change. Step by step. We need to prepare the nation. Meetings between U.S. and Iranian leaders will take place publicly in this context. If you are serious about solving problems, I am sure official trips and high-level meetings will take place. The Imam has said we are ready to establish relations with all the world except Israel. But you have to remove the obstacles. This is why we are ready to discuss the agenda as you gave it with some changes. Speed up what has been agreed. You are a real superpower. I hope you don't mind being a superpower. You have much more capability. A few 747s can carry a lot in one day. We would be very pleased to discuss our specific needs."

Teicher asked why the meetings cannot take place now. "Rafsanjani has acted and

spoken in a way that indicates Iran could benefit from a dialogue. [The Foreign Affairs Advisor] just stated that the Imam said Iran is ready to establish relations with all the world except Israel. What is the problem?"

[The Foreign Affairs Advisor] explained that the leadership is affected by people and influences people. It is an interactive condition. "It's not whatever the Imam says. His word is accepted because he talks from the heart of the people. This is why the leadership of Iran is not something dogmatic. It is not a dictatorship, religious or otherwise. The leadership depends on wisdom of public opinion. After death of Brezhnev, Iran sent a delegation. The leadership was attacked by the nation for this act. No one went out to Chernenko's funeral. If you are serious, everything can be solved."

North said, "The U.S. wants to help Iran so others won't attack it. We need to work to broaden this understanding. I will urge McFarlane to meet with [The Foreign Affairs Advisor]. He doesn't always take my advice. Such is the fate of all advisors." North also asked the Iranian delegation to consider whether Iran would want the U.S. Government to express appreciation to Iran if four Americans go free.

[The Iranian official] said, "Understanding can lead to action."

[The Foreign Affairs Advisor] proposed reconvening at 10:00 a.m. on May 27 to review the agenda. "We should keep the Iranian experts out for now to keep the numbers small. Let us keep it political. We can decide later if experts are to be included. That agenda may be different. We will decide on a framework to implement what we agree to and how to establish secure communications. That will require high-level agreement."

The meeting ended at 1:50 a.m.

PARTICIPANTS:

U.S.

Oliver L. North
George Cave
Howard R. Teicher

Iran

[Senior Foreign Affairs Advisor]
[Assistants to the Prime Minister]

DATE: May 27, 1986

PLACE: Tehran, Iran, Independence Hotel

TIME: 10:00 a.m.

North expressed the U.S. team's gratitude that discussions can be continued. He noted that he had recommended that McFarlane meet with [the Foreign Affairs Advisor].

[The Foreign Affairs Advisor] said there was some news about the hostages. "We heard early. But I felt you were sleeping. There is a development which requires a decision. Our messenger in Beirut is in touch with those holding the hostages by special means. They made heavy conditions. They asked for Israel to withdraw from the Golan Heights and South Lebanon. Lahad must return to East Beirut, the prisoners in Kuwait must be freed, and all expenses paid for hostage-taking. They do not want money from the U.S. Iran must pay this money. We told them these conditions must be reduced. We can't make this work. We are negotiating. We are ready to pay for humanitarian reasons. We are negotiating other conditions. We are hopeful these negotiations will succeed."

[The Iranian official] complained that "only a portion of the 240 spare parts had been delivered. The rest should come. This is an important misunderstanding." (McFarlane called [the Foreign Affairs Advisor] down to his suite at this point in the discussion.)

North said, "The U.S. would provide the additional items on [the Iranian official's] list to the extend [sic] we can as soon as possible if they're still made. As soon as possible relates to funding. Even with countries where we have formal military ties, our law requires prior payment."

[The Assistant to the PM] opined that "many things are not written in law. In the same way we can finance your hostages you can find a way to finance our purchases."

Teicher explained how the U.S. Government sells military equipment, especially the interaction between the Congress and the President. "Our current sales to Iran are not following normal procedures and cannot be routinized."

Nir asked whether it might be agreed that "since the U.S. Government cannot deliver without advance payment and Iran cannot pay in advance, we will examine mid-term financial arrangement possibilities, such as Ghorbanifar and oil deals?"

On this note, the discussion broke up into separate lengthy corridor talks. After the Iranians departed, around noon, McFarlane stated that [Foreign Affairs Advisor] understood what steps Iran must take to restore U.S. confidence. But he referred to some sort of documents or letters held by Ghorbanifar. No member of the U.S. team was aware of these letters. McFarlane had emphasized that he must shortly leave, and that an opportunity for improved relations was being wasted. McFarlane said he would draft a MEMCON of his one-on-one discussion.

Lunch was served at 12:30 p.m.

Please deliver the following message from Robert McFarlane to Admiral Poindexter as soon as possible.

I have just completed a three hours one on one meeting with . . . the official designated by Rafsanjani/Musavi and Khamenei as their spokesman and whom I mentioned in my first cable which you received this morning.

It was a useful meeting on the whole. I say that in the sense that I was able to present a thorough foundation brief of our purposes and priorities internationally with specific explanation of our goals and intentions in the Middle East generally and with specific regard to Iran. I made clear that regarding Iran we sought a relationship

based upon mutual respect for each other's sovereignty, territorial integrity and independence; that we believed in non intervention in the affairs of all states (and expected them to do the same thing). I then developed a brief of our sense of the Soviet objectives in the Middle East which are to expand its influence so as to ultimately be in the position to disrupt the resource flows of the area and exploit its geography for self interest. It's instruments for achieving these goals are the radical Arab states. . . . The Soviets would go to considerable length to prevent Iraq from losing to Iran, for if they did lose, Soviet credibility would be catastrophically damaged in the area. We would expect the Soviets to give Iraq all the support they needed and if this were not enough, then they would pressure Iran directly with military force.

I went on to explain that our policy remained to seek an end to the war and not to favor victory by either side; in their case since we were concerned for what their larger purposes were in the Middle East. On the surface they appeared to us to be determined to expand their influence through the spread of Islamic fundamentalism, relaying (sic or sp) on the use of terrorism to achieve their purposes. Consequently, I stated that they should understand that we were not prepared to give them a level of arms that would enable them to win the war.

That said, however, we were prepared to enter a dialogue to determine where there might be common interests and that Afghanistan appeared to be a leading case in point. We would also want to discuss Nicaragua (and their support for the Sandinistas) as well as Lebanon.

Finally, I proposed a specific work program to try to inject a little momentum [sic] into the process. As a first item, I proposed that both sides lower the rhetoric toward the other (although we would continue to call it as we saw it if terrorist acts were committed against Americans by Iranians). As a second measure, I proposed that we commit now to a sustained political dialogue in an effort to bridge differences

here [sic] possible (even though some disagreements would remain eternal). This meeting should be secret but could take place within two weeks either here in Tehran or in a third country or in the U.S. Finally, I stated that since the Russians were no doubt monitoring the telephone calls that had been the basis of bringing us to this point, it would be wise to take direct secure means of communications and that could be done very easily. I also stated that while we could not envision providing a significant level of arms, that we might consider having a technician visit and remain on site to help them get more from what they have (as you know he listened attentively and then responded in low key fashion. Stressing that there are a number of areas where we have fundamental disagreements but also a number of areas where there are common interests. He went through the areas of disagreement but in a rather pro forma fashion. He then got to the clincher—their efforts to free the hostages in Lebanon. He reported that Hizbollah had made several preconditions to the release: 1. Israeli withdrawal from the Golan; 2. Israeli withdrawal from Southern Lebanon; 3. Lahad movement into East Beirut and 4. some (undefined) to pay the bills the hostages have accumulated. How's that for Chutzpah!!! He hurriedly added (before I unloaded on him) that "these demands are not acceptable and we are negotiating with them and believe that the only real problem is when you deliver the times we have requested."

I responded that I was glad to hear that his government wanted to solve problems and set a political dialogue in motion but that I had to say that the other matters he had stated led me to believe that such a dialogue would never get started at all. I then explained for him the history of how we have reached this point (bearing in mind that he has been getting only the Gorbachev [Tehran contact] versions). I then carefully recounted how in the course of the past year, we had negotiated agreements only to have them altered at the last moment or delays imposed which had led to an extremely high level of frustration on the

part of the President and that he had only reluctantly agreed to this meeting under a very clear and precise understanding of the arrangements. I then went over in detail what those arrangements were: 1. The U.S. would send a high level delegation to Tehran. They would bring with them a portion of the items they had requested and paid for (which we had done). 2. Upon our arrival, they had agreed to secure the release of the hostages promptly. 3. Upon release of the hostages to our custody, we would call forward the balance of items that had been paid for and those that had not been paid for would be dispatched as soon as payment had been received.

At this point he became somewhat agitated wanting to know just who had agreed to these terms. (I fingered Gorba and [his contact in the Prime Minister's office]). He stated that these were not the terms as he understood them. The basic difference was that they expected all deliveries to occur before any release took place. I stated firmly that while misunderstandings happen, I was confident that it had not been our side for we had two witnesses to the agreement. More importantly, however, regardless of misunderstandings, there was simply no latitude for altering the agreement at this time. Due to the tortured history I had recounted, the President had reached his limit of tolerance and that this visit was the last attempt we would make. My instructions were to return tonight to Washington. I stressed that we were prepared to call the other aircraft forward as soon as we received word that the hostages were released and even to do so within a couple of days after we had left if they were not released tonight but there was no possibility of changing the terms.

He was obviously concerned over the very real possibility that his people (Gorba and [his Tehran contact]) had misled him and asked for a break to confer with his colleagues. I agreed noting that I had to leave tonight. (Actually, I don't have to leave tonight but recognizing that we have been here for three working days and they have not produced I wanted to try to build a little fire under them.) Right now they are

under the understanding that we will all be leaving. They asked whether I could leave anyone behind and I said no.

