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Last Updated: 11/08/2023

THE WHITE HOUSE WASHINGTON

December 8, 1986

DONALD T. REGAN:

The attached is for your information.

David Chew

448077 <u>COO11</u> FG033-11 FG006-11

Ser. of State George Shulty Preliminary. Statement to the House Jareign adspira Committee on Iran Situation

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House Foreign Affairs Committee

Preliminary Statement

Mr. Chairman, this is the first time in my ten years of service as a Cabinet officer that I have been asked to take an oath before Congress.

I do so in good spirit, fully recognizing your authority to require an oath and your duty to ensure that the record of these proceedings is as full and true as possible. Taking an oath is something American citizens do every day. I regard this act as fulfilling my duty as a citizen to respect our laws and institutions.

I want you to know, however, that when I was sworn in as Secretary of State I took an oath "to support and defend the Constitution of the United States". I have always considered that solemn promise to impose the permanent duty upon me as Secretary of State always to tell the truth to the President, the Congress, the Courts, and most importantly, the American people. In addition to being a citizen, I am, at the moment, a public servant. If a public servant is not prepared to tell the truth he has no business being a public servant, oath or no oath.— It is as simple as that.

House Forgian Affairs Committee

Testirony

Mr. Chairman, I am grateful for the Committee's understanding that I must depart at 10:30 in order to meet with President Mobutu of Zaire, after which I will leave early this afternoon for Great Britain and Belgium for meetings with NATO foreign ministers.

The hearings you are holding, Mr. Chairman, come at a crucial point for the nation. The President has recognized that serious problems have been created in our conduct of foreign affairs by the manner in which some individuals implemented our effort to establish better contacts with Iran, and by the diversion of funds from arms sales to the Nicaraguan democratic resistance. He has taken the lead in rectifying any problems that may exist.

- -- The President has appointed Frank Carlucci, a respected foreign policy professional of exceptionally broad experience and the highest integrity, to revitalize and lead the National Security Council.
- -- He has instituted a senior-level Special Review Board under the distinguished leadership of John Tower to review the proper role of the National Security Council and the functioning of its staff.

- -- He has welcomed a unified Congressional approach to its oversight role in these matters, and has promised full cooperation with its inquiries.
- -- He has ordered me to implement an inter-agency study of our relations with Iran, and that process is underway with the experienced leadership of Under Secretary Armacost.
- -- And he has instructed his cabinet officers to share with the Congress and the American people all that they knew about this recent initiative toward Iran -- which is why I'm here with you this morning.

Mr. Chairman, as you know I am ready to tell you everything I knew at the time about our sales of arms to Iran. The President has authorized the release of this information to Congress. I am not free, however, to violate the laws of the United States in the process. Much of the material that I knew at the time is still classified. I realize that some of this material has become public.

But this does not permit me to confirm as fact some matters that have up to now been published without efficial authority. Furthermore, while it may seem difficult to believe, some of what I am ready to tell you is still not publicly known. Finally, in addition to the problem of classified material, to tell you all that I know in public session could well interfere with ongoing criminal investigations, would improperly reveal intelligence sources and methods, and would expose privileged communications.

All this pains me greatly. I have sworn to tell the full truth, and I am prepared to do so in a manner consistent with my legal and ethical responsibilities. This can best be done in a closed session where all my obligations can faithfully be fulfilled. I want to put to rest now any doubt as to my readiness to respond to questions about my prior knowledge and activity. I have already made all the information at my disposal available to the FBI. I have been interviewed by the Department of Justice. I am ready in this open session to bring forward all the materials I properly can. And at whatever appropriate time you choose, I am prepared to make a statement and to answer questions in closed session giving classified details of my knowledge and activities.

made the right decision by calling for an initial open session and stating that this particular hearing might concentrate on looking forward. I warmly endorse this purpose. We need very much to look forward. And I will do so in this testimony.

I will start by looking at our future relations in the Persian Gulf area. That subject is of crucial importance to the nation, and it easily warrants the limited time we have this morning. So, let me turn to it, with the hope of leaving time for your comments and questions.

The Importance of Iran and the Persian Gulf

The Persian Gulf is important to the United States, and for many of our key friends and allies as well. A quarter of the free world's oil flows through the Persian Gulf, and an even higher percentage sustains the economies of our allies in Europe and Japan. It is vital that Western access to that oil continues. The region is a strategic focal point -- one in which the Soviet Union has long sought to expand its presence and control. We have an important stake in denying to them such an expansion.

