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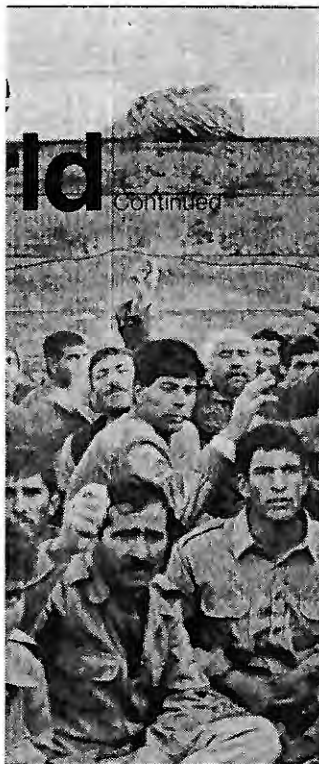
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Iranians during the latest offensive.

he was accused of laundering \$60 million in drug money. The traffickers have fought the extradition policy with threats and bribes and by murdering a supreme court justice, 30 judges, 20 journalists and many police officers. In 1984, Mr. Parejo's predecessor as Justice Minister, Rodrigo Lara Bonilla, was also killed. President Virgilio Barco Vargas ordered a new antidrug offensive last month, after a gang killed the publisher of Bogotá's second-largest newspaper, who was a vigorous critic of the traffickers. But Colombian news media, in a concerted response to the attacks, published and broadcast statements of their "astonishment" that the Government had done little in an "open war" that cocaine traffickers had declared on the country.

Hijacking Suspect Held in Frankfurt

Middle Eastern terrorists were on the move again last week, but two Lebanese men, one a hijacking suspect, were arrested at European airports.

West German authorities arrested Mohammed Ali Hamadei, a 22-year-old Lebanese who has been identified as a participant in the June 1985 hijacking of a Trans World Airlines plane to Beirut.

The White House and Justice Department sought to extradite Mr. Hamadei, who is wanted for murder and air piracy. But West Germany, said, as it has in other major extradition cases, that it would not hand him over unless the United States gave written guarantees that he would not be subject to the death penalty. West Germany has no provision for capital punishment.

"We very much want him," Terry Eastland, a Justice Department spokesman, said in Washington.

The hijackers killed an American passenger, a Navy diver; 39 other Americans were turned over to Shiite Moslem militiamen, who were demanding that Israel release 766 prisoners. After the Americans were freed, Israel eventually freed most of the prisoners but insisted it had not been party to a deal.

Mr. Hamadei was arrested at Frankfurt airport when three bottles of methyl nitrate, a liquid explosive, were found in his luggage. A day earlier, Bachir Khodr, another Lebanese, was arrested at Milan airport, also carrying explosives. Interior Minister Oscar Luigi Scalfaro said Italian intelligence agencies had information linking the two men, and senior United States and Italian officials said they might have been part of a new European offensive planned

Arms to Iran: More Pieces of the Puzzle.

President Reagan Seems Trapped in A Tangled, Paradoxical Web

By ROBERT PEAR

PRESIDENT REAGAN appears to be trapped in a web of paradox over the secret sale of arms to Iran, vulnerable if he knew more about the deal than he has acknowledged and vulnerable if he knew less about it than his critics insist any President should have known.

The essential elements of the arms deal and the diversion of money to the Nicaraguan rebels have been known since mid-December. But many new details have emerged in recent weeks about what was done by or on behalf of the United States Government. Many relate to the origin of the secret decision to sell arms to Iran in hopes of gaining the release of Americans held hostage in Lebanon by pro-Iranian extremists — a policy that was conceived in mid-1985, about the time Mr. Reagan was denouncing Iran as part of "an international version of Murder Inc."

The President's dilemma is that to demonstrate he knew nothing about the diversion of money from the Iran arms sales to Nicaraguan rebels, he must prove he was ignorant of international intrigues run from the White House by the staff of his National Security Council.

A Scapegoat?



Israel's Overtures

The origin of the American arms shipments to Iran is still not clear. Mr. Reagan said in November that "the Iranians came to us at first," seeking "a better relationship." But Admiral Poindexter's memorandum to the President in January 1986 describes the shipments as part of an "Israeli plan" to strengthen moderate forces in Iran and to "preserve a balance of power" in the Persian Gulf region. The plan, he said, was proposed to the United States by a special emissary from Shimon Peres, who was then Prime Minister of Israel.

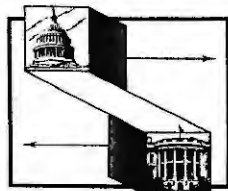
The report of the Senate Intelligence Committee says that the arms sale plan originated with a group of foreign arms dealers and investors who used Israelis as intermediaries. Israel, according to the report, had its "own reasons for selling arms to Iran," a non-Arab Moslem country that has declared its hostility to Israel. In strategic terms, Israeli officials viewed Iran as a valuable counterweight to Arab countries.

In August, September and November 1985, the Israelis sent American-made missiles to Iran from their own stockpiles, with the understanding that the United States would replenish their arsenal. The C.I.A. began shipping weapons to Iran from American stocks in February 1986.

According to the Senate report, Mr. Peres urged Mr. Reagan in February 1986 to continue the Iranian arms shipments, even though they had failed to win the release of all the hostages. Mr. Peres's emissary, Amram Nir, returned to Washington last September and made a similar plea to Admiral Poindexter and Colonel North, the report said.

Israeli officials denied last week that they had led the United States into the Iran arms affair. "Everything attributed to Israel has no basis in reality," said Yitzhak Shamir, now the Prime Minister. Mr. Peres said Israel cautioned the United States in January 1986 that the arms-for-hostages deal had no more than a 25 percent chance of succeeding. The Administration assured Mr. Shamir last week that it was not trying to make Israel a scapegoat.

The Cake



More and More Contradictions

Much of the information dribbling out of the Government in recent weeks contradicts earlier statements by Reagan Administration officials. A staff report prepared for the Senate Select Committee on Intelligence says that "early statements issued by the Administration proved later to contain significant inaccuracies." The report has not been formally issued, but The New York Times has obtained key parts of it.

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"No," he answered, "I didn't have anything to do with a cake."

"Bible?" he was asked. "No Bible," he replied. But a retired official of the Central Intelligence Agency, George W. Cave, told the Senate Intelligence Committee that Mr. McFarlane and his party carried a cake and a Bible with a handwritten inscription from Mr. Reagan. Mr. Cave accompanied Mr. McFarlane on the mission. His account is in the committee's draft report. Mr. McFarlane said last week that he personally had nothing to do with the cake.

Arms for Hostages? In a televised address Nov. 13, Mr. Reagan said, "We did not — repeat, did not — trade weapons or anything else for hostages, nor will we." But in a confidential memorandum to the President dated Jan. 17, 1986, Vice Adm. John M. Poindexter, then the national security adviser, said the shipment of weapons to Iran "may well be our only way to achieve the release of the Americans held in Beirut." The White House released copies of the memorandum nine days ago.

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This finding appears to contradict Administration assertions that no Government official or agency supervised or coordinated the private network supplying military aid to the rebels, known as contras.

Mr. Reagan strongly supports the rebels, who are trying to overthrow the leftist Sandinista Government. But from October 1984 to October 1985, Federal law prohibited American

Mr. Ghorbanifar: Al Schwimmer, a founder of Israel's aircraft industry, and Yacov Nimrodi, an arms dealer and former military attaché at the Israeli Embassy in Teheran.

In June 1985, Mr. Ghorbanifar met in West Germany with Adnan M. Khashoggi, the Saudi Arabian billionaire, and Cyrus Hashemi, an Iranian exile and banker who had joined Mr. Khashoggi in a venture to sell arms to Iran. Mr. Khashoggi and Mr. Ghorbanifar helped arrange the first Israeli shipments of American weapons to Iran in August and September 1985. Mr. Khashoggi says he guaranteed payment for the weapons by depositing \$5 million in a Swiss bank account. After receiving the weapons, Iran apparently paid Mr. Ghorbanifar, who paid Mr. Khashoggi, and he in turn distributed the money to the Israelis and perhaps to others.

Mr. Khashoggi continued to guarantee payment for arms when the United States began direct shipments to Iran in 1986. Mr. Ghorbanifar, on behalf of Iran, continued to write the checks for at least some shipments.

Altogether, according to Mr. Ghorbanifar, there were six shipments, and the payments totaled \$30 million to \$35 million.

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'No Knowledge Whatsoever?'

President Reagan says he had "no knowledge whatsoever" that proceeds of the Iran arms sales were diverted to the Nicaraguan rebels until Attorney General Meese informed him Nov. 24, 1986. Mr. Meese said Colonel North and Admiral Poindexter were "the only persons in the United States Government" who had known about the diversion.

Mr. Reagan's ignorance of the details has become a major theme in his defense. "I don't think the President really knows yet what happened," said Senator Paul S. Trible Jr., Republican of Virginia. But Senator Ernest F. Hollings, a South Carolina Democrat, contends that Mr. Reagan "knew it all, generally speaking," and "created an environment in which aid to the contras, by hook or by crook, was a top priority." "No one can persuade me that Admiral Poindexter and company were buccaneers operating on their own," Mr. Hollings said. "They were doing the President's bidding."