Separately the rest of our delegations had been meeting to go over a letter that they had drafted which purported to show what we had agreed to in Frankfurt. This had been discussed last night as well, with Gorba basically, convincing an increasingly uncomfortable [Iranian official] that our interpretation was surely plausible to him. Ollie, Cave and Nir are all confident of their ground but understand the probability that Gorba or [the Iranian official] or both oversold their accomplishment.

At this point it is hard to know where this will lead. We have heard nothing from Beirut—have you? I tend to think we should hold firm on our intention to leave and in fact do so unless we have word of release in the next six or seven hours. I can imagine circumstances in which if they said tonight that they guarantee the release at a precise hour tomorrow we would standby, but not agree to any change in the terms or call the aircraft forward.

Please convince [sic] this to the President and we will proceed as directed. My judgment is that they are in a state of great upset, Schizophrenic over their wish to get more from the deal but sobered to the fact that their interlocutors may have misled them. We are staying entirely at arms length while this plays out. We should hear something from them before long! However, when you get word it may be best if you call me on the prt 250—Bob Earl can arrange it for you.

Warm regards to all.

PARTICIPANTS:

U.S.

Robert C. McFarlane
Oliver L. North
George Cave
Howard R. Teicher

Israel

Amiram Nir

Iran

[Senior Foreign Affairs Advisor]
[Assistants to the Prime Minister]

DATE: May 27, 1986

PLACE: Tehran, Iran, Independence Hotel

TIME: 5:00 p.m.

[The Foreign Affairs Advisor] began the discussion with a report from Beirut. "The last contact with our man in Lebanon reported that he was able to eliminate three demands: the withdrawal of Israel from the Golan, South Lebanon and the transfer of Lahad to East Beirut. The people who hold the hostages believe they can solve the world's hunger problem! We will solve the money problem. The only remaining problem is Kuwait. We agreed to try to get a promise from you that they would be released in the future. The only problem is that the men here are not in agreement. These documents are in Ghorbanifar's handwriting. This is what I told you about this morning. If there has been a mistake in our agreement, it is not our fault. Maybe Ghorbanifar made a mistake. The problem is very simple. The only thing to discuss is what comes first and what comes later. The intentions of the two groups, based on what's written here, leads me to believe that agreement should be possible. I think we can come to a final agreement since you are an important person in your country. We, like you, want to solve this problem and get on with it."

McFarlane said it is apparent the Iranians are making a determined effort to bring this problem to a conclusion. "I am grateful. This spirit, if it had been present in our first encounter, would have made clear we could reach some agreement. Unfortunately, we have reached this point after a year and three efforts where we thought we had an agreement. This has affected the President's view of our ability to reach an agreement. He kept trying due to his belief that there were larger problems we should turn to. This affected his faith in our ability to work together. So he was willing to try once more and he believed we had come to an agreement. But his instructions in

sending me here were that if this fourth try did not achieve results it was pointless to pursue an ineffective dialogue. I can understand that there may have been misunderstandings and I don't point to any bad faith. But my President's instructions are firm: without results we are to discontinue the talks. These are very firm instructions. All the items that have been paid for are loaded and posed for release the minute the hostages are in our custody. Their prompt delivery within 10 hours is our solemn commitment. With regard to the problem raised by the captors, the Da'Wa prisoners, it is much on our mind as it has been raised before. Our position is derived from our policy which respects all nations' judicial policies. We cannot ignore their process. I am sad to report all this. I respect what you said. I will report to my President but I cannot be optimistic."

[The Foreign Affairs Advisor] proposed a slight change, "Since the plane is loaded why not let it come. You would leave happy. The President would be happy. We have no guilt based on our understanding of the agreement. We are surprised now that it has been changed. Let the agreement be carried out. The hostages will be freed very quickly. Your President's word will be honored. If the plane arrives before tomorrow morning, the hostages will be free by noon. We do not wish to see our agreement fail at this final stage."

McFarlane underscored "how much I appreciated your statement of your country's opposition to hostage-taking. Such behavior is inconsistent with your country. Bearing in mind the possible misunderstanding, can we separate the issue? As a humanitarian gesture? We delivered hundreds of weapons. You can release the hostages, advise us, and will deliver the weapons."

[The Foreign Affairs Advisor] said, "OK." "But he (presumably Rafsanjani) would like for the staff to reach an agreement on what's been previously worked out. He wants your agreement for the staff to work

out an agreement. This will be a difficult task. Might be difficult to get it done tonight. Can extend you stay [sic]? Or perhaps just the staff. Perhaps if we can reach agreement on this the staff can stay and complete the work?"

McFarlane expressed appreciation for [the Foreign Affairs Advisor's] willingness to try to work out an agreement. "I will seek the President's decision. I cannot know what he will say. But I should say in his most recent communication he pointed out I have been here three days. It should have been enough. But I will report again."

[The Foreign Affairs Advisor] suggested trying to solve the problem as fast as possible. "We will try to do it in a manner that will please your President. Problems like this can only be solved at the last minute. With all the problems we have, we want to solve them in a good atmosphere. They call us liberals, but revolutionaries do not accept this. The staffs must reach a mutually acceptable solution, then the problem will be solved. Something is apparent in our letters. I am not blaming the staffs. We want to reach a new understanding."

McFarlane agreed to try, while noting that "staff agreements must be approved by our leaders."

The meeting ended around 6:00 p.m.

PARTICIPANTS:

U.S.

Oliver L. North
George Cave
Howard R. Teicher

Israel

Amiram Nir

Iran

[Senior Foreign Affairs Advisor]
[Assistants to the Prime Minister]

DATE: May 27

PLACE: Tehran, Iran, Independence Hotel
Time: 9:30 p.m.

North thanked [the Foreign Affairs Advisor] for returning the passports. He also stated that the plane needs gas.

[The Foreign Affairs Advisor] directed [the Iranian official] to take care of it.

North then presented the draft proposal for the evolution of relations, noting that "McFarlane is not pleased, but he gives Iran until 0400 to consider this proposal." ([Foreign Affairs Advisor] and his aids studied it. Their faces displayed anxiety. They each ask about the timing of deliveries. They repeatedly ask each other about the spare parts.)

[The Foreign Affairs Advisor] asks "How are we supposed to free the hostages by 0400?"

[The Assistant to the Prime Minister] acknowledged that they are in contact with those who hold the hostages. "We are negotiating. There is still a lot of work to do. We cannot make a final decision on when they will be released!"

North said he did not understand the timing problem. "With McFarlane earlier today you told us they would be free by noon."

[The Foreign Affairs Advisor] agreed he had said that earlier today. But it is now late. Our dispute is over the lack of complete agreement. What can you say about the [sic] held in Kuwait?"

North proposed a statement like: "The U.S. will make every effort through and with international organizations, private individuals, religious organizations, and other third parties in a humanitarian effort to achieve the release and just and fair treatment for Shiites held in confinement, as soon as possible."

The Iranians ask to think about the proposal.

McFarlane and [the Foreign Affairs Advisor] meet privately.

About 11:30 p.m., after more wrangling between McFarlane and [The Foreign Affairs Advisor], McFarlane concludes that they're just strung along. He gives the order to pack and depart. We discovered 15 minutes earlier that all day the plane was not refueled, leaving us semi-stranded. The pilot is now en route to refuel.

The meeting ends at 11:40 p.m.

PARTICIPANTS:

U.S.

Robert C. McFarlane
Howard Teicher
Oliver North

Iran

Senior Foreign Affairs Advisor

DATE: May 28, 1986

PLACE: Tehran, Iran, Independence Hotel

TIME: 2:00 a.m.

[The Foreign Affairs Advisor] asks for a delay until 6:00 a.m. They will get answer on the hostages by then.

McFarlane replies that if "you give us a time we will launch the aircraft so that it will land here two hours after the hostages are in U.S. custody."

[The Foreign Affairs Advisor] said he would be back in touch before 6:00 a.m.

The meeting ended at 2:10 a.m.

PARTICIPANTS:

U.S.

Robert C. McFarlane
Oliver L. North
George Cave
Howard R. Teicher

Israel

Amiram Nir

Iran

[Senior Foreign Affairs Advisor]
[Assistant to the Prime Minister]

DATE: May 28, 1986

PLACE: Tehran, Iran, Independence Hotel/

Mehrabad Airport

TIME: 7:50 a.m.

The Iranian official appears at 7:50 a.m. Regarding the hostages, he says, "they think two can get out now but it will require 'joint action' on the other two." *McFarlane* says, "It is too late. We are leaving."

[The Foreign Affairs Advisor] arrives at 8:00 a.m. He repeats the proposal made by [the Iranian official]. *McFarlane* tells him it won't work. "You are not keeping the agreement. We are leaving."

They try to slow us down but McFarlane has made up his mind. By 8:00 a.m. we are on our way to the airport.

As we board the aircraft [the Iranian official] pleads, "Why are you leaving?" *McFarlane* told him to tell his "superiors" that this was the fourth time they had failed to honor an agreement. The lack of trust will endure for a long time. An important opportunity was lost." We left Tehran at 8:55 a.m.

These memoranda were distributed to the State and Defense Departments, CIA, and JCS in December 1986. (Teicher to McDaniel, 12/11/86.)

George Cave, using his alias "O'neil", also made a record of the meetings. He noted that

Tuesday was a day of marathon negotiations with the Iranians stalling for time and trying to get the most out of the American delegation. The American delegation stuck by the terms of the original agreement and insisted that after the terms of the Frankfurt agreement were met, we would meet and discuss in detail their needs and the outline of our two countries' future relations. The American delegation proposed a specific timing for a subsequent meeting. During the late afternoon it was agreed that the American team would draw up an agreement which would be discussed later in the evening. To save time O'neil began working on a translation which was later completed by he and Gorba.