We have major political interests with individual Gulf states, both in their own right, and because of their influence on events in the Middle East, Afghanistan, and elsewhere.

Therefore, we want the states of the Gulf to enjoy a peace and political stability free from threats of Soviet intimidation, external aggression, or internal subversion. We wish to sustain productive relations with these states of the region, in part so that the supply of oil to the West can continue unabated.

But our strategic, economic and political interests in the Gulf, have been and continue to be challenged from a number of quarters -- by war and political instability in the region, by the Soviet Union's brutal occupation of Afghanistan and persistent efforts to expand its influence, and by terrorism. And Iran has come to be a most important element in all of these considerations.

The Iran-Iraq war, now in its seventh year, shows all too clearly how a continuation of regional conflict and instability can threaten not only our interests, but those of many states friendly to us as well.

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And for that reason, the U.S. has consistently worked for an early end to that conflict, under terms which provide for the territorial integrity and independence of both belligerents.

In meeting the threat of escalating terrorism, we must also deal with the problem of Iran. The current Iranian government continues to believe that terrorism is a legitimate instrument of foreign policy. It has been prepared to employ that instrument when and where it suited its needs. It is in our interest to see that it stop.

As the President has said, he authorized the transfer of some arms to Iran to send a signal that the United States was prepared to replace the animosity between us with a new relationship. That signal has been sent. No further arms shipment will be made to Iran by the United States, and we will exert all our influence to discourage arms sales to Iran by others. The reason is that it is Iran which refuses to end the Gulf War, and it is the capability of Iran to continue the war that we must address. Iran cannot expect a better relationship with us until it acts to end the war, ceases its support for terrorism, and uses its influence with those who hold our hostages to achieve their freedom.

Our dealings with Iran are shaped by a strategic dilemma. We have a "Northern" concern -- to keep Iran free of Soviet influence, and a "Southern" concern -- to keep Iran from dominating its Gulf neighbors. Because Iran continues to resist Soviet influence, but threatens the Gulf, our near-term priority must be to reassure Gulf Arab states of our support and stand fast on our anti-terrorism and arms embargo policies. Heanwhile we must use alternative channels to bolster Iranian resistance to Soviet influence and focus on shared interests such as Afghanistan. Similarly, stability in the Gulf will affect our efforts to encourage meaningful movement in any peace process between Israel and its Arab awaghbors.

Therefore, we have a legitimate interest in better relations with Iran, and the President determined last year that we should respond to approaches from elements within Iran to see whether Iranian leaders were prepared to shift their policies in a more positive direction. Last Saturday the President reiterated our purposes: "to end the war in the Middle East, to prevent Soviet expansionism, to halt terrorism and to help gain release of American hostages."

Mr. Chairman, I fully support every one of these purposes.

I am sure that you and this committee likewise support them.

The problems created by recent events were not caused by these purposes, but by the way they were implemented in this one instance, and by certain unauthorized actions of officials on whom the President had relied to implement his policy. Facts being revealed have made clear, as the President has forthrightly stated, "that the execution of these policies was flawed and mistakes were made."

The policies the President has reaffirmed are his own. He has made clear that it was neither his intest nor his policy to trade weapons for hostages, nor to undercut our stand against terrorism.

I fully support him and his policies. As a nation, we must remain opposed to terrorism in every form. All terrorism, whether directed against Americans or others, is unacceptable and must be eliminated. That principle is central to our efforts to encourage broader international cooperation against state-sponsored terrorism.

Therefore, we must continue to speak out and take action against all acts of terrorism.

However much we share the anguish of the families involved, we must oppose concessions or ransom for the release of hostages. To do otherwise would encourage the taking of additional hostages and would raise the value in the eyes of the hostage-takers of those already held. And we must continue to strengthen our efforts with friends and allies in such areas as intelligence exchange and security measures to thwart terrorism and its attendant violence and to isolate states which sponsor and support terrorism.

With respect to Iran, the President has noted: "The Iranian revolution is a fact of history; but between American and Iranian basic national interests there need be no permanent conflict." He has also reaffirmed that it was not his intent to do business with the Khomeni regime as long as its policies threaten the peace and stability of the region. Here again, I fully agree.