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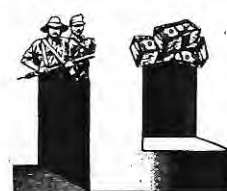
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Mr. Casey regarded this report as "tenuous speculation," the C.I.A. said this month.

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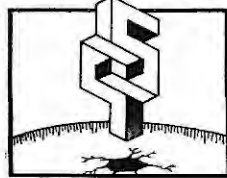
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Attorney General Meese told the committee, according to the report, that Mr. Nir, the Israeli emissary, might have suggested the diversion in January 1986. The Israeli Government has emphatically denied ever having suggested such an operation.

In April 1986, the report says, Colonel North prepared a memorandum suggesting that \$12 million from the arms sales be sent to the contras. The memorandum "requests the President's approval," but the report says there was no firm evidence that Mr. Reagan re-

Motives and Money



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... Meanwhile, in a separate incident in the north German city of Hamburg, gunmen killed an Iranian who had been a pilot for the Speaker of the Iranian Parliament. The victim, Ali Akbar Mohammadi, flew to Baghdad last summer and later applied for political asylum in West Germany.

French Hostage Seized

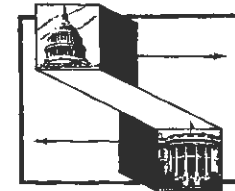
... Terry Waite, the Anglican Church envoy, returned to Beirut last week seeking the release of more hostages. But his visit was the occasion for another kidnapping. Gunmen seized Roger Auque, a French freelance reporter and photographer, not long after he finished photographing Mr. Waite on the seafloor in Moslem West Beirut. Mr. Waite, a representative of the Archbishop of Canterbury, has been involved in successful negotiations to free a number of American and other hostages in Lebanon. Eighteen foreigners, including five Americans, are still being held.

Katherine Roberts, Milt Freudenhelm and James F. Clarity

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... Mr. Reagan strongly supports the rebels, who are trying to overthrow the leftist Sandinista Government. But from October 1984 to October 1986, Federal laws prohibited American agencies from providing assistance, directly or indirectly, to military operations in Nicaragua. Colonel North was dismissed from his White House job Nov. 25, the same day Admiral Poindexter resigned.

... Reagan's Approval Mr. McFarlane told the Senate Intelligence Committee that President Reagan had given prior approval for the first Israeli shipment of American arms to Iran in August 1985. Last week he told the Senate Foreign Relations Committee that Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger had been fully informed of the decision. But Donald T. Regan, the White House chief of staff, said the President had not approved the shipment in advance, and Attorney General Edwin Meese 3d said Mr. Reagan condoned the shipment only when he learned of it "after the fact."

... The issue is significant because, under Federal law, a foreign nation is generally forbidden to transfer American weapons to a third country unless it first obtains consent from the President of the United States.

... Some of Mr. Reagan's defenders said he might not remember approving the first arms shipment because he was recovering from surgery at the time and might have been taking medication.

Arms Merchants

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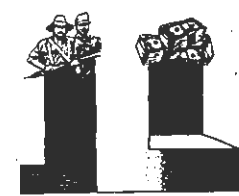
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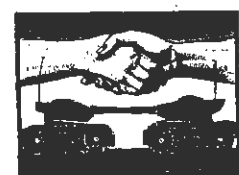
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... In April 1986, the report says, Colonel North prepared a memorandum suggesting that \$12 million from the arms sales be sent to the contras. The memorandum "requests the President's approval," but the report says there was no firm evidence that Mr. Reagan received the document.

... White House and Capitol Hill sources said Admiral Poindexter had told Mr. Reagan, the chief of staff, that he allowed the diversion because he "felt sorry" for the contras.

Khashoggi Connection



Arms Merchants

... Private arms merchants strongly influenced the tactics of the secret American overtures to Iran.

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... Congressional investigators will wrestle with these questions and try to determine whether any of the money was used to finance other rebels backed by the United States, such as groups in Afghanistan, Angola and Ethiopia, or whether it was channeled into political campaigns in the United States.

... What happened to the \$10 million that the Sultan of Brunei, at the request of the State Department, deposited into a Swiss bank account to aid the contras last year? Department officials said they had lost track of the money.

... Could Mr. Casey's brain tumor have impaired his memory or otherwise affected the testimony he gave to Congress on the Iran arms deals before he underwent surgery?

... When Michael Ledeen, a consultant to the National Security Council, went to Israel in the spring of 1985, was he acting on his own initiative or on instructions from Mr. McFarlane, the President's national security adviser? Mr. Ledeen met with Mr. Peres, then the Prime Minister, and they discussed the situation in Iran. Later, in the summer, Mr. Ledeen says, he met Mr. Ghorbanifar.

... Finally, who persuaded Mr. Reagan to restart arms shipments to Iran in early 1986 after he had decided to stop them in late 1985? And was President Reagan unaware of the diversion of funds until late November 1986, as he says?

Iran Diversion Put at \$10.5 Million, Mostly From Khashoggi Loan

MONEY, From A1

charged the Central Intelligence Agency only \$2,037,000. The remaining \$1.9 million paid by Tehran has not been located.

Investigators now believe that Khashoggi inadvertently provided most of the diverted cash in one of the two other deals. The Arab financier, who hoped that by acting as a middleman between the White House and Tehran he would be well-positioned to make future profits, had served as banker since the first shipment of U.S.-made arms from Israeli stocks in mid-1985.

Until that final sale of weapons in October 1986—when the Arab was cut out of the action—Khashoggi typically would put up the money for a deal in a Swiss bank account; a portion, covering the cost of the weapons, would be transferred to the CIA, which would tell the U.S. Army it had received the funds; the Army would transfer the arms to the CIA, which shipped them to Tehran. Iran would pay its middleman, who would reimburse Khashoggi.

The first 1986 Iranian purchase of 1,000 U.S. TOWs in February was made virtually "at cost," a congressional source said. The Iranians paid \$3.5 million for the TOWs, which was the same amount the Pentagon charged for them, and another \$2 million for shipping costs and middleman profits, sources said.

The next sale, in May, was again financed by Khashoggi. On May 15 he put \$15 million into the Swiss account to finance a package that was to include Hawk missile spare parts, two Hawk radars and 508 TOWs, sources said.

The radars, used to guide Hawk antiaircraft batteries, were among the military supplies that the late shah of Iran had purchased from the United States but were never shipped from the United States after the regime of Ayatollah Ruhollah Khomeini seized the U.S. Embassy in Tehran in November 1979. That cache has been the subject of legal dickering for years between Washington and Tehran.

Last May, however, U.S. officials initially agreed to include the radars in an arms package that was intended to release the remaining American hostages held in Lebanon by Iranian extremists.

Before the radars could be sent, however, "the legal people" blocked the shipment, a congressional

source said in an apparent reference to government lawyers who were concerned about dipping into what was supposed to be a legally frozen Iranian arms cache.

After removing the radars from the May arms package, the shipment totaled \$6.5 million—the Hawk missile spare parts, which cost \$4.4 million, and the TOW missiles, valued at \$2.1 million.

That \$6.5 million was taken from the Swiss bank account that had received Khashoggi's loan. On May 16, North and retired major general Richard V. Secord moved the money into another Swiss account controlled by the CIA, according to the recent report of the Senate Select Committee on Intelligence.

Left in the original Swiss account

was \$8.5 million remaining from the Khashoggi loan.

The diverted funds, one congressional source said, are believed to have gone to pay the costs of airlifting weapons and other war materiel to Nicaragua, as well as other counterterrorism programs run by North.

North and his collaborators apparently planned to make up Khashoggi's shortfall by inflating the price of the rest of the arms that were sent to Iran in May, notably the 240 spare missile parts. That scheme, however, ran into trouble with the Iranians, who balked at the \$24 million price tag.

Furthermore, only a small portion of the spare parts were shipped on the plane that carried former

national security adviser Robert C. McFarlane to Tehran in late May. When the American hostages were not released, McFarlane left and refused to permit shipment of the remaining Hawk parts.

Tehran then refused to pay for the parts Iran had received from McFarlane. Hectic negotiations began. In the end, the remaining Hawk spares were shipped in August after one hostage, the Rev. Lawrence Jenco, was released. But Tehran paid \$8 million for the 240 spare parts, instead of the \$24 million the White House had demanded. The \$8 million was sent to Khashoggi, who had expected at least \$15 million, and who now claims that he was badly short-changed.

THE ARMS DEALS: WHERE DID THE MONEY GO?

DEAL I

1 January-February 1986: Saudi billionaire Adnan Khashoggi, right, deposits \$10 million in a Swiss bank account owned by a company called Lake Resources, which is tied to Lt. Col. Oliver L. North of the National Security Council, retired major general Richard V. Secord and his business partner Albert Hakim.



2 Feb. 12: The Central Intelligence Agency tells the Army that funds are now available to pay for 1,000 TOW antitank missiles at a cost of \$3.5 million. Five hundred missiles are shipped to Iran Feb. 17, and the remaining 500 at the end of the month.