During Tuesday's negotiations, all the demands of the hostages holders evaporated except for the demand for the release of the Shi'ite prisoners in Kuwait. Goode [North] handled this part of the negotiations by firmly stating that the United States would not interfere in the internal affairs of Kuwait, particularly in an instance where Kuwaiti due legal process had been carried out. We would however seek to better the condition of the Shia prisoners through the good offices of international organizations such as the Red Cross and the Red Crescent. Goode warned that as far as the well being of the Shi'ite prisoners in Kuwait was concerned, there had

better not be any more terrorist activity directed at the Royal family in Kuwait.

The draft agreement was the subject of intense negotiations with the Iranians making some counter proposals which were designed to gain them more time. Talks broke off around midnight with the Iranian delegation saying it wanted to caucus. For the next two hours, heated discussions were held within the Iranian delegation. [The Iranian officials] both said that the other would be responsible if nothing comes of the negotiations. Finally, shortly before two on Wednesday morning, [the Assistant to the PM] asked to see McFarland [sic]. He wanted assurances that we would deliver the remaining spare parts two hours after the hostages were released, and would stay after the arrival of the spare parts to discuss additional Iranian needs. He also asked for more time to get control of the hostages. McFarland gave [the Assistant to the PM] until 0630 wednesday [sic] morning to arrange for the release of the hostages. The American delegation retired to grab a couple of hours sleep knowing that we had at least out-frazzled them.

Cave's account terminated with the last conversations before the delegation returned to Israel. Washington reported before they left that it had seen no evidence that "the hostages were about to be released or that anything unusual was taking place." (*Id.*)

The agreement drafted during the evening of May 27 provided:

On this twenty seventh day of May 1986 and the sixth day of Khordad in the year 1365, the Government of the United States of America and the Government of the Islamic Republic of Iran, in a spirit of mutual understanding, and recognizing the importance of building respect, trust and confidence hereby agree to the following sequence of steps designed to lead to a new era of bi-lateral relations:

(1) The United States Government will cause a 707 aircraft to launch from a neutral site at 0100 in the morning to arrive in Tehran, Iran at 1000 on the morning of May 28, the seventh day of

Khordad. This aircraft will contain the remainder of the HAWK missile parts purchased and paid for by the Government of Iran, a portion of which was delivered on May 24.

(2) The Iranian Government, having recognized the plight of the hostages in the Lebanon, and in the spirit of humanitarian assistance, agrees to cause the release and safe return of the living American hostages and the return of the body of the deceased American and that this release will be completed not later than 0400 Tehran time.

(3) It is further agreed by both sides that if by 0400 Tehran time, the hostages are not safely in the hands of U.S. authorities, the aircraft with the HAWK missile parts will be turned around and will not land in Iran and the U.S. delegation will depart Tehran immediately. If, however [sic], the hostages are released at 0400, as indicated above, the U.S. delegation will remain in Tehran until 1200 Noon on May 28, 1986.

(4) The Government of the United States commits to deliver to Bandar Abbas, Iran, two phase one IHIPIR radar sets, fully compatible with the HAWK missile system now in the possession of the Iranian government. This delivery to take place after the arrival of the hostages in U.S. custody and within ten days after the receipt of payment through existing financial channels for these radar systems. It is further agreed that the government of the United States will make every effort to locate and identify those items from the original list of 240 parts which were not immediately available, and to provide those available as soon as possible after payment is received and the hostages are in U.S. custody.

(5) Both Governments agree to a continuation of a political dialogue to be conducted in secrecy until such time as both sides agree to make such a dia-

logue public. It is agreed by both sides that this dialogue shall include discussions on the Soviet threat to Iran, the situation in Afghanistan, Nicaragua, and other political topics as may be mutually agreed. Both sides agree in advance that these discussions will include consideration of further defense needs of Iran.

(6) Both Governments recognize that the lack of a clear channel of communications has contributed to misunderstanding and confusion in the past and agree that this problem is best resolved by having the United States provide a secure channel of communications between our two governments by placing a secure satellite communications team, and appropriate equipment secretly in

Tehran. The Government of Iran agrees that the U.S. communicators will be accorded normal diplomatic privileges and immunity on an informal basis and without attribution.

Cave's report ended with comments and a recommendation, including:

2. It is quite possible that the Iranian side was negotiating under the impression that we were only interested in a deal for the hostages. This would explain why they tried so hard to get us to do more in exchange for the hostages, i.e., the 20 hawk [sic] batteries and 18 additional hipar radars. It was therefore a good idea to leave a translation of the draft agreement with them as it will give them something to chew on. McFarlane issued a stern warning that we are getting fed up with overtures [sic] from them that don't pan out. We are interested in a long term political and strategic relationship, and if Iran does not pick up on this opportunity it may be years before there is another one.

3. Ramadan was certainly a factor in how the negotiations went. also [sic] the problem caused by not being able to see anyone in a position of power. The people we were negotiating with were a couple of rungs down the ladder. The fact that [the Iranian official's] breath could curl rhino

hide was no help either. On the positive side was the change in the attitude of the Iranian delegation. By tuesday [sic] they were begging us to stay.

4. We also may have the problem of the dishonest interlocutor. The Iranian side made it clear that one of the problems in our negotiations was the fact that prior to our meeting, Gorba gave each side a different picture of the structure of the deal. O'neil made the point to [the Assistant to the Prime Minister] that the letters they received [sic] were from Gorba, not the U.S. government. We will have to lean heavily on Gorba in the future.

5. Since both Gorba and [the Iranian official] stand to make a lot of money out of this deal, they presumably will work hard to bring it off. Gorba has very special reasons for seeing that the deal goes through. The serious problem we must address is whether the Iranians can gain control of the hostages. The French don't think they can. This could be our real problem. The Iranian side may be most willing, but unable to gain control.

RECOMMENDATION

Through hindsight it would have been better for Goode and O'neil to have gone in first to handle the initial negotiations. We should not have subjected a senior U.S. official to the indignities he was forced to endure. We have made the point to the Iranians that the draft agreement must be finally negotiated by senior responsible officials from both sides. If we have a subsequent response from the Iranian side it is strongly recommended that Goode and O'neil meet with the Iranian side somewhere in Europe to continue the negotiations.

(May 1986 Hot Docs.)

E. Post Mortem

Most American accounts of the meetings conform more or less faithfully to the contemporaneous written record. Ghorbanifar's account is different.

According to Ghorbanifar, the meetings started badly because they were inadequately prepared. Ghorbanifar proposed that North and he go to Tehran first to prepare the way. The Americans refused. (Ghorbanifar 161) Ghorbanifar's Iranian interlocutors were incredulous at the notion that McFarlane would arrive without preparation, but agreed to welcome him "if he comes with the whole of what he has promised to come here, the spare parts, okay." (*Id.* at 162. *See also* 168)

The American delegation arrived two hours earlier than Ghorbanifar thought they would; as a result, they waited an hour and a half at the airport until the Iranian officials arrived. (*Id.* at 163-64) From the beginning, the Iranians were disappointed that the Americans had brought less than all the spare parts alleged to have been promised. Ghorbanifar recalled that the Americans raised the hostage question as something to be resolved before progress could be made on other subjects, and that this condition was mentioned for the first time since February. (*Id.* at 165-66) Ghorbanifar stressed that McFarlane's arrival and treatment were remarkable in light of the recent history of Iranian-American relations and the fate of Iranian officials such as Barzagan who met with American officials. They discussed cooperation against the Soviet Union, which also was remarkable. This fact contradicts, Ghorbanifar said, the image of the meetings conveyed in the press as negotiations about an arms-for-hostages trade, facilitated by self-interested arms traders. (*Id.* at 166-68)

Ghorbanifar remembered that Ayatollah Khomeini approved the meetings, and that he, Ghorbanifar, arranged for the head of the Majlis foreign relations committee to meet McFarlane. According to Ghorbanifar, "the Parliament is everything in Iran, the Majlis, and he is the number one for foreign affairs." (*Id.* at 169) This man urged McFarlane not to press the Iranians, but to give them time

that we cook the way we want the Ayatollah Khomeini to pave the ground for this, to make it ready, prepare for him. Don't push him. From the first place, Mr. McFarlane was insisting on we have nothing to discuss and nothing is going on to get to this agenda if the whole four American hostages are not released. . . . He waited one day. I pushed the Iranian side every

day. Do something. He is here. You will have to save his face.

After three days the man came to him and said, Mr. McFarlane, I have good news for you. We accepted the whole agenda, approved that we go and we coordinate. And the good news to that is this: we prepared the old man. Everything is ready right now. It was seven in the evening, and I have six witnesses—Mr. Nir, Mr. North, Cave, and the other gentleman and myself.

(*Id.* at 170-71) The Iranian said the Lebanese were proving difficult, but that it was possible to arrange the immediate release of two hostages

Ghorbanifar remembered that McFarlane stormed out of the room in response to this message. Nir and North eventually persuaded him to return. Despite the pleadings of the Iranians and what Ghorbanifar described as the "panic" of Nir and North at McFarlane's behavior, McFarlane behaved as if he were giving an ultimatum, Russian-style. (*Id.* at 171-73) The Iranians continued to plead; the Majlis foreign affairs expert said Khomeini had agreed to release the hostages first, but McFarlane

said no, if by six o'clock all the hostages are not out, I leave. He says, okay, take two now and give us another day. No. And he left at six o'clock. And, believe me, I saw the tears in the eyes of North, Nir, and everybody.

Why he did so? I know why. I tell you why. Number one, he had \$15 million in his pocket. We were a hostage to him. Number two, the Iranians, they are not real politicians. The people came to him. They were so soft and they were so open to him; they explained to him deeply how they are in disaster. They need the help of the United States financially—I mean the support-wise, logistic-wise, military-wise. And he is a smart guy.