We must continue to encourage an end to regional hostilities and peaceful relations between all of the Gulf states. We seek a negotiated resolution of the Iran-Iraq war that respects the sovereignty and territorial integrity of all nations in the region.

In working for the stability of the Gulf, we will continue to support the cooperative efforts of moderate and friendly states of the region to ensure their own security and stability. We will oppose Soviet encroachment in the region and seek an early end to its occupation of Afghanistan.

Finally, we must put recent events into proper historical perspective. The President has been here for six years. When he took over, the nation was neither as secure nor as confident as it should have been.

Where do we stand after six years of President Reagan's leadership in foreign affairs?

Working with Congress and with the bread support of the American people, President Reagan's policies have brought us to the threshold of a new and remarkably different world -- a world in which America's interests, America's pride, and America's ideals are flourishing.

What is this different world? Why is it cause for renewed confidence and hope for the future?

Because:

- 11 -

- which the incessant and pervasive fear of nuclear devastation is reduced. The threat of nuclear conflict can never be wholly banished, but it can be vastly diminished by careful but drastic reductions in offensive nuclear arsenals and by creating an ability to defend against them. It is just such reductions not limitations in expansion, but reductions and just such defenses, that is the vision President Reagan is working to make a reality.
- Dolly a few years ago the democracies of the world were believed to be an embattled, shrinking handful of nations. Today, people struggling under oppressive regimes of the right and the left can see democracy as a vital force for the future. Vital but non-violent movements toward more open societies have succeeded. The failure of closed, command economies is more evident every day. A new wind of change is blowing.

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Strong defenses, sound alliances, and support for the free economic and political development of peoples everywhere: that's what President Reagan stands for. His policies are not the policies of a party. They are the policies of all the American people. They are inevitable policies if our country is to remain the best and greatest on earth and the hope of humanity everywhere. Let us show the strength of our free institutions by a full investigation of every detail of this Iran episode. But as we do so, let us unite, pull ourselves together and keep this country moving ahead to meet the dangers and the opportunities of this moment.

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THE WHITE HOUSE WASHINGTON

December 8, 1986

NOTE TO MR. REGAN

FROM: JIM MILLER

The Shultz testimony was not cleared by OMB. Because it was oversight testimony, it would not normally be cleared by OMB.

NOTED BY DTR

Phone call from Fred Gottfurcht, 11/30/86

448089 <u>Coo11</u> 2001-03 Coll+ FO003-02

He has done a comparative analysis on the Iranian situation.

He feels we should circumvent the media by having the President make a special report to the American people on television titled "My Friends."

RR should highlight his first 6 years accomplishments, and then he should go on to talk about the Iran situation.

RR should mention the Monroe Doctrine. He said RR should remind the people that Theodore Roosevelt ousted the Communists in Nicaragua, and President Eisenhower sent 25,000 Marines into Nicaragua to oust the Communists. RR should say that it is better to arm the Freedom Fighters to prevent another Cuba because Russia, Cuba, Libya and other Communist countries sent Nicaragua 300 million in weapons. RR should say he wants to carry out the principles of the Monroe Doctrine to protect the Western Hemisphere and the American people.

THE WHITE HOUSE WASHINGTON

TO:

David Chew

FROM: KATHY OSBORNE

DATE: 12-10-86

Fred Gottfurcht wanted me to pass on the attached to RR. I explained to him that it was not possible, it had to go through the system so RR wouldn't be getting advice from 16 different directions. You may "86" file it if you like.

Thanks

B-just sail & files

Phone call from Fred Gottfurcht, 11/25/86

Fred did a comparative analysis on the Iranian situation/ and So. Africa

He feels that the President ought to knock some heads together to bring discipline to the level of the presidency. He cited an instance with Red Auerbach -- former coach of the Boston Celtics. He had 6 Zulu members on the basketball team. There are 100 Zulus around the country who are basketball players. Congress would be excited if Red Auerbach would bring these men into Congress. thinks the President ought to visit with the basketball players. The point of that would lead to a TV interview saying he likes capitalism. In addition, he would tell Congress he believes the sanction program is a big failure causing tremendous economic hardship and that we are worse off than before. The economic sanctions is nothing but pure negative. He can negotiate with the government and with South Africa being a sovereign country, they can deal with its own problems. He feels the economic organization is a Communist front for Russia. Fred feels that diplomacy on RR's part will get favorable results for the black people.