3 Later: Khashoggi is paid the \$6.5 million remaining in the Lake Resources account, and \$5.5 million compensation from Manucher Ghorbanifar, right, the middleman representing the Iranians: \$3.5 million to settle the balance of his initial loan and \$2 million for interest, expenses and profits.



DEAL II

1 May 15, 1986: Khashoggi deposits \$15 million in the Lake Resources account. On the same day, Hyde Park Square Corp., another account apparently tied to North, right, deposits \$5.5 million in a CIA account to pay for 240 Hawk missile spare parts, and 508 TOW missiles.



2 May 16: The CIA tells the Army that funds are now available to cover the transfer of TOW missiles and spare parts for the Hawks, right, to Iran.



3 May 23-25: The missiles and parts are shipped to Israel. Israel retains the TOWs to replace those sold to Iran from Israeli stocks in September 1985. Some of the Hawk parts are delivered to Tehran May 25 on the plane carrying former national security adviser Robert C. McFarlane, right.



4 Later: In June, Iran pays Khashoggi \$4 million for the Hawk spares McFarlane brought. On Aug. 3, the remaining Hawk parts are shipped to Iran from Israel, and Iran subsequently pays Khashoggi another \$4 million.



5 Unknown: What happened to \$3.5 million of Khashoggi's original \$15 million deposit in the Lake Resources account? Khashoggi and his associates claim they are still owed \$7 million, plus \$3 million in profits.



DEAL III

1 Oct. 26-27, 1986: The Iranians deposit \$4 million into a Swiss bank account for 500 TOW missiles.



2 Oct. 28: The CIA receives \$2,037,000. In return, 500 TOW missiles from Israeli stocks are shipped to Iran Oct. 29.

3 Nov. 3: The CIA tells the Army to release 500 TOW missiles.

4 Nov. 6: The 500 TOW missiles are shipped to Israel to replace those sent to Iran.



5 Unknown: What happened to \$1,963,000 of the Iranians' original \$4 million payment?



PRESIDENTIAL

Eban Backs U.S. Memo on Sales

Associated Press

JERUSALEM, Feb. 10—Abba Eban, chairman of a parliamentary panel probing arms sales to Iran, corroborated the contents of a U.S. memo saying an Israeli official helped put Washington in touch with Iranian radicals, but he said today that it was "nothing new or negative."

The memo, prepared by an aide to Vice President Bush and published Sunday in Washington, supports Israel's claim to have "cooperated with the

Americans successfully," Eban said, adding, "Israel helped the Americans establish the first contacts with the Iranians since Khomeini came to power. I see nothing bad about that."

According to the memo, Israeli adviser Amiram Nir told Bush "the radical group was the group that could deliver."

Nir was a key Israeli liaison with Washington for the weapons deals. Eban said testimony Nir gave last week supported the memo's version of events.

PERSPECTIVE

What Reagan knew, and when

CONTRARY to what the members of the Tower Commission and almost everyone else have said, Ronald Reagan does not emerge from the pages of the commission's report as a confused old man who had only the foggiest notion about the secret arms deal with Iran which his own National Security Council had been pursuing for well over a year.

It is true that the Tower Commission uncovered no evidence that the President knew about the diversion to the contras of profits from the Iranian arms sales. But a careful reading of the report establishes three points that together refute the idea that Reagan suffered from any serious confusion about the arms sales themselves.

To begin with, it becomes clear from the evidence supplied by the report that the first shipment of arms to Iran, made by the Israelis, went forward only after Reagan had given his approval (even though he now claims that he cannot remember exactly when he gave it). Then about five months later, Reagan authorized the first direct supply of arms to Iran by the United States. On Jan. 17, 1986, he wrote in his diary: "I agreed to sell TOWs to Iran."



**NORMAN
PODHORETZ**

So much for the question of who was responsible for selling arms to Iran. Ronald Reagan was responsible.

But (moving on to the second point) did Reagan understand what adopting such a policy meant? Not in the opinion of John Tower and his two colleagues on the commission, Brent Scowcroft and Edmund Muskie. They have charged that the President was never properly briefed by his advisers about the risks to the nation and to his own political fortunes entailed by the arms sales. As Scowcroft has put it: "There should have been bells ringing, lights flashing and so on."

Yet what we learned from

evidence contained in the report itself is that bells did ring and lights did flash. Both Secretary of State George P. Shultz and Secretary of Defense Caspar Weinberger were against the arms sales, and on several occasions explained why in no uncertain terms.

At one meeting in the Oval Office, for example, Shultz "stated all of the reasons why I felt it was a bad idea . . . I didn't just sort of rattle these arguments off. I was intense . . . The President was well aware of my views."

Weinberger was equally vehement in denouncing the policy. At an earlier meeting with the President he "opposed it very strongly" as "a terrible idea," and Shultz backed him up. So persuasively and forcefully did they present their case that they thought they had "strangled the baby in the cradle." No such luck. The President decided against them.

He arrived at this decision, according to Attorney General Edwin Meese's testimony, with "an adequate understanding of the argument for and against the project." This view has been confirmed by Robert C. McFarlane, who was national security adviser when the policy was origi-

nally being considered. The President, McFarlane has testified, "called and said: I think we ought to get on with that . . . and I said do you understand, of course, now that George [Shultz] and Cap [Weinberger] are

Contra role uncertain but he agreed to 'take the heat' on arms for hostages deal

very much opposed to this and they have very good reasons? . . . and he said: Yes, I understand how they feel, but I want to go ahead with this."

Finally, in this same conversation with McFarlane, Reagan left no doubt that he was also fully conscious of the political embarrassment he would suffer if (or rather, as Shultz later told him, not if but when) the policy became public knowledge. McFarlane remembered the President saying that he would "be glad to take all the heat . . ."

The director of the CIA, William J. Casey, came away with exactly the same impression from another meeting in the Oval Office: "I suspect he would be willing to . . . take the heat in the future," Casey noted in a memo, "if this will lead to springing the hostages."

If this will lead to springing the hostages. There we have it, and on this issue of the President's motives, at least, the conclusion reached by Tower and his colleagues is fully consistent with what their evidence shows.

The overriding reason Ronald Reagan sold arms to the Ayatollah Khomeini's regime was that he wanted to free the American hostages who were being held in Lebanon by terrorists under Iranian control. In doing so, he violated his own declared policy against selling arms to Iran, as well as his own declared policy against paying ransom for hostages. He thereby provided an incentive for more hostage-taking in the future and severely damaged the anti-terrorist cause in general.

In all this, Reagan was abetted by the Israelis and their expert in counter-terrorism whose expertise seemed to consist in figur-

ing out new ways of paying terrorists off. Here the Tower Report tragically confirms what had already been suggested by Israeli behavior in two earlier hostage crises — that Israel can no longer be counted upon to set an example for the rest of the world on how to deal firmly with terrorism.

And what of all the talk about encouraging "moderate" elements in Iran and countering a future Soviet threat? Some of the players in this squalid drama were obviously moved by such strategic fantasies. But as McFarlane has finally confessed, the main function of this geopolitical rationale was to "gild the President's motives," which were focused from beginning to end on the hostages.

Thirteen years ago, during the Watergate hearings, it was, ironically, Reagan's new chief of staff, Howard Baker, who kept asking the two famous questions: What did the President know and when did he know it? If we ask these questions about Reagan's relation to the selling of arms to Iran, the answers we get from the evidence collected by the Tower Commission are: More than enough, and from the very first minute.

Some of the Top People in Iran

Special to The New York Times

UNITED NATIONS, N.Y., Nov. 18 — Although President Reagan and his advisers have sought to justify secret arms shipments to Iran by arguing that it was an attempt to strengthen the hand of the "moderates" over the "radicals" in Iran, other United States officials and Iran experts believe that such terms have little meaning in describing Iran's ruling elite.

No Iranian official would dare to publicly call for

an end to the six-year-old war against Iraq, Iran's top policy priority, for example. On other foreign and domestic issues, Iranian officials may vary in their approach, but not out of allegiance to a particular party or coalition.

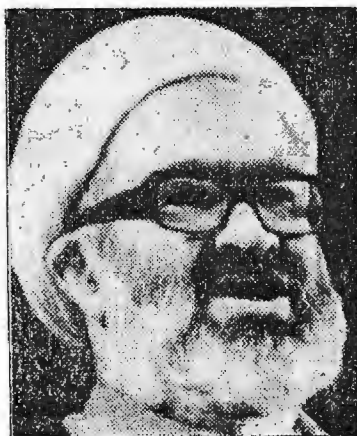
In addition, Iranian officials often adapt policy positions depending on events and political expediency so that it is often impossible to define precisely where they stand on any issue. ELAINE SCIOLINO



Ruhollah Khomeini
Religious Leader

Ayatollah Ruhollah Khomeini, 84, the undisputed political and religious leader of Iran, has never wavered from his determination to continue the war against Iraq until his arch-rival, President Saddam Hussein, is overthrown. The ailing Ayatollah has withdrawn from the day-to-day running of the Government, but still makes major decisions regarding revolutionary policy. The visits to Teheran of President Reagan's former national security adviser, Robert C. McFarlane, could not have occurred without Ayatollah Khomeini's approval.