He found out that in such a catastrophe and that situation they are. They are really in need of it. And, besides that, he says what the hell is this. I know now all the big shots. I have their telephone number. We have relation. We go out. We have the money. We have them. We know their

need. They will follow. Who needs this man, middle man? Who is he?

So he checked out and he left. And they left the poor guys alone in Tehran. I stayed one day, two days in Tehran. I told them this issue is so big that nobody can leave it on the air. Let me go and talk to them and finalize what I can do. But there is no way I can do unless you do something. First we have to do something.

(*Id.* at 173-74)

McFarlane's recollection corresponded to his contemporaneous record. In addition, he noted that the Iranians confiscated the pallet of spare parts, but that no additional delivery was made because no hostage was released. In Israel on the trip home, McFarlane was disappointed.

North said well, don't be too downhearted, that the one bright spot is that the government is availing itself of part of the money for application to Central America, as I recall, although I took it to be Nicaragua.¹¹

After returning to the United States, Cave remembered evaluating the situation. "It was quite clear that Ghorbanifar was lying to both sides in order to blow this deal up as big as he could." (Cave 24) Cave learned from the Tehran trip that the Iranians had less control over the holders of the hostages than the Intelligence Community believed. He also concluded that the Kuwaitis held the key to the hostage problem. American hostages would not be released until Kuwait released the Dawa prisoners. (*Id.* at 41-42).

VIII. The End of the Beginning: June-July 1986

When McFarlane's delegation returned to the United States, nearly a year had passed since the NSC staff formally floated the idea of con-

¹¹ According to the CIA Inspector General, during the meetings Ghorbanifar told Cave the price of the weapons quoted to the Iranians was \$24.5 million, and asked Cave to say "the price is right." The Iranians asked Cave to inform North, and together they asked him about it. Nir told them: "Don't worry, it involves other deals, and that there are enormous expenses in this operation." Cave had the impression that McFarlane could "care less about the pricing discrepancy." (CIA/IG Chronology 26) (McFarlane (1) 42) C/NE recalled that the spare parts cost the Americans \$6.5 million, but that the Iranians were charged between \$21 and \$24 million (C/NE (1) 10-11)

tacting Iranian political factions through the medium of arms. In that time, Israel and the United States sold Iran 1,508 TOW missiles, 18 HAWK missiles, of which 17 were returned, and some HAWK spare parts. In addition, the United States had provided Iran with briefings on the U.S. perception of the Soviet threat and the Iran-Iraq War. The NSC staff's involvement had been ancillary at the beginning; as time passed, the staff increasingly influenced, and then directed the operation.

All those involved hoped that these transfers would lead to the release of Americans held hostage in Lebanon and form the basis for a new relationship with Iran. In this period, one American hostage had been released, and at least one had died in captivity. Whether a new relationship was being formed remained (and remains) to be seen.

A. Aid to the Nicaraguan Resistance

In the late spring, 1986, the Administration directed its energy to persuade Congress to fund the Nicaraguan resistance. Absent Congressional appropriations, the Administration looked to third countries to help the resistance pay its bills. The Assistant Secretary of State for Inter-American Affairs told the Board:

[B]y spring [1986], we were running out of money. The \$27 million was running out. It ran out about in June or July, and at that point, it was also clear to us that though both Houses [of Congress] had voted the hundred million, we weren't going to get it that fast.

We knew we'd get it before or believed we'd get it before the adjournment. But, in any event, we were out of money.

It was at that point that we made a solicitation to another government for a kind of bridge to extend the \$27 million until we had the \$100 million.

...

We had discussed in the department [of State] on several occasions whether we should utilize the authority which we believe we had to go to a third government. I don't remember the dates of those discus-

sions, but the Secretary's staff has those dates. I mean, there are notes of those discussions. It was in the spring—March, April, May, starting—as authority to obligate the \$27 million ran out March 31. After that, we were dealing with the pipeline, which we knew would last about two months, ten weeks, something like that.

I got actual authority to go ahead and make a particular solicitation in July, as I recall it. There is cable traffic on this. It was from the Secretary, and we sent a cable—this was done through the embassy in that country—saying do you think they'll give, and there was a sort of back and forth with the Ambassador. The Secretary decided that we should go ahead and make the request, which I then did.

The actual solicitation was made by me, not by the Ambassador, in London, meeting with an official of that government.

They ultimately said yes.

Let me back up a step.

Before I went off and made the solicitation, it was clear that they might say yes. They, after all, agreed to meet us on a matter of highest importance. I don't know whether they knew what it was going to be, but it was certainly plausible.

So, we needed a place to put the money. When [sic: What] I did was to go to [the] head of the Central American Task Force at CIA and say—and I must say that I am relying on his memory of this as I don't remember this conversation. But I asked him about it a couple of weeks ago, and so, this is his account of it.

It was so how do I do this? I mean, can UNO, the Nicaraguans, the Contras, can they set up an account? How do we do this?

He said yes, he would pass a message to them to set up an account, which would receive any money, the number of which I would give to the foreign official, and then that would be the place that they would receive the money.

Chairman Tower: Set up an account where?

Mr. Abrams: It didn't matter to me, and I think—I don't actually know the answer to that any more, but there are records that the CIA has—I believe the answer is Panama. Actually, they dispatched, a message was passed to an official of UNO, "Go open an account," because there may be some money being put in it.

So they did that.

I asked the same question more or less the same day, probably even the same hour, of Ollie North—what do I do here? I think there may be some money coming in for the Contras, can we set up an account?

Again, I don't have much memory of that conversation either, and I haven't asked Ollie for obvious reasons. So I don't know what his memory, if any, is of that.

At any event, at some point later, like a week later, probably, both of these guys gave the index cards with an account number and the name of the bank on it.

I then went to Charlie Hill, who is the Executive Assistant to Secretary Shultz. . . . Well, for the account number which was given to me by Ollie North, [the bank] was Credit Suisse, in Geneva. . . . To continue, I went to Charlie Hill, who is Executive Assistant to the Secretary and said now what do I do? I asked both these guys and they both came up with accounts.

So Charlie and I kicked it around. This was the first week in August, as I recall. We decided to use the account number that been provided by Ollie, on the grounds that it looked, oddly enough in retrospect, kind of cleaner because we were unsure, first of all, whether this account had any relationship to any other Agency account. We wanted a separate account. And, I would have to say there was probably some institutional rivalry there, that is, this is something State was doing, why should we get the CIA involved in the distribution of funds, because I don't know who was a signatory for that. I still don't—for that account.

* * *

I then gave the account number that Ollie had given me to this foreign official.

(Abrams 3-7)

According to the head of CIA's Central American Task Force, the Nicaraguan resistance started to incur debt after they used up the \$27 million; by the middle of July 1986, that debt amounted to over \$2.5 million. (H/CATF 38) This CIA official told the Board:

In early August of 1986, when we were seeing this debt problem, which had been a focal point of discussion, saying my God, the resistance is going to run out of money and they are going to start starving to death; we ought to get this law passed. We knew we weren't. We were running into summer recess, even though both chambers had passed the bill. And we had a number of discussions about how are they going to survive for the next three months.

The obvious answer was solicit some money from someplace. So State Department, who had the writ and the charter to do that, went out and looked at the possibilities and came up with Brunei, obviously. One day I got a phone call on Thursday from Elliott [Abrams] saying we have a possibility to solicit some money from the Sultan of Brunei. Only the Secretary and I are aware of it. I am going to be making a trip. How should we deposit this money? How should we handle it?

And I said, well, the best way, the mechanisms that I would prefer to use, which are an Agency-controlled bank account and so on and so forth, are not—the other mechanisms are too hard to start up. The best way to do it is to get the resistance forces, one person in particular in whom we have complete trust and confidence, to open a bank account, and you put the money in a bank account and make him accountable to you for how it's used.

And he said that sounds like a good idea. I'll open a bank account. So I got hold of this particular individual and asked him to open a bank account in the Bahamas. I wanted to stay away from Cayman Islands and Panama. And he did open up a bank account and had it co-signed with his fi-

nancial officer. And I gave Elliott the account number. And that's all.

I subsequently asked the individual if any money had been deposited and asked Elliott if he thought the mission had been successful, and the answers to both were, Elliott, I don't know, and to the individual, he said no, no money has been deposited. We subsequently checked and no money was deposited in that account.

And that's the last I thought or heard of it until . . . I received a phone call [from the Deputy Director for Operations] saying, my God, did you give Elliott a bank account in Geneva. And do you have a private bank account in Geneva? And I said no, who are you talking about? Well, the FBI says that you gave Elliott a bank account in Geneva, to which Elliott deposited \$10 million from the Sultan of Brunei, which is missing.

And I said, wait a minute, something's badly wrong here. That was the first time I knew that Elliott—then we got it sorted out after about a few hours of almost frantic phone calls, and it was the first I knew that Elliott apparently had gotten another, allegedly had gotten another bank account from Ollie North in Geneva.

General Scowcroft: He didn't tell you he was not going to use your account?

[Head of Central America Task Force]: No, he never told me that. That probably left me as speechless as anything in this whole endeavor, that that \$10 million which we sorely needed and still do need—I mean, it would be the margin of comfort even in today's operation—went into a bank account in Geneva and disappeared. It just left me dumstruck and still does. I still find it hard to believe.

(H/CATF 44-47)

On June 10, 1986, early in the process thus described to the Board, North wrote Poin-dexter:

Hopefully you have by now been informed that UNO/FDN safely released the eight West Germans this evening just before dark at the religious commune at Presillas.