Fred thinks RR should say that "I, like former Presidents, are entitled to their own opinions. I stand by my judgment and as I stated, I also assume full responsibility. However, the value of my judgment will be long range and cannot be determined at the present time, and I feel this matter is closed. Now let's get on with other business."

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Max Hugel **Donald Sammis** William McCann Finance Chairman Clarence McKee Honorary Chairman Cong. Stan Parris orary Chain Arthur Teele, Jr. Honorary Chairman Cong. Jim Courter U.S. House of Representatives Sen. Orrin Hatch U.S. Senate STATE CHAIRMEN California
Dr. Alfred Balitzer Florida Abraham Shames Illinois Kenneth T. Wright Edwin J. Simcox Gerald M. Kirke Massachusetts Laurence A. Tosi, Jr. Nevada H. M. "Hank" Greenspun New Hampshire Max Hugel New Jersey Joseph A. "Bo" Sullivan New York Alfred A. Rapetti North Carolina Magnus "John" Krynski Pennsylvania Herbert Barness Virginia David E. Foreman



December 3, 1986

President Ronald W. Reagan The White House Washington, D.C. 20500

Dear Mr. President:

Despite the commentaries and well-placed leaks, your policy objective in the Iranian affair could not have been more on target.

I believe it is absolutely crucial that the American people understand the policy goals you sought to achieve instead of permitting the media and Congress to focus attention on the mechanics. To that end, PROJECT '88: Americans for the Reagan Agenda will be sending the enclosed informative mailing to our membership.

Mr. President, you have only to ask and I will do whatever is necessary to help in this, as any other matter.

With best personal regards.

Sincerely,

Max Hugel

December 4, 1986

MR. PRESIDENT:

Max Hugel wanted you to see the attached letter. Please note that there are some factual errors in his mailing. For instance, the Ayatollah Khomeini is 86, not 88 years old.

David Chew

MH/ce

enc.



Max Hugel
Chairman
Donald Sammis
Co-Chairman
William McCann
Finance Chairman
Clarence McKee
Honorary Chairman
Cong. Stan Parris
Honorary Chairman
Arthur Teele, Jr.
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U.S. Senate
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Illinois
Kenneth T. Wright
Indiana
Edwin J. Simcox
Iowa
Gerald M. Kirke
Massachusetts
Laurence A. Tosi, Jr.
Nevada

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Nevada
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New Hampshire

Max Hugel

New Jersey

Joseph A. "Bo" Sullivan

New York

Alfred A. Rapetti

North Carolina

Magnus "John" Krynski

Pennsylvania

Herbert Barness

Virginia

David E. Foreman

Dear PROJECT '88 Member,

Everything you and I have worked for could be lost!

Without your help now, our country will be put back into the hands of people who gave us double-digit inflation and unemployment, record high interest rates and a foreign policy of appeasement.

Left-wing elements in Congress and the media are setting their sights on nothing less than the complete destruction of the Reagan Presidency -- and the total reversal of his policies of a strong national defense and economic growth.

I'm sure you've heard and seen the lynch mob.

Using the time-tested techniques of distortion and innuendo, the ultra-leftists are working to convince the American people that President Reagan "broke the law." The most radical members of Congress are demanding that the Administration turn itself over to them -- Congress -- and give them the authority to decide "the validity of the President's actions."

On Tuesday before Thanksgiving, I received a call from the President. He called to thank me and you -- the members of PROJECT '88: Americans for the Reagan Agenda -- for our past support and to wish us a Happy Thanksgiving.

Listening to him, I realized just how much we all have to be thankful for and how much is at stake.

Under President Reagan's leadership, we have achieved great things -- drastically lower taxes, the lowest inflation in a generation and more people working in the history of our nation.

But if the liberals succeed, all of this will be lost -- the entire conservative movement will be set back a decade.

I promised the President that PROJECT '88: Americans for the Reagan Agenda would do everything in our power to get the truth to the American people.

But, I can't do it alone.

That's why I'm writing to ask you to send the largest gift you can possibly afford so that PROJECT '88: Americans for the Reagan Agenda can get the truth to the American people.