According to unconfirmed reports from informed sources in Teheran, Ayatollah Khomeini suffered a heart attack last summer, and is under doctor's orders to restrict his activities.



Hussein Ali Montazeri
Religious Leader
Successor-Designate

Ayatollah Hussein Ali Montazeri, 63, designated by Ayatollah Khomeini and the Council of Guardians as Khomeini's successor, is already carrying out many of the functions of religious leader. He also serves as head of the influential network of clerics who deliver Friday sermons in the mosques.

A believer in the sanctity of private property and free enterprise, he is strongly supported by the bazaar merchants. He has come under criticism by some clerics for his invitation to exiled Iranians to return home and his call for better treatment of Iraqi prisoners of war. An opponent of revolutionary excesses, he has called on judges to halt the persecution of opponents of the Government.

Because he does not have the lofty religious credentials or the dynamism of Ayatollah Khomeini, he is not expected to rule with the same authority and may have to share power with other clerics.



Hashemi Rafsanjani
Speaker of Parliament

Hojatolislam Hashemi Rafsanjani, 52, is an outspoken, charismatic politician, who, as the two-term Speaker of Parliament, has methodically built up his power base. He serves as deputy chairman of the Council of Experts, which is responsible for a smooth succession after Ayatollah Khomeini dies, and as his personal representative on the Supreme Defense Council, which determines war policy.

Reports of a power struggle between Ayatollah Montazeri and Hojatolislam Rafsanjani seem overstated, in the view of many experts. The two former students of Ayatollah Khomeini appear to work well together, and as a hojatolislam, one rank lower than ayatollah, Rafsanjani would not be in a position to replace Ayatollah Montazeri, but could make himself indispensable to the older leader.



Ali Khamenei
President

Hojatolislam Ali Khamenei, 47, Iran's second-term president, also serves as the head of the Supreme Defense Council. As such, he is Ayatollah Khomeini's deputy commander of the armed forces and is deeply involved in the procurement of arms.

This cleric, who was wounded in an assassination attempt, has lost much of his power as President, and is believed to be playing more



Mir Hussein Mousavi
Prime Minister

Mir Hussein Mousavi, 43, an engineer and Prime Minister since 1981, is a layman who began his revolutionary career as a clerk for the late Ayatollah Mohammed Beheshti, before rising to become editor of the Islamic Republican Party newspaper.

A number of legislators have criticized his handling of the economy, and he alienated the bazaar merchants when he accused them



Ali Akbar Velayati
Foreign Minister

Ali Akbar Velayati, 41, Foreign Minister, is a strong proponent of Iran's "open door policy" towards the rest of the world. A pediatrician who studied briefly at Johns Hopkins University, he is eyed with some suspicion by the clerics. He has been victimized by fierce competition by some Iranian officials for control of Iran's foreign policy, and it was Hojatolislam Rafsanjani who visited

Britis

By JOSEI

Special to The

LONDON, Nov. 18 — A television documentary broadcast here Thursday shows Iranian businessmen in the secret the Reagan Administration's

The businessman died suddenly in a hospital in July of what is a rare form of cancer.

At the time of his death, he here suggested that he might have been involved in a role as a Justice Minister in a case of illegal arms to Iran. The smuggler, the indictment in Israel, a general and a former of being co-conspirator.

The Thames Times today, which was seen here today, bases its report on Mr. Hashemi was from the administration interview. It does not identify the man with Elliott L. Richardson, Attorney General who having acted as Mr.

C.I.A. Contain

Speaking to view the reporter's program, Julian Manyardson as having referred Mr. Hashemi to the Central Intelligence Agency. According to a source not Mr. Richardson, sources who say Hashemi went to work.

Earlier this month at a conference in Beirut, he said he had arranged for Mr. Hashemi and an effort to win a victory in Lebanon, a connection to arms deliveries.

The thesis of the documentary is that Mr. Hashemi both in an arms transaction did not authorize the producing the indicting up the negotiating arms shipments authorized for Iran. That he played a significant role in the secret precedes the releases held at the A Teheran.

Rebu

By ELAINE

Special to The

UNITED NATIONS Representatives of the United States square general Assembly today Arab government condemnation of the raid on Libya: tion of international

The chief Libyans, Treiki, accused the history of "blatant" against his count closed American control of its own oil 1969 revolution Muammar el-Qaddafi

Mr. Treiki, a former, said that when he could not undergo political pressure, it had taken accused the United out "provocative" that had been "no attempt to pull Libya; frontation," and Iranian military brutal."

After the attack, Iranian officials said

ports from informed sources in Tehran, Ayatollah Khomeini suffered a heart attack last summer, and is under doctor's orders to restrict his activities.

lutionary excesses, he has called on judges to halt the persecution of opponents of the Government.

Because he does not have the lofty religious credentials or the dynamism of Ayatollah Khomeini, he is not expected to rule with the same authority and may have to share power with other clerics.

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President

Hojatolislam Ali Khamenei, 47, Iran's second-term president, also serves as the head of the Supreme Defense Council. As such, he is Ayatollah Khomeini's deputy commander of the armed forces and is deeply involved in the procurement of arms.

This cleric, who was wounded in an assassination attempt, has lost much of his power as President, and is believed to be playing more and more of a ceremonial role. He was unsuccessful in getting Foreign Minister Ali Akbar Velayati appointed Prime Minister, for example, and spends much of his time visiting wounded soldiers in military hospitals.

He also heads the Islamic Republican Party, a vehicle that has lost much of its power since the early days of the revolution.



Mir Hussein Mousavi
Prime Minister

Mir Hussein Mousavi, 43, an engineer and Prime Minister since 1981, is a layman who began his revolutionary career as a clerk for the late Ayatollah Mohammed Beheshti, before rising to become editor of the Islamic Republican Party newspaper.

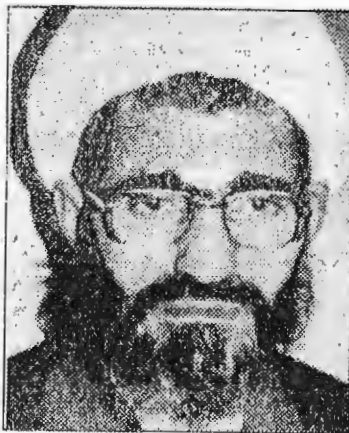
A number of legislators have criticized his handling of the economy, and he alienated the bazaar merchants when he accused them of counterrevolution. He was appointed to a second term as Prime Minister only with the personal intervention of Ayatollah Khomeini. He has never voiced strong views on foreign policy, but is a firm believer in the need for more government control of the economy and a redistribution of wealth.



Ali Akbar Velayati
Foreign Minister

Ali Akbar Velayati, 41, Foreign Minister, is a strong proponent of Iran's "open door policy" towards the rest of the world. A pediatrician who studied briefly at Johns Hopkins University, he is eyed with some suspicion by the clerics. He has been victimized by fierce competition by some Iranian officials for control of Iran's foreign policy, and it was Hojatolislam Rafsanjani who visited China and Japan last year, for example, and Prime Minister Mousavi who toured Nicaragua.

Since his rhetorical gaffe in 1982, when he said that the overthrow of President Hussein of Iraq was only a "recommendation" for the war to come to an end, he has not deviated from the official line that the Iraqi leader must be overthrown.



Ali Mishkini
Chairman, Council of Experts

Ayatollah Ali Mishkini, 65, as chairman of the Assembly of Experts, could have great influence in deciding how much power is attributed to Ayatollah Montazeri in the post-Khomeini era. He has already hinted that he does not believe that one leader can replace Ayatollah Khomeini.

Ayatollah Mishkini is the father-in-law of Ayatollah Mohammed Mohammedi-Reyshahri, the Minister of Intelligence, who recently ordered the arrest of a distant relative of Ayatollah Montazeri on treason charges. As Friday prayer leader in the holy city of Qum, Ayatollah Mishkini also has a forum from which to voice his views.



Mousavi Ardebili
Chief Justice, Supreme Court

Ayatollah Mousavi Ardebili, 62, was a member of the original ruling Revolutionary Council and has become increasingly prominent as chief justice of the Supreme Court and chairman of the Supreme Judicial Council. As such, he has helped transform the judiciary into a clerical body, dismissing most secular judges. He tends to take positions that favor the poor.

A believer in the redistribution of property, he has called property owners "bloodsuckers" whose roots must be torn from the earth.



Mousavi Khomeiniha
Prosecutor General

Hojatolislam Mousavi Khomeiniha, 43, Prosecutor General, rose to international fame as spiritual leader of the "Students Following the Line of the Imam" who seized the American Embassy in Tehran in 1979. He was appointed, then removed, by Ayatollah Khomeini, as head of the pilgrimage to Mecca, because he was inciting Iranian pilgrims to turn the pilgrimage into an occasion for exporting the revolution.

He has urged the judiciary to seize land belonging to large owners associated with the Old Regime, and has urged the Parliament to invalidate titles to rural lands not under cultivation.

Without mentioning Ayatollah Montazeri by name, he has publicly criticized his encouragement of exiles to return home and his support of private enterprise.

Rebu

By ELAINI
Special to The

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Not Its Power, But Its Weakness

The foreign policy mistakes that surround the sale of arms to Iran have been widely blamed on the excessive power of the National Security Council staff.