Franklin is headed North in attempt to get across the Rama Rd before the Sandinistas can close in on him. At this point the only liability we still have is one of DEMOCRACY INC.'s airplanes is mired in the mud (it is the rainy season down there) on the secret field in Costa Rica. They hope to have it out by dawn. On a separate but related matter: The reason why I asked to speak to you urgently earlier today is that Ray [?Burghardt] called Elliott Abrams regarding the third country issue. Elliott has talked to Shultz and had prepared a paper re going to [other third countries] for contributions. Elliott called me and asked "where to send the money." I told Elliott to do nothing, to send no papers and to [sic] talk to no one further about this until he talks to you. He is seeing you privately tomorrow. At this point I need your help. As you know, I have the accounts and the means by which this thing needs to be accomplished. I have no idea what Shultz knows or doesn't know, but he could prove to be very unhappy if he learns of these others countries aid that has been given in the past from someone other than you. Did RCM [McFarlane] ever tell Shultz?

I am very concerned that we are bifurcating an effort that has, up to now, worked relatively well. An extraordinary amount of good has been done and money truly is not the thing which is most needed at this point. What we most need is to get the CIA re-engaged in this effort so that it can be better managed than it now is by one slightly confused Marine LtCol. Money will again become an issue in July, but probably not until mid-month. There are several million rounds of most types of ammo on hand and more (\$3M) worth on the way by ship . . . Critically needed items are being flown in from Europe to the expanded warehouse facility at Ilopango. Boots, uniforms, ponchos, etc. are being [sic] purchased locally and Calero will received \$500K for food purchases by the end of the week. Somehow we will mollify the wounded egos of the triple A with not being able to see RR. We should look to going back to a head of an allied government on the blowpipes if we are going to do anything at all about outside support in

the next few days, and I wd love to carry the letter from RR . . . if we are going to move on something. Meanwhile, I wd recommend that you and RCM have a talk about how much Sec Shultz does or does not know abt [third country assistance approaches] so that we don't make any mistakes. I don't know [one of those governments] knows since Fred never told me. At this point I'm not sure who on our side knows what. Help.

(North PROF note to Poindexter, 6/10/86, 23:21:54) Poindexter replied:

Out of the last NSPG on Central America Shultz agreed that he would think about third country sources. I wanted to get an answer from him so we could get out of the business. As I understand the law there is nothing that prevents State from getting involved in this now. To my knowledge Shultz knows nothing about the prior financing. I think it should stay that way. My concern was to find out what they were thinking so there would not be a screw up. I asked Elliot at lunch.⁷³ He said he had recommended Brunei where Shultz is going to visit. They have lots of money and very little to spend it on. It seems like a good prospect. Shultz agrees. I asked Elliot how the money could be transferred. He said he thought Shultz could just hand them an account number. I said that was a bad idea not at all letting on that we had access to accounts. I told Elliot that the best way was for Brunei to direct their embassy here to receive a person that we would designate and the funds could be transferred through him. Don't you think that is best? I still want to reduce your visibility. Let me know what you think and I will talk to George. I agree about CIA but we have got to get the legislation past.

⁷³ Burghardt wrote [Poindexter] at this time(?) I understand that Elliott [Abrams] briefed you today on where this stands ["aid for freedom fighters"]. If we do not get a positive response fairly soon from the Saudis or Brunei, I would advocate moving right away. I can understand the reluctance to incur a debt, but it would be almost a sure thing and we will definitely [sic] need the \$10 M bridge money. With the House scheduled to take up the issue on the 24th, Senate approval would be after the July 4 recess and the date of delivery keeps fading into the distance. (Burghardt PROF note to [Poindexter], reply to note of 6/9/86)

(Poindexter PROF note to North, 6/11/86.) In another message, Poindexter added: "We should not mention Brunei to anybody. Elliot said only Shultz and Hill are aware." [sic] (Poindexter PROF note to [?Burghardt]):

"With respect to private solicitations," Abrams told the Board,

we never did any of that. As a matter of fact, the state of our knowledge of that was limited. We had intelligence reporting, which improved over time as the restrictions on what the Agency could do with the Contras were reduced. We had better information on what was being received, better in 1986 than in 1985.

We in the department never made any other solicitation for anything from anybody. One time, this summer, I would say, General Singlaub called me from Asia . . . and said I can get some aid for the Contras, through me, if you will just sort of let this foreign government know, just tell their ambassador—I don't remember who I was supposed to tell—this is official.

I said I can't do that. It's just not right; I can't do that.

He said well, then, I'm going to blow it. But I just couldn't do that.

So that was the only other time when I was asked, in a sense indirectly, to solicit, and said no.

We had virtually no, we had no information on who was paying for it. CIA people have testified that they were able to trace money back to secret bank accounts but couldn't get behind the bank secrecy laws; and they have testified that they knew the arms were coming from [a foreign country]; that is to say, the last stop before Central America . . . , but they could not go beyond that and find out who was paying.

Well, I have to say that we did not think it was our job to find out who was paying, since it seemed to us, as long as it didn't violate the Neutrality Act or the Arms Export Control Act that it was legal and proper.

Once or twice we, in particular, actually CIA and not State, came up with some

facts that indicated a violation of the Neutrality Act, a shipment of arms from the U.S., and we reported that to the Department of Justice.

But we did not engage in nor did we really know anything about this private network. We knew that it existed. We knew it in part because somebody was giving the Contras guns.

We knew it also because you couldn't be in Central America and not know it.

We have significant military assistance through El Salvador via Ilopango Airport, which is the Salvadoran Airport.

Also, we ran a good proportion of the \$27 million in humanitarian aid through Ilopango Airport.

(Abrams 11-13)

Congress authorized \$100 million in assistance to the Nicaraguan resistance at the end of June 1986.

In June, the pressures on North worried McFarlane. He wrote Poindexter that

[i]t seems increasingly clear that the Democratic left is coming after him [North] with a vengeance in the election year and that eventually they will get him—too many people are talking to reporters from the donor community and within the administration. I don't [know] what you do about it but in Ollie's interest I would get him transferred or sent to Bethesda for disability review board (apparently [sic] the Marine Corps has already tried to survey him once[]). That would [sic] represent a major loss to the staff and contra effort but I think we can probably find a way to continue to do those things. In the end it may be better anyway.

(McFarlane PROF note to Poindexter, 6/10/86) Poindexter indicated he would think about McFarlane's concern. (Poindexter PROF note to McFarlane, 6/11/86)

In the middle of July, Poindexter asked to see North. After the meeting, North wrote:

The opportunity to discuss the Central America issue with you was welcome and at the same time, disturbing. In view of last

night's CBS piece and this morning's appalling Washington TIMES item, I can understand why you may well have reservations about both my involvement in Nicaragua policy and even my continued tenure here. Since returning a few minutes ago I have been told that even my luncheon engagement with my sister yesterday is in question. Under these circumstances, and given your intention that I extricate myself entirely from the Nicaragua issue, it probably wd be best if I were to move on as quietly, but expeditiously as possible. I want you to know that it is, for me deeply disappointing to have lost your confidence, for I respect you, what you have tried to do and have enjoyed working with you on a number of issues important to our nation. On the plus side of the ledger we have had a close relationship on several initiatives that could not have been accomplished without absolute trust between two professionals. At the same time you should not be expected to retain on your staff someone who you suspect could be talking to the media or whom you believe to be too emotionally involved in an issue to be objective in the development of policy options and recommendations. I know in my heart that this is not the case, but as I said in our discussion yesterday, we live in a world of perceptions, not realities. I have taken the liberty of forwarding to you a memo transmitted two weeks ago which I wd like to be sure you have had a chance to see - mostly because it predates the current controversy. I want to be sure that you do indeed know that I have and will continue to tell you the truth as I see it—for I deeply believe that this is the only honorable thing to do. That this, and the relationships established in the region over the past five years are no longer enough to enable me to serve in the various policy fora on Nicaragua is, for me, unfortunate. Nonetheless, I consider myself to have been blessed to have had the chance to so serve for as long as I did. Finally, to end on a substantive note, you should be aware that Gen Galvin will be here for DRB sessions on Mon & Tues next week and wd vy much like to have the chance to meet privately with you. He has suggested any time

after 1630 on Tues, but is amenable to yr schedule as long as he will not have to absent himself from DRB sessions. Given the controversy that rages over the CINC-SOUTHCOM role in the project, I strongly recommend that you see him if at all possible.

(North PROF note to Poindexter, 7/15/86, 12:21:30) Poindexter replied:

Now you are getting emotional again. It would help if you would call Roger Fontaine and Jerry O'Leary and tell them to call off the dogs. Tell them on deep background, off the record, not to be published that I just wanted to lower your visibility so you wouldn't be such a good target for the Tabs. As it has worked out both you and Vince will represent NSC on Elliot's group. Don't go into detail [sic]. I do not want you to leave and to be honest cannot afford to let you go. By the way they are making a big mistake by calling Rod a soft liner. He disagrees with Stan Turner and Bernie as much as I do.

NEW SUBJECT: I can see Jack Galvin this afternoon. Let me know how the calls go.

(Poindexter PROF notes to North, 7/15/86, 14:06; 14:07:02; 14:09:02) The matter was straightened out as far as concerned North's relationship with Poindexter later in the month. (See North PROF note to Poindexter, 7/23/86, 15:05:39; Poindexter PROF note to North, 7/23/86))

Afterward, North wrote Poindexter about the need to turn over certain material in Central America to the CIA.

We are rapidly approaching the point where the PROJECT DEMOCRACY assets in CentAm need to be turned over to CIA for use in the new program. The total (sic or sp) value of the assets (six aircraft, warehouses, supplies, maintenance facilities, ships, boats, leased houses, vehicles, ordnance, munitions, communications equipment, and a 6520' runway on property owned by a PRODEM proprietary) is over \$4.5M.