As to be expected, the news "commentators" and so-called Congressional "leaders" aren't giving the public the facts.

The truth is a great deal more involved -- and is more crucial to American interests -- than the 30-second news blurbs reveal.

Why did President Reagan initiate contact with certain elements of the Iranian Government?

Simply put, he did it to help defend America in the coming years and decades -- years when he will no longer be in office and will have no "political stake".

You see, the Soviet Union desperately wants control of Iran and its sea ports on the Persian Gulf. Today, the Soviets have 26 fully armored divisions on their border with Iran.

The slightest excuse or "window of opportunity" would send hundreds of thousands of communist troops over the border.

Soviet control of Iran and the Persian Gulf would be a disaster for the security of the United States.

- -- Our allies in the region would be immediately threatened. Saudi Arabia and Jordan would face subversion and military blackmail.
- -- The Soviet Navy would have unrestricted access to the Indian Ocean for the first time from Iran's deep water ports. This would stretch our Navy beyond the breaking point.
- -- Oil reserves, vital to America's economic and military strength, could be cut at the whim of the Soviet dictators in Moscow.
- -- The nervous nations of Western Europe would bend further to the Soviet demands because of their dependence on Middle East oil -- oil that

would have to pass through the Soviet controlled Persian Gulf.

All the experts on Iran and the Middle East agree that the Soviet Union won't do anything until the Ayatollah Khomeini -- the crazed 88 year old tyrant that runs Iran -- is gone. You see, the Soviets fear Khomeini's power to incite rebellion among the growing Moslem population in Russia.

But, after Khomeini is no longer in the picture, the political situation in Iran is likely to fragment so much that the Soviets would find their "opening."

Faced with this threat to America's future security, President Reagan moved decisively to initiate contacts with those elements in Iran most likely to hold the nation together after Khomeini's demise -- and -- most likely to resist Soviet domination.

Despite what the liberals in Congress and the media would have the American people believe, the release of American hostages being held by terrorist groups in other parts of the Middle East was a pleasant side benefit of the President's policy -- not the main objective itself.

The press and some in Congress are trying to further undercut the President over the fact that some Iranian funds were used to help the freedom fighters in Nicaragua.

But you and I both know that the whole issue of Iranian funds to the anti-communist forces in Central America is nothing more than a smokescreen for the liberals. What they're really after is to completely destroy President Reagan's active pursuit of a strong, secure, independent America.

I find it interesting -- and sad -- that the President is being so viciously attacked for simply working within the accepted rules of international statecraft to block communist expansion on two continents.

Do the President's attackers really believe America's interests and security shouldn't come first?

I for one believe the President. I believe that his bold effort to support freedom around the world and to place the security of the United States above all other considerations is the right path.

I know you agree.

Your past support for President Reagan and for the work of PROJECT '88: Americans for the Reagan Agenda proves that to me and to the President.

I need to rely on you again in this crisis.

PROJECT '88: Americans for the Reagan Agenda has launched a concerted grass root effort in support of the President. But, I need your help -- and quickly. Over the next few days, I need to raise a minimum of \$100,000 over and above our normal operating expenses in order to keep my promise -- our promise -- to the President.

Already, I've directed your PROJECT '88: Americans for the Reagan Agenda staff to:

- -- initiate a media blitz on radio, television and in the newspapers to get the facts out to the public.
- -- mobilize our supporters and members in key states to put direct heat on the politicians -- to let them know the people support the President.
- -- begin work on a Speaker's Tour by known experts to explain in the detail the need to block Soviet expansion into Iran.

Please, because you share the dream of a strong, secure America, send the most generous contribution you can to PROJECT '88: Americans for the Reagan Agenda today.

Regardless of the amount you can spare -- whether it's as much as \$500 or \$1000, or if it's \$15 or \$25, every gift counts a great deal in this important battle to save President Reagan's policies.

Please, be as generous as you can. The very survival of the conservative agenda is on the line. At this critical moment, do all you can.

Sincerely,

Max Hugel Chairman

P.S. The liberals and left-wing zealots in Congress and the media are out to destroy President Reagan and his policies of a strong America. Please help stop them. Send the largest contribution you can afford to PROJECT '88: Americans for the Reagan Agenda today.