My view, perhaps unorthodox, is that the exact opposite is true. The root cause of the United States' foreign policy difficulties is not the strength but the weakness of the national security adviser's staff. It has singularly failed to perform what should be its principal task: to develop realistic options for the consideration of the president and his principal advisers. To be sure, the NSC staff has engaged in occasional acts of operational bravado. But these acts have proved so damaging precisely because of the absence of a system for setting realistic objectives and establishing a relationship between ends and means.

This becomes clear when one considers that the sale of arms to Iran was not an isolated event. In the long term, the events surrounding the Reykjavik summit may prove to have been more damaging than Iran. At Reykjavik—as on Iran—the president lacked a reasoned statement of options and consequences. The failure at Reykjavik was not the predominance of the NSC staff but the administration's inability to develop a strategy that related diplomacy, military policy and arms control policy to a coherent national purpose.

The Tower Commission, recently established to look into the proper role for the NSC staff, should therefore interpret its charter to include the gamut of national security policy decision-making.

In Greek mythology the gods sometimes punished man by fulfilling his wishes too completely. In its sixth year the Reagan administration is paying the price for the seeming effortlessness and excessive self-confidence by which its considerable successes have been achieved. President Reagan's extraordinary instinct, his vast popularity and the temporary Soviet weakness caused by a succession of aged leaders made unnecessary the shakedown of procedures and personnel that a crisis usually imposes early in a presidential term. As a result, exorbitant reliance has been placed by his subordinates on President Reagan's persuasive skills. They have acted on the apparent belief that the major challenge to American statesmanship is the public presentation of its decisions and not their quality.

Counting on the safety net of the president's hold on the American public, his advisers felt secure in pursuing their clashing preferences with a single-mindedness unusual even by the not exactly gentle standards of Washington. "Nothing ever gets settled in this town," said Secretary of State George Shultz to the House Foreign Relations Committee. "It is a seething debating society in which the debate never stops, nobody ever gives up, including me." Policy thereby becomes fragmented into a series of ad hoc decisions driven by immediate problems or negotiating deadlines. Spurious compromises emerge, permitting each department or agency either to pursue its own preference or withdraw into sullen dissociation until the next occasion for battle. The State Department's relentless skill in edging toward negotiating positions never fully made explicit confronts the Defense Department's uncanny proclivity to block progress by means of unacceptable

proposals. But the result has been confusion and incoherence more often than a long-range strategy. Nor was the NSC staff sufficiently subtle to distill a realistic strategy from the president's idealistic aspiration to abolish nuclear weapons or his compassionate desire to pay for the release of hostages. In fact, it seems that on Iran the NSC staff mistook a presidential objective for a directive: rather than helping establish priorities, the NSC staff became one of the players.

In the end, the only player who turned out to have no safety net was Ronald Reagan. I can think of no recent president so abandoned by his associates in his hour of crisis. He was alone on the parapet.

Moreover, whatever the failings of the NSC staff, departmental abdication bears a share of the blame. In 1985, the State and Defense departments and the CIA clearly knew that weapons were being shipped to Iran.

"Exorbitant reliance has been placed by his subordinates on President Reagan's persuasive skills."

It is difficult to believe that they could not have learned that something similar was going on in 1986 had they chosen to inform themselves. After all, hundreds of tons of equipment can hardly be moved from depots across the oceans without somebody's becoming aware of it. In such circumstances, the president is entitled to assume that Cabinet members who do not resign will cooperate in the implementation of his policy and defend his decisions when necessary.

In the case of Iran, not only decision-making but implementation seems to have broken down. What, for example, happened to the 40 Committee representing all concerned agencies, which in previous administrations supervised clandestine operations?

The objective of improving relations with Iran is surely valid given Iran's geopolitical importance. But the timing is open to question. What analysis or intelligence buttressed the belief in the existence of a moderate faction in Tehran? Why was it thought that supplying arms would help the moderate faction when their use was bound to serve radical ends? Why was a senior American sent to Tehran without an assurance of whom he would meet or of an agenda for discussion? How can one contribute to ending a war on an equitable basis by supplying arms to the side that has the upper hand and whose victory would undermine all moderate forces in the Moslem world? Who could possibly believe that the sale of hundreds of tons of equipment could be kept secret, especially as it involved at least three arms dealers of different nationalities? And did anyone—proponents or opponents of the scheme—describe to the president the damage that would result to U.S. credibility worldwide and especially in the Persian/Arabian Gulf, as well as the impact on oil prices, from

POWER...CONTINUED

the inevitable disclosure that the United States had acted in flat contradiction of its own passionately declared antiterrorism policy?

It is clear that the advocates of the Iran arms sale gave at best incomplete answers to these questions. But did the opponents present a systematic rebuttal? Did their claim of not being fully informed reflect a White House decision to exclude them or a departmental decision to adopt a posture of protective ignorance. Or both? How could they be ignorant if they had access to the full range of intelligence? If intelligence was withheld from Cabinet members, we face a breakdown of the system. If, however, the ignorance was self-imposed, the president faces a collapse of discipline and cohesiveness. The Tower Commission must get to the bottom of these issues if it is to contribute to improving national policy.

Nor will the commission be able to contribute to improving national security decision-making if it does not examine such cases as the Reykjavik summit. Was any consideration given to the danger that announcing a summit in such close proximity to the Daniloff-Zakharov swap had to appear as an extortion—above all to the Kremlin? What tempted Mikhail Gorbachev into the unprecedented and disdainful step of presenting a sweep-

“If the [Cabinet’s] ignorance was self-imposed, the president faces a collapse of discipline and cohesiveness.”

ing agenda without advance notification and demand that it be negotiated on the spot? What induced the U.S. delegation to go along rather than confine itself to asking questions and setting out a work schedule leading to an eventual subsequent summit? By what process did the numbers and concepts discussed at Reykjavik emerge? Why were the principally affected allies not consulted?

Indeed, Reykjavik, because it culminated years of effort, worries me even more than Iran, which represented a limited misjudgment. At Reykjavik, the Soviets took advantage of the weakness of the American decision-making process by suddenly agreeing to American positions put forward over the years primarily to paper over departmental differences. For example, did the Defense Department representative acquiesce in the Reykjavik agenda because of its merit or because he assumed that the more sweeping the schemes the more likely they were to be aborted by implementing negotiations over verification?

An unintended result of the decision early in the Reagan administration to give the dominant role in policy formulation to the departments has been to exalt the operational role of the NSC staff at the expense of long-range national policy. It has produced a succession of NSC advisers who lacked either strength or the full confidence of the president (William Clark excepted). It has tempted the NSC staff into conducting special presidential missions no one else was eager to undertake.

A fundamental need, therefore, is to strengthen the quality of the NSC staff, to focus its work on defining priorities and options and give it the authority to raise issues beyond what the various departments put forward. Department heads, no matter how dedicated, cannot avoid identifying sound national policy with the preferences of their bureaucracies. These preferences are often valid; but under the pressure of events the urgent generally has priority over the important.

The NSC staff should not as a general rule conduct day-to-day operations, involving other nations. This is especially the case with activities that go beyond the establishment of a channel for diplomatic communication. Clandestine operations, because of their potential for embarrassment, require a significant White House role in their design; for the same reason, the NSC staff should stay far away from their execution.

This issue is often wrongly put in terms of departmental prerogatives. But any presidential appointee who insists on his advice as a right has already lost the bureaucratic battle. The real bond between the president and his Cabinet members is intangible; it depends on personal confidence, not on an organization chart. Confidence cannot be commanded, much less extorted by power plays, and prerogatives will not last if they result from pressure.

Like all general administrative rules, the exclusion of the NSC staff from operations should not be pushed too far. In the end the president must be free to use those instruments with which he feels most comfortable. There are some missions in which a presidential emissary can operate more flexibly and with greater authority and discretion than a departmental representative: sensitive talks with the Soviets have, in my view, long suffered from the absence of such a mechanism.

In the end there is no substitute for presidential involvement in decision-making. Limiting his role to ratifying a consensus of his subordinates is likely to evoke the most self-centered reactions at the cost of a sense of long-term direction.

The recent crises in U.S. foreign policy have occurred at a moment when the U.S. bargaining position remains strong; with rapid remedial measures an opportunity for major achievement still lies before the United States.

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THE GULF

The Long Siege of Basra

Iraqi defenders stall an Iranian assault on a strategic city

After two weeks of ferocious shelling by Iranian forces, Iraq's besieged southern port city of Basra is becoming a ravaged wasteland of damaged buildings and pockmarked streets. Toxic gas has engulfed an area south of the city where Iranian artillery barrages set fire to a petrochemical complex. Demoralized and frightened, thousands of the city's 1 million residents have reportedly fled north to the capital of Baghdad in cars, on bicycles and on foot. Said a U.S. official: "If there is a victory in this for the Iranians, it is that they have been able to create the impression that Basra is not a functioning city anymore."