All of the assets - and the personnel - are owned/paid by overseas companies with

no U.S. connection. All of the equipment is in first rate condition and is already in place. It wd be ludicrous for this to simply disappear just because CIA does not want to be "tainted" with picking up the assets and then have them spend \$8M-10M of the \$100M to replace it-weeks or months later. Yet, that seems to be the direction they are heading, apparently based on NSC guidance.

If you have already given Casey instructions to this effect, I wd vy much like to talk to you about it in hopes that we can reclama [sic] the issue. All seriously believe that immediately after the Senate vote the DRF will be subjected to a major Sandinista effort to break them before the U.S. aid can become effective. PRODEM currently has the only assets available to support the DRF and the CIA's most ambitious estimate is 30 days after a bill is signed before their own assets will be available. This will be a disaster for the DRF if they have to wait that long. Given our lack of movement on other funding options, and Elliot [sic]/Allen's plea for PRODEM to get food to the resistance ASAP, PRODEM will have to borrow at least \$2M to pay for the food. That's O.K., and Dick is willing to do so tomorrow-but only if there is reasonable assurance that the lenders can be repaid. The only way that the \$2M in food money can be repaid is if CIA purchases the \$4.5M+ worth of PRODEM equipment for about \$2.25M when the law passes. You should be aware that CIA has already approached PRODEM's chief pilot to ask him where they (CIA) can purchase more of the C-135K A/C. The chief pilot told them where they can get them commercially from the USAF as excess-the same way PRODEM bought them under proprietary arrangements. It is just unbelievable. If you wish I can send you a copy of the PROJECT DEMOCRACY status report which includes a breakdown of assets. It is useful, nonattributable reading.

(North PROF note to Poindexter, reply to note of 7/15/86, 14:07)

B. Hostages and Iran, June-July 1986: "Stalemate"

On May 29, McFarlane, North, and Teicher reported on the Tehran trip to the President, accompanied by Poindexter, Regan, and the Vice President. They informed the President that the Iranians had asked for the delivery of all HAWK spare parts before hostages would be freed. The United States delegation had rejected this proposal, but agreed with the Iranians to establish a secure communications network. Contact would continue. McFarlane argued that no new meeting should take place until all hostages were freed. (McDaniel log) McFarlane recalled this report to the President.

I told him that I had talked to people and that while I thought that there were people legitimately oriented toward change that they had not yet gotten to a position of confident ability to act. I had not met with Rafsanjani. He must have felt vulnerable, as Mr. Brzezinski's meeting with Barzagan had led to certain consequences, and he probably was fearful about it. But that ought to tell us something and that I thought it was unwise to continue anything further.

If they wanted to have political meetings that is a judgment we could make, but that there ought not be any weapons transfers.

The President didn't comment really, but that was not untypical. He would often hear reports, say that he would think about it, and that was—and he didn't react to me and I left, and that's the last I heard about it.

Chairman Tower: And that ended your involvement in the matter?

McFarlane: Yes, sir.

(McFarlane (1) 45) On June 2, the CIA instructed the Army "to put the radar transfer action on 'hold,' a status which continued until 30 July 1986." (Army/IG Report 9)

While McFarlane's delegation was negotiating in Tehran, the President heard discussion about using force to free the hostages. (McDaniel log, 5/28/86) Once North returned, Poin-

dexter sought his views on the subject. He wrote North

I am beginning to think that we need to seriously think about a rescue effort for the hostages. Is there any way we can get a spy into the Hayy Assallum area? See Charlie's [Allen] weekly report [on hostage locations]. Over a period of time we could probably move covertly some . . . people into Yarze.

(Poindexter PROF note to [?North], 5/31/86)

North was not prepared to replace the program with force. He

[f]ully agree[d] that if the current effort fails to achieve release then such a mission should be considered. You will recall that we have not had much success with this kind of endeavor in the past, however. After CIA took so long to organize and then botched the Kilburn effort, Copp undertook to see what could be done thru one of the earlier DEA [Drug Enforcement Agency] developed Druze contacts. Dick has been working with Nir on this and now has three people in Beirut and a 40 man Druze force working "for" us. Dick rates the possibility of success on this operation as 30%, but that's better than nothing.

In regard to U.S. military rescue ops, JCS has steadfastly refused to go beyond the initial thinking stage unless we can develop some hard intelligence on their whereabouts. We already have . . . one ISA officer in Beirut but no effort has been made to insert personnel since we withdrew the military mission to the LAF. If we really are serious, we should start by getting CIA to put a full time analyst on the HLTF [Hostage Location Task Force] and then organizing a planning cell—preferably not in the pentagon [sic], but at CIA, to put the operation together. Dick, who has been in Beirut, and who organized the second Iran mission, is convinced that such an operation could indeed be conducted. My concern in this regard is that JCS wd insist on using most of the tier 2 and 3 forces in such an undertaking. If you want me to task this thru the OSG we will do so, but [I] urge that we start by you having Casey

staff the HLTF as there has been a certain amount of planning undertaken on this matter already. It might be useful to sit down w/ Dewey and Moellering on this after next week's OSG meeting (Thursday 1500-1600 [June 12]) if you have the time. We can probably brief you in about 20 min max.

(North PROF note to Poindexter, 6/3/86, 11:42:43)

At his morning national security briefing on June 6, the President is said to have approved military planning to rescue the hostages as well as reviving [previously planned efforts] (McDaniel log) Poindexter asked the Director of Central Intelligence to intensify efforts to locate the hostages. (Poindexter to DCI, 6/19/86, CIA/IC Chronology 19) By July, the United States had asked Israel to help. (See North PROF note to Poindexter, 07/11/86, 07:27:44)

Meanwhile, the United States knew that at least Ghorbanifar refused to treat the Tehran meeting as the end. On June 6, he pressed [his contact in the Prime Minister's office] for another meeting with the United States. He promised that the United States would deliver the remaining HAWK spare parts and, if Iran paid in advance, the radars. [The Iranian official] seems to have treated Ghorbanifar's advocacy as nothing new, to have been unimpressed with his idea, and inclined to drop the initiative.

Claiming that Ghorbanifar told him that [the Iranian official] wanted to talk, George Cave, using his alias "O'neil," called [the Iranian] on June 13.

[The official in the PM's office] said that this was not true, but "our friend" [Ghorbanifar] had been pressing him to go through with the deal.

O'neil then asked what we should do about the situation. B replied that he did not know why we didn't complete the deal when in dubai [sic] [?Tehran]. O'neil interrupted to state that he had a suggestion. We should first meet in Europe to make sure there were no misunderstandings as happened before. Then our group [sic] would go to Dubai [coverterm for Tehran] at an agreed upon date. Upon arrival in Dubai the four boxes [hostages] would be

turned over, then the rest of the spares would arrive and later depending [sic] on timing [sic] the two Quties [coverterm for HAWK radars] would arrive. We would stay until everything was delivered. B said that the meeting in Germany was not necessary and that deal was unacceptable to them. He proposed that we arrive with the remaining 240 spares, then two hostages would be turned over [sic]. When the two radars arrive, the two other hostages would be turned over.

We haggled abit [sic] O'neil insisting on our deal and he insisting on his. O'neil suggested that meeting in Germany was necessary and B finally agreed that if really necessary he would come. He parried [sic] the request that the H [?] also attend. He added that it would be very difficult to get away at this time.

When discussing the possible trip to Dubai, B suggested that it was not necessary for the chief to accompany group that comes.

Since discussion was getting nowhere, O'neil suggested that he was in [a] position to decide on B insistence [sic], and there for it best [sic] that O'neil confer with his superiors and B with his and O'neil will get back to him in one or two days. At the end B stated that it should not be that we give such importance to who does what first, once this deal is completed there are many important issues that we must discuss. He again insisted on the need of the US to demonstrate good faith.

O'neil asked if the hostages were now under their control because at one point B said that he did not know if their delegation was still in Lebanon. B hesitated to answer k—this [sic] one but said that they could get them. O'neil said "then they are in your hands" and B said they were (note O'neil doubts this is true).

The next day, the Iranian official told Ghorbanifar that Iranian officials were prepared to meet American representatives in Europe if the remaining HAWK spares and radars were delivered first. If all equipment were delivered, all hostages would be freed; if half the equipment, half the hostages.

Ghorbanifar and his Tehran contact discussed the matter for the rest of June. On June 20, Ghorbanifar provided the Iranian official with a detailed analysis of the price and availability of the remaining HAWK spare parts. According to Ghorbanifar, 177 units would cost \$3,781,600 in addition to the \$24,173,200 Iran already had paid. He reported that, as a gift, the United States would add ten diesel generators essential to operating the HAWK system, and had offered to provide test and calibration equipment and technicians to operate it. At his morning national security briefing the same day, the President discussed both [our] ability to rescue hostages and next steps with Iran. The President is said to have decided that there would be no meetings with Iranian officials until the hostages were released. (McDaniel log) The next day, Ghorbanifar and the Iranian official argued pricing, using an oil transaction as cover.

"[P]er instructions" from the official in the Prime Minister's office, who had unsuccessfully tried to reach him, Cave called the Iranian June 22.

2. Although there was a lot of talk one thing emerged and that is that the B's people want to somehow go through with the deal. The difficulties that dealing with us was causing them [sic]. The B emphasized that there are many people that oppose dealing with us. When O'neil asked if this was causing his group political difficulties, he confirmed that this was the case. His problem is that they must appear to have made a good deal. He pointed out that the previous release of the one person in return for the 1,000 had not left them in good odor [sic] as the 1,000 were not that important, and they had to return the other materials.