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DRAFT LETTER TO FORMER PRESIDENT JIMMY CARTER:

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Dear Jimmy:

I saw your answers to Dan Rather's questions on CBS News Wednesday night and realized that you apparently had not been briefed on this Iranian situation and, for that, I'm sorry.

With regard to whether I'm doing all that can be done to get the truth to the public, the answer is "yes." It's also true that I want to learn the truth for myself. The matter of transfer of funds came to my attention less than 18 hours before I went before the press and the leaders of Congress and told them what I had just learned. I know no more than that and am hoping that ongoing investigations including the upcoming one by the "Independent Counsel" will reveal all the facts of which I am ignorant on the transfer of funds and who all might have been involved. In the meantime, we are doing everything we can to get at the bottom of this. I have ordered all our people to testify if they are asked or if they have any information at all.

The matter of whether or not we were trading weapons for hostages, again has been fuzzed up in the reporting. In my statement I explained that the request for the sale of arms came from the Iranian individuals we were dealing with. They presented it as a token to show we were serious about establishing a relationship. We, in turn, asked for concrete evidence that they were not supportive of terrorism and suggested a return of the hostages would constitute such evidence.

One last thing. Our shipment of \$12 million worth of spare parts and older Tow missiles could have no real effect on the military balance between Iran and Iraq. Nor was it much of a violation of our policy of trying to persuade other nations to ban arms sales.

In the last few years arms sales by Western Europe, Communist countries, the Middle East, Asia and some others totalled \$9,495 billion to Iran and \$34,712 billion to Iraq. Interestingly enough, more than half the sales to Iran and more than \$24 billion of the sales to Iraq were by the Communist countries.

Best regards,

RONALD REAGAN

THE WHITE HOUSE WASHINGTON

December 12, 1986

MR. PRESIDENT:

Attached for your signature is the letter you wrote to President Carter. Please note that the last sentence has been added following your conversation with Don Regan.

We took the liberty of changing the last sentence in the first paragraph on page 2. Instead of calling the arms transfer a "violation" of your policy, we substituted the phrase "minor exception".

If you sign the letter, please give it to the Ushers to be returned to my office tonight.

David L. Chew

[It was a minor exception to]

O L. d by Pres. with addition of one sentence

DHR.

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Best regards,

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I you would like more information, I can have someone trief you.

THE WHITE HOUSE WASHINGTON

December 12, 1986

PETER WALLISON:

As I mentioned to you earlier.

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Patsy typing in Final

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Jennings: There is nothing particularly scientific about people's opinions here but they do seem to contradict the President's assertion that this is a crisis within the Washington Beltway.

Prof. George Reedy: What has hurt him here is not the Iranian deal so much as the fact that he seems to have let other people run the government and that he seems to have let people do anything they want to without checking. You know, after all, when they went to the polls two years ago the name Lt. Col. North was not on any ballot that they saw.

(ABC-11)

RATHER/CARTER

CBS's Dan Rather: Late today I talked to Jimmy Carter. I asked Jimmy Carter if he thinks President Reagan is doing all he can to get the public the truth.

Carter: I don't think that everything is being done that could be done, no. I think that now there's a sense of we'll wait till things are revealed through the investigative committees and only then will the information be made public.

Rather: What is the worst thing about this sending weapons to the Ayatollah?

Carter: I think it has the connotation of betraying our allies. There's a connotation of rewarding terrorists or kidnappers by paying them with weapons to release some of our hostages. They saw the advantage of this by taking at least as many hostages as they released, and it was of great damage to the Arab countries who now see that Iran is a more formidable military power because we have strengthened their military to some, as yet unknown, degree.

(CBS-3)

HUMAN RIGHTS DAY

Rather: Earlier (today) Yuri Orlov and fellow dissident Anatoly

Shchransky were at the White House. President Reagan proclaimed today Human Rights Day. Mr. Reagan praised them and dissident Anatoly Marchenko whose death in prison was confirmed today by the Soviet Union. President Reagan called Marchenko a martyr for the cause of human rights.

(TV coverage of the President at the White House.) (CBS-4, ABC-6)

ECONOMY AND TRADE DEFICIT

Rather: Word from Washington today that this nation's balance of payments trade deficit rose to record of more than \$37 billion in the year's third quarter. (CBS-14)

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