Still, Iraqi defenders last week fought the Iranian offensive to a blood-drenched standstill. Some 60,000 Iranian troops remained dug in six miles east of the heavily fortified earthenwork defenses, known as the "wall of steel," that surround the city. The Iranian attackers were under constant bombardment by the superior air and fire-power of Iraqi President Saddam Hussein's forces. The wounded were said to number 15,000 for the Iraqis and 45,000 for the Iranians. Since Iran began its latest series of attacks on Christmas Eve, an estimated total of 30,000 combatants have perished.

As the six-year-old gulf conflict dragged on, military observers noted a strategic anomaly. Despite clear advantages in weaponry and training, the Iraqis have thus far been unwilling to commit troops decisively on the front to dislodge the Ayatullah Ruhollah Khomeini's fanatical Revolutionary Guards. Said Pentagon Spokesman Robert Sims: "The battle for Basra is becoming one of the largest battles of this lengthy war."

For now, Iran appears to hold the upper hand, if only psychologically. The Iraqis have been put on the defensive by the recent campaign, for which both sides have amassed at least 200,000 soldiers. Since beginning its offensive in Decem-



In the hands of Tehran: a prisoner of war

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ber, the Iranian army has made small gains south of Fish Lake, a 120-sq.-mi. area flooded by the Iraqis as a defensive barrier. Iran has also made incremental progress southeast of Basra in the marshy terrain along the Shatt al Arab, a strategic waterway that affords access to the Persian Gulf. The new toehold has enabled the Iranians to bombard Basra from closer range.

Iraq has counterattacked with devastating air raids on a dozen Iranian cities, including Tehran, Isfahan and the holy city of Qum. Iran's Islamic Republic News Agency reported last week that 212 civilians had been killed and more than 600 wounded in the raids. Iran retaliated by firing a long-range missile that struck a residential area of Baghdad, causing dozens of casualties.

The siege of Basra seemed to have turned up the pressure considerably on the Iraqi government. In a Baghdad radio

address, Saddam referred to Khomeini's "human wave" assaults, accusing the Iranian leader of "appealing, as if the devil were between his eyes, for further men to push into the inferno of death." He repeated his offer for a peace settlement, which the Iranian government promptly rejected. Meanwhile, a government-controlled newspaper published a decree by the Iraqi Revolutionary Command Council asking for volunteers aged 14 through 25 to enlist in the army.

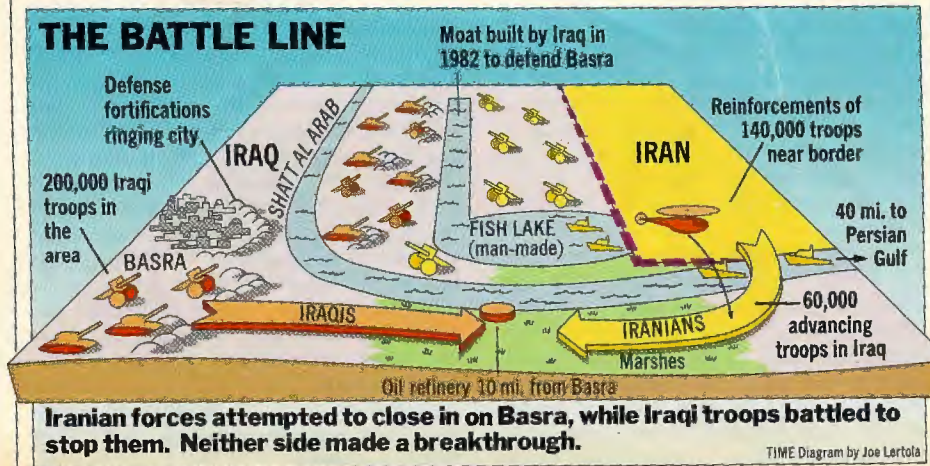
Officials in Washington downplayed Iran's successes and described the military situation around Basra as stable. Said U.S. State Department Deputy Spokeswoman Phyllis Oakley: "We do not believe Basra is in imminent danger of falling. The Iraqis possess a great advantage in equipment and are committed to defending their territory." Other observers say the Iranian thrust toward Basra has placed an even heavier strain than usual on Iran's economy and its reserves of weapons. But none anticipate any lessening of Tehran's resolve as long as there is a chance Basra can be taken.

Iraq's Arab neighbors have been monitoring the fighting with concern. Iraqi spokesmen believe that if Basra falls, the Ayatullah will declare the creation of an Iranian-style Islamic republic in the predominantly Shi'ite area around the city. Khomeini, however, has never publicly declared that goal, and some analysts think the tactic would backfire by arousing fear among neighboring states about Iranian territorial ambitions. In an effort to reassure U.S. allies in the gulf, President Reagan last week declared, "We would regard any such expansion of the war as a major threat to our interests, as well as to those of our friends in the region."

Iranian strategists, for their part, hope that the fall of Basra leads to the destruction of the Iraqi war machine, and thus the downfall of its leader. But the Iraqi President, who has led his country for seven years, seems determined to win a military victory over Iran. Most observers believe the Baghdad government would collapse only if Saddam's military commanders concluded that he had unsuccessfully prosecuted the war against Iran. Even then, any successor from the ranks of the Iraqi military would probably be more aggressive toward Iran.

The Iraqi leader will have the opportunity to seek the sympathy of other Arab leaders this week at the fifth Islamic summit meeting in Kuwait. But shows of support will be unlikely to influence Tehran, which has already issued a statement declaring that any resolution approved at the summit will not be "legally binding." The Iranians have vowed to continue the war until Iraq is crushed. Given that resolve, the siege of Basra is almost certainly only a prelude to bigger and bloodier battles to come.

—By Nancy Traver.
Reported by Dean Fischer/Cairo and Johanna McGeary/Washington



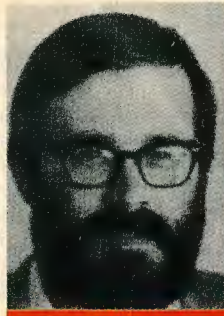
suspicious. I was astonished to see them about ten minutes later racing out in a jeep with the professors. They were pointing guns to the professors' heads. One of them yelled at me, 'If you talk we shall finish you!'

Police and university officials identified the Americans as Alann Steen, a journalism professor; Jesse Turner, a computer-science instructor; and Robert Polhill, assistant professor of business. The fourth victim was Mithileshwar Singh, chairman of the business department.

In Washington, the National Security Council informed Ronald Reagan of the kidnappings at the President's Camp David retreat. "The President is concerned," said a White House spokesman. "We hold those individuals who took the hostages responsible for the safety of the hostages, and call for their immediate release." State Department officials, meanwhile, re-emphasized that all of Lebanon is dangerous for U.S. citizens. Washington, they said, cannot guarantee the safety of those few Americans who continue to live there.

Even before last week's grim harvest of hostages, the roster of those already held captive in Lebanon consisted of five Americans, five Frenchmen, two Britons, an Italian, an Irishman, a South Korean and a Saudi Arabian. Last week Vice President George Bush confirmed that another American hostage, CIA Beirut Station Chief William Buckley, was killed last year by his captors. Anderson and Sutherland were abducted in the spring of 1985 by Shi'ite radicals. Their captors' principal demand: the release of 17 presumed Shi'ites who are serving prison sentences for, among other things, terrorist attacks on the U.S. and French embassies in Kuwait. Three other Americans, Joseph Cicippio, Frank Reed and Edward Tracy, are said to be held by groups called the Revolutionary Justice Organization and Arab Revolutionary Cells-Omar Moukhtar Forces.

The outrages in Beirut followed what seemed a rare break in the long and painful campaign against international terrorism. That was the chance arrest in West Germany of Mohammed Ali Hamadei, 22, one of four alleged ringleaders in the TWA hijacking and suspects in the killing of Navy Diver Robert Stethem. Hamadei is thought to be one of the two gunmen who were actually aboard TWA Flight 847 when it was commandeered and who savagely beat and then shot the American sailor. Hamadei was detained at Frankfurt's international airport after officials discovered he was carrying a false passport and bottles packed with liquid explosives.



■ Jesse Turner



■ Alann Steen



■ Robert Polhill

West German elation at Hamadei's arrest quickly dissolved when Cordes, then Schmidt, was kidnaped. It was immediately assumed that the abductors planned to use the West German hostages as bargaining chips for Hamadei's release. The hostage takings were a rude awakening for West Germans. For years Bonn has cultivated good relations throughout the Muslim world. Partly as a result, the three-year spree of kidnappings in Lebanon, until now aimed mostly at the U.S. and France, has had little impact on Germans living in Beirut, who continued to operate more or less normally.

The West Germans' captors lost no time making their demands known. Within 24 hours of Cordes' disappearance, officials in Bonn received word that his kidnapers were indeed demanding a

that prevents Bonn from turning over prisoners who face capital punishment. After first indicating that extradition would be arranged quickly, Bonn officials grew concerned that any such course would doom one or both of the new hostages. Turning Hamadei over to the U.S., they suggested, would take at least several weeks and might not be possible at all. Said one government official: "Nothing will happen suddenly."

For Chancellor Helmut Kohl, the hostage crisis could hardly have come at a worse time. In the closing days of a reelection drive that he was expected to win handily, Kohl was forced to spend much of his time directing the behind-the-scenes effort to free the hostages. Bonn's strategy: to negotiate the release of the German hostages with the help of Middle East governments linked to Hizballah, including Iran and Syria. The Chancellor carefully consulted leaders of the opposition Social Democratic Party, the major challenger to his center-right coalition. SDP Candidate Johannes Rau declared that the hostage crisis would not become a last-minute election issue.