3. O'neil stated that we were very much interested in the deal and a long term relationship between the two companies, but the chief of our company was insisting on the release of our embargoed 4,000,000 dollars [coverterm for hostages] before we delivered the remainder of 240 [HAWKs] spares and then the two large boxes [radars]. What was interesting at this point is that the B did not say there could be no

deal on this basis. He said that some formula [sic] must be worked out whereby we can deliver what we promised at much the same time as they deliver the 4,000,000. For the first time he said that they needed political currency to deliver on their end. He stated that they have a serious problem with the 4 million in explaining why it is that they need it. This has been a serious problem in their negotiations with those that control the 4 million. When O'neil asked the direct question can they gain control of the 4 million, the B hesitated but said that this was within their capabilities. He said that if we had stayed in Dubai [Tehran] a few days longer they could have delivered 2 million immediately. He emphasized in answer to an O'neil question that they could not specifically say exactly when the 4 million would be transferred, but this was still in their power, despite the fact that the situation where the 4 million are held was continually deteriorating. The B urged that we try to do this deal as soon as possible, so that our two companies could have a meaningful future relationship. O'neil said that he would call back at approximately the same time on 23 June.

4. The B continually spoke of the serious problems that trying to consummate [sic] this deal was causing him and his colleagues. He urged O'neil to contact the merchant [Ghorbanifar] to get all the details. He would try to contact the merchant immediately to provide as much background as possible. The B on several occasions said that there was [sic] considerable forces arrayed against this deal and he considered himself in some danger. Most interesting note is that during this conversation the B insisted that they want to go through with deal. Although he bordered on the inarticulate at times, long pauses and some relapses into his old song and dance, he did not reject our position outright. O'neil's recommendation [sic] is that we sit down and talk it out with him in [sic] person, we may get more out of this than the transaction we are interested in.

Two days later, North reported to Poindexter that the Iranian official was trying to reach Cave again.

As of this minute they have not yet connected. We are trying to have him call back. Nir advises that [the Iranian official] called Gorba about an hour ago in a state of great agitation to say that he was trying to get Sam [O'neil] to arrange for the release of one U.S. hostage. Nir believes it to be sincere and that we may really be close. I am not so sure but [C/NE] Sam and Charlie [Allen] all think it may be real. We'll see. Sam will call me later tonight and I'll come back into here or CIA to receive the report. Wd be nice to have some kind of secure voice to save these middle of the night trips. Will advise in a.m. of any developments.

(North PROF note to Poindexter, 6/24/86, 21:28:15)

At about the same time, a successful rescue began to look possible. North wrote in late June:

You should also be aware that CIA believes that they have made a major breakthrough on the location of at least two of the hostages. The info is being carefully analyzed [sic] before passing to JSOC, but there hasn't been this much enthusiasm on the issue in a long time. Our other effort seems to be at a standstill w/ Ashgari [sic] [Ghorbanifar] and [his Tehran contact] screaming at each other about prices and Geo. Cave telling [the Iranian official] that we are fed up w/ the whole thing and are tired of being insulted by people who "pretend to be able to do things they cannot."

(North PROF note to [Poindexter], reply to note of 6/25/86)

Ghorbanifar told the Board that Cave's telephone calls "every night" created a problem in Tehran. He recalled Cave.

saying the President said this, McFarlane said this, Poindexter said this, and making a lot of confuse [sic] for Iranians. Because he doesn't know there are three groups that must come together to make a decision.

General Scowcroft: Who was Cave talking to when he called?

Mr. Ghorbanifar: To the man who is the head of this operation, the special aide to the Prime Minister, the number one in his office.

(Ghorbanifar 175)

The official in the Prime Minister's office and Ghorbanifar held a number of discussions at this time. The Iranian official complained that the United States charged six times the 1985 price for the weapons at issue. Ghorbanifar tried to explain the pricing, while complaining that his financial problems had forced him into hiding. He needed \$5 million to avoid ruin. On June 30, Ghorbanifar told his Tehran contact that the Americans again explained the high prices, and had suggested that, once the matter was resolved and relations were improved, the United States would assist Iran to obtain loans from international banks and American agencies. Ghorbanifar then proposed, without indicating who may have originated the idea, that Iran obtain the release of one hostage to coincide with the July 4 celebrations and the centennial of the Statue of Liberty. He added that, within twenty-four hours of such release, the United States would ship the rest of the HAWK spare parts. The radars would follow, and Iran would effect the release of the last two hostages. The Iranian official doubted a hostage could be released by July 4; for one thing, there had to be agreement on the price of the materiel. Ghorbanifar agreed they had to solve the price problem before the timing of the hostage releases could be fixed.

Cave also spoke to the official in the Prime Minister's office about the price of HAWK spare parts on June 30. Cave reported that:

1. This was fairly lengthy call during which B [the official in the Iranian Prime Minister's office] continued to harp on the Price [sic] of the 240 items. Sam [O'neil] told him that we had sent a copy of the prices to the merchant [sic] [Ghorbanifar]. These constituted the prices that the middlemen paid for the goods. B wanted to -know [sic] if Sam had a copy so he could relate some of them to B. Sam said that he did not have a copy of the prices. During the course of the conversation, B would insist [sic] on discussing pricing [sic]. He refused to be stonewalled and said that he was under enormous pressure to get some

adjustment in the pricing. When Sam asked about the Micro [sic] fiche list. He confessed that he had not sent it but would on the morrow. This [sic] is some kind of indicator that such a list might not exist [sic]. However, he does have something and suspect it might be an old invoice. He said that his superiors are shocked that the USG would sell [sic] them parts at black market prices. Sam -pointed [sic] out that he was buying from the merchant. B was insistent that some thing [sic] must be done on pricing as they were not prepared to pay six times -pricing [sic].

2. Sam told him that something must break soon as the Chief of our comp[any] is fed up with the whole deal. He was must [sic] disturbed at the way our delegation was handled in Dubai [Tehran] and is on the verge of corking off the while [sic] deal. This did not seem to make a great impression on B. Sam also said that he and Goode [North] are in deep trouble for having recommended [sic] the deal in the first place. B said that we were in no more trouble than he was on his end. Sam said that we were then all in the same trench together.

3. At one point in the pricing argument, Sam pointed out that we do not cheat on prices, were they displeased with the [?HAWKs]? when [sic] B kept insisting on some kind of break in the price, Sam told him that as far as we were concerned they could buy the parts elsewhere. This deal was set and it would have to go -through [sic] the merchant [sic].

4. Toward the end of the conversation, B made a plea to Sam to do something about the end of the price if at all possible. He also extracted a promise from Sam to call him back tomorrow.

According to the CIA/IG report, Cave obtained the following letter, purportedly written by Ghorbanifar to his Iranian contact, on 8 July 1986.⁷³

⁷³ Except as indicated, the material between square brackets is in the document as annotated by the CIA. The Board cannot verify the authenticity of the letter. According to the CIA Inspector General, Cave obtained this letter in late July 1986. (CIA/IG Chronology 27) Clair George told the Board that, while Cave

My dear and esteemed brother [B]:

After greetings, I feel it is necessary to state the following points with respect to the American issue, which for a year has taken up everyone's time and has become very unpleasant:

If you remember, we had some very lengthy telephone conversations Monday and Tuesday [30 June and 1 July]. I stressed the fact that the essence of a [good] policy is to identify the moment, exploit the occasion, and recognize the proper and appropriate time in order to take advantage of them and to get concessions. I said that Friday was the 4th of July and the celebration of the 210th anniversary of the American Independence as well as the 100th anniversary celebration of the Statue of Liberty in New York. For this reason, there was going to be a very elaborate and majestic celebration titled 'Liberty Day' in New York at the foot of the Statue of Liberty. The Americans were calling it the Celebration of the Century; and the US President and the President of France will be hosting the celebration; for it is the day of liberty and celebration of freedom. [I said] that if we could mediate for the release of the American hostage clergyman on Thursday, 3 July, and he could attend these celebrations—as he is clergy—we could exploit it and benefit from it a great deal; we could get the Americans to accept many of our demands. Naturally, as usual, nobody paid any attention to my suggestions. The Americans were expecting us to take at least these steps for them. Anyway, the Americans are saying that last year after the Iranians mediated the release of an American clergy, M. Mier [sic] who was kept hostage in Beirut, they [the Americans]—as a goodwill gesture and as a first step—made available to Iranians 504 [sic] TOW missiles. Also, during the year since then, they [the Americans] have taken the following positive and constructive steps as a sign of goodwill and utmost respect toward the Islamic Republic. However, in return, the Iranians have not made the

began his involvement as an interpreter, he "became a player . . . I'm afraid he got way out there somewhere and we didn't have a string on him every step of the way." (George 49-50)

slightest attempt nor shown the smallest sign—even discreetly—to improve relations:

1. After the clergyman's release, whenever and wherever American officials talked about countries supporting and nurturing terrorism, they did not include Iran; also, the Chief Justice of the Supreme Court [translator believes he means Attorney General of the United States] in an official interview, mentioned Libya, Syria, South Yemen, and Cuba as the countries supporting, protecting, and strengthening terrorism.
2. With regard to the Iran-Iraq war, the US Department of State, in an official note, strongly condemned the use of chemical weapons.
3. The American Ambassador at the United Nations was the first person to vote for official condemnation of Iraq for the use of chemical weapons.
4. [Issuance] of an official announcement terming the Mojahedin-e Khalq Organization terrorist and Marxist; the [issuance] of a circular to the Congress and to all American firms and institutions, and banning of any and all types of assistance to the opponents of the regime of the Islamic Republic of Iran.
5. Opposition to the decrease in oil prices; so much so that Mr. George Bush, the Vice President, on two occasions during speeches and interviews announced that the reduction in oil prices would ultimately be harmful for the United States and that oil prices should increase.
6. Dispatch of two US planes with more than 1,000 TOW missiles on two separate occasions, at cost price.
7. Dispatch of a high-ranking 5-man team from the White House and the Defense Department for a meeting with B and his accompanying team, and the provision of certain preliminary military data on Iraq with an agreement that more complete and comprehensive data should be made available in subsequent meetings and after the final agreement.