Even as the crisis escalated, Anglican Emissary Waite decided to prolong his latest mission to the Lebanese capital.

Just before his scheduled departure from Beirut early in the week, Waite announced that he had re-established contact with the Islamic Jihad and promptly drove off into West Beirut with his usual bodyguard of Druze militiamen. As time passed and Waite did not reappear, both Anglican officials in England and Waite's Druze protectors repeatedly assured the press that he was in no danger. Said a Druze spokesman late Friday: "He is fine, and he is still negotiating with the hostage holders."

The mission was Waite's fifth attempt to free hostages held in Lebanon. When the U.S.-Iran arms-for-hostages



Past but not forgotten: gunmen in the cockpit of TWA jetliner, 1985

hostage-for-prisoner swap. Suspicion immediately centered on the radical Shi'ite organization Hizballah (Party of God), to which Hamadei is thought to be linked. A West German radio station, quoting an unnamed Christian source in Beirut, said the abductions were planned by Hamadei's brother Abdul, who is thought to be a Hizballah security officer.

Bonn was also under pressure from the Reagan Administration to extradite Hamadei to the U.S., where he faces a dozen separate charges related to the 1985 hijacking. Early in the week, the Justice Department reluctantly agreed to promise that it would forgo the death penalty for Hamadei, bowing to a provision in the U.S.-West German extradition treaty

deals surfaced, there was immediate speculation that the secret American weapons shipments to Iran—and not Waite's negotiating skills—might have been responsible for the release of three U.S. hostages; originally the Anglican official had been credited with securing their freedom. Last week Waite insisted that despite Iranscam, "my credibility has not been affected as a negotiator." Perhaps not. But as the list of hostages continued to lengthen, even in the face of delicate negotiations and secret deals, more than a few government leaders had to be wondering exactly what could be done to end the terror.

—By Michael S. Serrill.
Reported by Scott MacLeod/Cairo and William McWhirter/Bonn

Zaron



Adnan Khashoggi

AP/Wide World Photos

The Fallout From Iran

The Saudi Connection

By Wolf Blitzer

The messy matter of U.S. arms shipments to Iran—via Israel—becomes more complicated every day. It already has resulted in the worst crisis facing the six-year presidency of Ronald Reagan.

And with several formal U.S. investigations already underway, and with the American news media dropping almost everything else in order to pursue any new lead, the scandal promises to get even worse.

Attorney General Ed Meese stunned everyone when he disclosed that between \$10 million and \$30 million in profits from the U.S.-Israeli arms shipments to Iran actually found their way to the "contra" rebels fighting the Sandinista regime in Nicaragua. Reagan and other senior officials were supposedly unaware of this skimming scheme, which Meese acknowledged could have violated U.S. law.

The National Security Adviser, Vice Admiral John Poindexter, resigned; his top deputy, Lt. Col. Oliver North, was fired. It was North, according to Meese, who had "precise" information of the arrangement. But Poindexter also knew of it—as did former National Security Adviser Robert McFarlane.

If the U.S.-Israel-Iran-Contra connection were not enough, now enters Saudi Arabia—in the person of Saudi billionaire Adnan Khashoggi. It seems that the Saudis, in their own inimical style, have decided to hedge all of their bets in the region.

Why the Saudis?

Like Israel, the Saudis have wanted to establish some links with potentially more moderate elements in Iran. These Iranians might play a role in a post-Khomeini power struggle. Saudi Arabia has several reasons for pursuing such overtures with Iran.

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According to informed sources in Washington, it was Khashoggi who first introduced Nimrodi to Manucher Ghorbanifar, a well-placed Iranian arms dealer in London who is very deeply plugged into the top Iranian leadership, especially to Prime Minister Musavi and Parliament Speaker Rafsanjani. It was obvious from the start, according to these sources in Washington, that Ghorbanifar was primarily anxious to obtain more U.S. weapons and critically-needed spare parts.

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In the late Spring of 1985, then-National Security Adviser McFarlane and then-Finance Ministry Director-General David Kimche met in Washington and agreed on a general approach, which quickly won the blessing of President Reagan. There was a joint appreciation of Iran's strategic importance. What was also very critical to both the U.S. and Israel was that Saudi Arabia was also seen as being on board.

There is a strong consensus in Washington that Khashoggi is not an independent operator. According to informed diplomatic sources, he does not do anything without first clearing it with King Fahd and others in the Royal Family. "He knows where his bread is buttered," one source said.

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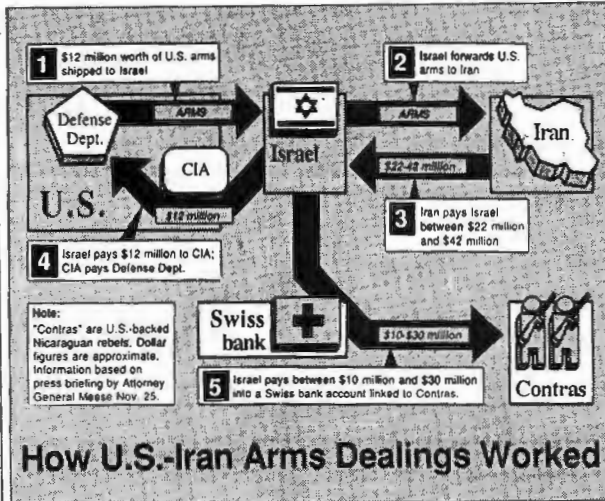
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AP/Wide World Photos

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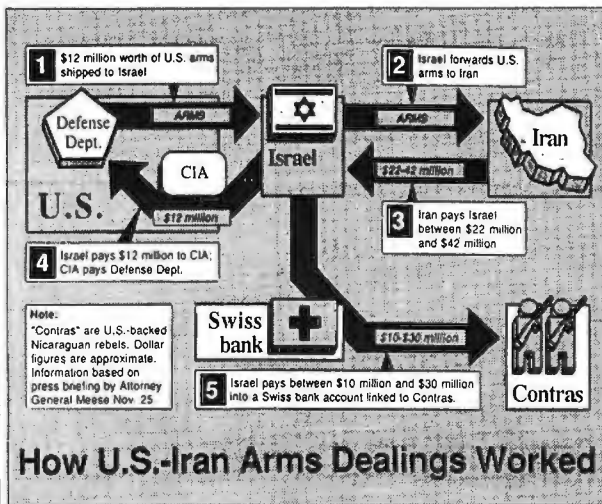
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The White House

Plan for a Special Prosecutor Is Welcomed in

By STEVEN V. ROBE

Special to The New York Times

WASHINGTON, Dec. 2 — Congressional leaders said today that they welcomed President Reagan's decision to have a special prosecutor investigate the secret Iran dealings.

But lawmakers from both parties said Congress would still push ahead with its own inquiries into the Iran arms sale and the channeling of its proceeds to the Nicaraguan rebels.

While the special prosecutor would explore possible criminal liabilities, the lawmakers said, Congress will have to examine broader questions of policy and White House behavior.

"Congress is going to have to get into it," said Senator Bob Dole, the outgoing majority leader.

Representative Jim Wright of Texas, who is certain to be the new Speaker of the House of Representatives, said: "It is the responsibility of Congress to see to it that the intent of Congress is carried out."

Durenberger Not Deterred

Senator Dave Durenberger, the Minnesota Republican whose Select Committee on Intelligence held a second day of closed-door hearings, said the appointment of a special prosecutor would not deter Congressional inquiries.

"It is not going to change anything we are doing here," he said. "We have our own mandate."

Several Republicans called for the dismissal of Donald T. Regan, the White House chief of staff, and suggested that other officials might have to go.

These calls reflected a sense of alarm in Republican ranks that the White House did not appreciate how the Iran matter could undermine the party's political prospects and the Administration's legislative agenda during the the next two years.

Reagan Warned on His Legacy

A half-dozen Republicans told President Reagan in a meeting today that his ability to promote legislation and to leave a political legacy was in grave danger.

"We wanted to make sure he fully understood the very serious nature this thing has developed into," said Representative Trent Lott of Mississippi, the Republican whip. "He had to be aware that this was not just a foreign policy

entanglement much a done.

The decision to appoint a special prosecutor was a relief on Capitol Hill.

A typical comment came from Representative William French Buckley, ranking Republican on the Foreign Affairs Committee. "Appointment of a special counsel is an important step," he said.

He emphasized the American principle that no one is above the law.

There were also comments about the appointment of Frank C. Slaughter as special counsel to replace Vice Adm. John M. Warner.

Some national security advisers on the National Security Council.

Some lawmakers agreed with a statement by Senator Charles Mathias, a Maryland Republican, who called Mr. Carlucci a "tough, intelligent and experienced" official. "He will bring a realistic element to the National Security Council."

But the Administration's actions did not halt a drumfire of criticism. Representative Norman Y. Mineta, a California Democrat who serves on the Intelligence Committee, expressed a common concern when he said that a special counsel could actually hinder Congressional investigations by providing "skirts for the Administration to hide behind."