8. Arrival of a very high-ranking delegation from the White House headed by Robert McFarlane, Mr. Reagan's special assistant and advisor, together with five high-ranking civilian and military officials for a 4-day stay in Tehran; they brought more than one-fifth of the requested spare parts for missile systems; further, some complete military, technical, and intelligence information and data with regard to Soviet threats against Iran, and the military and political — [sic]⁷⁴ of that government [USSR] with full details on [plan for] invasion of Iran; Soviet activities in Kurdistan, Baluchestan, and Iraq; [Soviet] cooperation with opponents of the Islamic regime; and above all, a clear and explicit announcement by the US Government that it considers the regime of the Islamic Republic stable and it respects that regime. Also, that the USG does not in any way oppose that regime; and promises that it has no intentions or plans to bring it under its [sphere of] influence, create changes, or interfere in its internal affairs. Later, Minutes [sic] of the meeting and agreement were submitted, reflecting the goodwill and total cooperation of the United States with the Islamic Republic; specifically with respect to the war and other problems threatening this regime. (You may read these Minutes again.)

The Americans are saying: "We were treated in an insulting and unfriendly fashion; they made us return empty-handed while we were ambassadors of friendship and assistance."

The gentlemen themselves know the details of the events better than anyone else. As you know, the US officials in Tehran reiterated over and over that in exchange for what they proposed, they only expected that our [Iranian] authorities should mediate and use their religious and spiritual influence for the release of the four American hostages who have been kept in Beirut for more than two years; that by this humanitarian deed, they could bring happiness to the families and children waiting to see their fathers; and that they could fur-

ther be free in every respect to provide us [Iranians] with secret and necessary support.

They made it very clear that they are fully prepared and willing to provide [Iran] with all types of political, economic, and weapons cooperation and accord, on the condition that such assistance should not be considered part of [a bargain for the release of] hostages; but rather it should be considered a goodwill and better relations and friendship gesture by the United States.

Prior to the arrival of the US team and myself in Tehran on 25 May 1986, there was full agreement that upon arrival of the high-ranking US delegation in Tehran, bringing some of the requested items, the Iranian authorities would begin immediately mediating for the release of all American hostages in Beirut all, together and collectively. And that after this, the remaining items requested by Iran would arrive in Tehran. The US team would stay in Tehran until the rest of equipment [items]—among them the large HP radars—also arrived in Tehran. Further, there was supposed to be official agreement and commitment for providing the rest of Iran's weapon needs, as well as secret agreements in some political and economic areas. The Americans were to leave Iran only after all of these stages had been completed.

However, although the 10-man US team and their giant special aircraft was in Tehran for four days, unfortunately nothing was accomplished. You well remember that on the last day of the stay, His Excellency [redacted]⁷⁵ in the presence of you and another gentleman, insisted several times that everyone should agree for the time being about the mediation for the release of two hostages. But Mr. McFarlane did not accept this and stated that they were there [in Tehran] and were prepared to discuss and solve some basic and strategically important issues and to stand by you [Iranians]; all of these must be solved

⁷⁴ Supplied.

⁷⁵ Supplied.

together, so that no problem remained and the way could thus be paved for everything once and for all.

I must [at this point] remind you that in 1985 there were 45,703 deaths on US highways, and that during the same year, 1,301 Americans died as a result of choking on their food [gluttons]. Thus, we must not put the Americans under such pressure that they end up including these four [hostages] as part of the above statistics, and we end up losing this historic opportunity which has combined one whole year of hardship and difficulties with some heavy expenses for me.

You know that this matter has been tangled for 45 days. I can assure you that the Americans neither can nor will be able to take another step along this path unless we should at least carry out as a preliminary and beginning step that which was [redacted]⁷⁶ was insisting upon. I also believe that whatever we want to do and whatever decision you make, must be carried out within the next 2-3 days.

Now, there are only three solutions; I have totally convinced them [Americans] and they are in total agreement with all of the three solutions. I believe and strongly recommend that the first solution be chosen:

1. You should immediately pay in cash the amount for the items that have already arrived, including the remaining 177 items. The money for the 240 items, as well as the money for the two HP's, should be paid through the London branch of Bank Melli Iran on 30 July, that is, in 21 days.
2. That same evening, you should mediate and release two of the hostages.
3. Within a maximum of 24 hours after this, the Americans would deliver all of the 240 items, that is approximately 4,000 spare parts and two giant HP's at Bandar Abbas.
4. Immediately after receiving all of the above items and their full inspection, you should take immediate steps for the release of the remaining two hostages. Also, for humanitarian and religious reasons, you

⁷⁶ Supplied.

should mediate for identification of the burial place of the hostage who died last year [W. Buckley] so that his body can be transferred to the United States to be buried next to his mother as was his wish.

5. Seventy-two hours after the delivery and receipt of all the 240 items of [HAWKs] and the two HP's and the release of all hostages, a high-ranking US team will be present in Geneva, Frankfurt, or Tehran—as you wish—and will take careful steps with respect to providing the proposed Minutes of the meeting and will make a commitment. Further, the team will study the matter of the remaining HP's and helicopter spare parts and all other needs and requirements of the Iranian army. In this regard, agreement as to the date for their delivery could be specified. Meanwhile, they [Americans] are ready to send immediately technical experts and equipment for testing and repairing them.

Second solution, which would require more time and would entail more headaches:

1. You should pay in cash the amount for the items that have already arrived, including the remaining 177 items. The money for the 240 items should be paid through issuance of a check via London branch of Bank Melli Iran on 20 July, that is in 11 days.
2. That same evening, you should mediate and release one of the hostages.
3. Within 12 hours after this, they will deliver all of the 240 items in Tehran.
4. Immediately after receiving fully and accurately all of the 240 items in Tehran, you must mediate and release the same day two more hostages and must pay the money for the two HP's.
5. Within a maximum of 24 hours after the release of these two hostages and the payment of the amount for the HP's, the radar equipment will be delivered at Bandar Abbas.
6. After the complete and correct delivery of the two HP's, you will mediate and take steps for the release of the last [fourth]

hostage as well as the body of William Buckley.

7. Seventy-two hours after receiving all of the 240 items of [HAWKs] and the two HP's and the release of American hostages, a high-ranking US team will be present in Geneva, Frankfurt, or Tehran—as you wish—and will take careful steps with respect to providing the proposed minutes of the meeting and will make a commitment. Further, it will study the matter of the remaining HP's and helicopter spare parts and all other needs and requirements of the Iranian army. And in this regard, agreement can be made as to the specific date for their delivery. Meanwhile, they [Americans] are ready to immediately send technical experts and equipment for testing and repairing them.

8. I personally and on my honor—whatever way you deem it proper—would guarantee and make commitment that immediately after carrying out the last phase—that is, after the delivery of the 240 items and the two HP's and after the release of all American hostages, within a maximum of one month—I shall deliver in Tehran 3,000 TOW missiles at a cost of \$98.5 million which is the cost to the Americans themselves, plus 200 Sidewinder missiles mounted on F-4 and F-5 planes, again at cost. Naturally, [only] if you make the money available to me—not like this [last] time when you did not leave anything for me.

Third solution:

Since I have tried to be a mediator for good, I do not wish to be a cause of misdeeds. I have tried to bring [the two sides] together and create friendship, and not to cause further division, hostility, and alienation. Thus, if you do not find either of the above-mentioned solutions advisable, return immediately the exact items that they brought so that the whole case can be closed and we can pretend nothing happened, as if 'no camel arrived and no camel left' [old Persian saying]. Everyone can thus go his own way. Hopefully, in the future, [when] conditions and circumstances are once again suitable, steps can

be taken. I mean we should not 'put a bone inside a wound' [another old Persian saying, meaning not to make things worse]. There is no reason for it. If I have encountered great difficulties and many material, spiritual, and prestige problems solely due to friendship, good intentions, honesty, belief, and trust, it was simply for the love of [my] country and my friendship with you and it does not matter. I hope good and generous God will compensate me for it, as my intentions were all good.

I beg you to take a speedy and decisive step and make a quick decision on this issue, for the good and the welfare of the Islamic Republic.

Thanking you and with highest respect,

Manuchehr Qorbanifar
signed 9 July 1986

"In June and July," Charles Allen told the Board,

there seemed to be sort of a stalemate. In early July, Colonel North called me out of a meeting—I was lecturing to a group at the Office of Personnel Management—and stated that he had been assured by Amiram Nir, special assistant to the Prime Minister, Peres at that time, of Israel that another American would be released very shortly. He at that stage briefed some of the senior people in the government.

We sent a hostage briefing team to Wiesbaden and no release occurred, and we brought the team back.⁷⁷ Colonel North was deeply disappointed and he said that he had been admonished by Admiral Poin-dexter on this, and he cut off all contact with Amiram Nir at that stage and asked that I talk to Amiram Nir for a period of two or three weeks.⁷⁸

⁷⁷ On July 2, Ghorbanifar told his contact in the Prime Minister's office that the United States thought Iran used the pricing problem as an excuse to cover Iran's inability to obtain the release of another hostage. He said that United States suggested that, if another hostage were released, then the United States immediately would ship the remaining HAWK spare parts.

⁷⁸ According to the CIA Inspector General:

"[July 7-26]: Allen remains in almost daily contact with Nir by telephone. (According to Allen, Nir is clearly alarmed at losing direct contact with North and appears to be working feverishly with Ghorbanifar and others to free an American hostage.) Nir tells Allen that, according to Ghorbanifar, L/I is making an