Moreover, Mr. Mineta said, an independent counsel could not find answers to questions such as these: "Were these actions wise? Were they good policy? Is the President in control of our foreign policy? And, if not, who is?"

Lawmakers disagreed over how Congress should pursue its own inquiries. Senator Dole is still seeking a special session of Congress to name a select committee, similar to one that investigated the Watergate scandal, with a view to consolidating separate investigations into one.

Reagan Favors a Single Inquiry

President Reagan said in his television address that he supported the idea of a single investigation. But he has yet to decide whether to call a special session, according to Senator Dole.

Senator Robert C. Byrd of West Virginia, the Democratic leader, also likes the idea of a single committee, but he does not want a special session. Representative Wright does not want a spe-

cial suggestion. At the same time, Wright wants to see the president's toes being kicked and pre-

said. The del. intelligence committee start an independent probe and the lawyer, the former adviser who had to be removed about the lack of

The lawyer, wrote that "at least immediately broke with the press. It

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Zark

administration's legislative agenda during the the next two years.

Reagan Warned on His Legacy

A half-dozen Republicans told President Reagan in a meeting today that his ability to promote legislation and to leave a political legacy was in grave danger.

"We wanted to make sure he fully understood the very serious nature this thing has developed into," said Representative Trent Lott of Mississippi, the Republican whip. "He had to be aware that this was not just a foreign policy

said. The del. ligence Cor. start an in gered prote testimony a and the lawy. lane, the form viser who had to Senator Du about the lack c The lawyer, wrote that "at l mediately broke t with the press. Tl

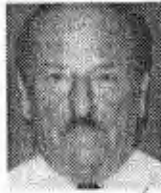
Reagan Favors a Single Inquiry

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The Washington Uproar: A Cast of Characters

Zark



William J. Cooper Pilot killed in crash of C-123 carrying weapons for the Contras in Nicaragua. A Contra leader, Adolfo Calero, said Mr. Cooper was chief pilot of the program.

Manucher Ghorbanifar Exiled Iranian businessman, said to have raised issue of trading parts to Iran for hostages.

Max Gomez Identified by Eugene Hasenfus as one of his contacts. Previously met Vice President Bush. Mr. Hasenfus offers no proof that Gomez is tied to C.I.A.

Eugene Hasenfus Aerial delivery specialist, captured by Sandinistas after the C-123 was shot down. He said he made four previous flights into Nicaragua before being captured, but cannot confirm reports that the flights had ties to C.I.A.

Hussein Shelkholeslam A leader of militants that held 52 Americans for 444 days in Teheran, who reportedly received Col. Oliver L. North and Robert C. McFarlane in Iran, with Mohammad Ali Hadi.



Adnan Khashoggi Saudi billionaire, arms dealer and businessman who met several times with Mr. McFarlane on Iran arms deal.



David Kimche Then director of Israel's foreign service. He met with Manucher Ghorbanifar and Michael Ledeen, consultant to the National Security Council on possibility of better U.S. relations with Iran.

Robert C. McFarlane Former national security adviser who made secret trip to Iran to set up arms deal.

Nico Minardos A defendant in New York case alleging plot to sell arms to Iran, said he thought he had official backing.

Yaacov Nimrodi Israeli arms dealer. Worked out arrangements for shipments of U.S. arms that preceded release of the hostage Benjamin Weir.

Lieut. Col. Oliver L. North Dismissed as aide to national security adviser and returned to active duty. Identified as architect of plan to transfer Iran arms sale money to Contras through Swiss bank accounts.

Vice Adm. John M. Poindexter Resigned as National Security Council adviser. He said he knew in general of transfer money from Iran arms sale to Nicaraguan rebels.



Hojatolislam Hashemi Rafsanjani Speaker of Iranian Parliament who allowed Mr. McFarlane to make secret mission to Iran, and later de-

Meese

Continued Fro

sel is likely to to be act by a special panel of the appellate judges whose he in the District of Colum are Circuit Court Jud. Mansfield, Lewis R. George E. MacKinnon judges selecting an ind sel have generally chose prosecutor.

Mr. Reagan made t speech amid concern v ministration about the pe of the developments or years of his Presidency.

Calls for Resign

The speech itself, wh with the naming of Mr. an attempt to quell the u diversion of funds to rebels. The affair has led Democrats and from se cans for the resignations Regan, the White House and William J. Casey, D: tra) Intelligence.

Confusion Over C.I.

Meanwhile, confusion surround the question o: Government had approve Intelligence Agency's inv November 1985 arms shi by Israel.

Senator Daniel P. Moy crat of New York, said Su shipment had been appr N. McMahon, a deputy d Central Intelligence at t

Mr. Casey first told the Committee on Intelligenc been traveling when the was given. But he later "misspoke" and that ne Mr. McMahon had approv cy's involvement.

Congressional investig matter as significant weapon delivery by Isr: two months before Pres formally authorized a C.I. Iran arms dealings.

Mr. McMahon, who r the agency this year, ap the Senate panel in clo Monday. Other wites C.I.A. are expected to be ify the November fli g freight company with d agency.

Reagan Favors Sin

Mr. Reagan called c Representatives and th solidate their inquir "some mechanism." n

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continued from Page 4A

tives" have also met over the years with the Saudi Ambassador in Washington, Prince Bandar. Among those who have met with the envoy, for example, was General (Ret.) Avraham Tamir, now Director General of the Foreign Ministry.

Israel has also cooperated with the U.S. in Central America. Recently, for instance, the two countries have joined forces in trying to strengthen the military forces of Honduras. There are all sorts of other joint projects underway. Israeli officials deny that they directly arm or fund the contras. They also deny that they knew anything about the secret Iranian arms funding to the contras. But such Israeli denials are today met with skepticism in Jerusalem and Washington. Israel's credibility has been severely weakened as a result of this entire Iranian arms policy.

Over the past 18 months, as senior Israeli officials repeatedly denied that any Israeli arms were being sold to Iran, Israel was deeply involved in such transactions.

On Tuesday, the Israeli government publicly confirmed what Peres and Defense Minister Yitzhak Rabin had earlier flatly denied. Peres' personal credibility has been severely shaken in Congress because he privately assured sev-

eral U.S. lawmakers, including a recent delegation of pro-Israeli members, that Israel was not selling weapons to Iran. They today have lost a great deal of faith in the foreign minister.

Thus, there is a prevailing sense in Washington that someone in Israel knew about the contra funding—as Meese suggested on Nov. 25. There is also a suspicion that Nimrodi and the other "private" arms agents took a healthy commission on the sales.

Several members of Congress have continued to press for an independent "Watergate" type special counsel to investigate the widespread allegations of criminal activity on the part of some administration officials. They also want to question Israelis implicated in the deal, including Nimrodi, Kimche, Schwimmer and Nir. Whether Israel makes these people and others available to U.S. investigators remains to be seen. Some U.S. officials believe that Reagan will personally ask for full Israeli cooperation in the procedure.

What started off as a demonstration of U.S.-Israeli strategic cooperation with all the promise of a public relations bonanza for Israel has turned into a sordid mess for everyone concerned. Things are likely to get a lot worse for Reagan, the Israeli government and others involved in the deal before they get any better.

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White House's Overtures Toward Iran Over Six Years Entangled Administration in Web of Covert Dealings

BY WALTER S. MOSSBERG

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—During the 1980 presidential campaign, candidate Ronald Reagan assailed President Jimmy Carter's handling of the Iranian hostage crisis as "grandstanding" and offered this simple advice on what to tell the Iranians: "We want our people back and we want them back today or the results are going to be very unpleasant."

But within months of taking office in 1981, the Reagan administration started a series of actions that have led to its own severe Iranian hostage crisis—beginning with an early decision to tacitly condone Israeli arms sales to the anti-American regime in Tehran.

Determined to counter Soviet advances wherever they occurred, and to free Americans from terrorists, the Reagan White House has relied heavily on secret foreign-policy moves even when they may have contradicted at least the spirit of public policies set by Congress and the president himself.

Using the Central Intelligence Agency and an action-oriented White House staff, the administration plunged deeper and deeper into covert operations. Government officials dealt with shadowy networks of private arms dealers and financiers, and even with officials in Iran whose regime's kidnapping of American diplomats was so disastrous for Mr. Carter in 1980. Internal objections were tossed aside.

As some of these dealings and contradictions have become public over the past five weeks, public skepticism has soared and Mr. Reagan has had difficulty explaining his actions.

Here is a picture of the origins and major developments in the Iran-Contra affair, as they are known to date. It is based on official statements, interviews with participants and press disclosures. Additional events, and different versions of those already disclosed, are likely to emerge in coming weeks. But enough is now known to paint the following chronology of U.S. actions:

Embassy Hostages Freed As Reagan Takes Office

On the day Ronald Reagan takes office, Iran frees the 52 U.S. Embassy hostages held since 1979. A few months later, Secretary of State Alexander Haig tacitly approves a resumption of Israeli arms sales to Iran for its war with Iraq. But the administration decides to tilt toward Iraq in the war, and Mr. Haig's tacit approval is countermanded in 1982 by the new secretary of state, George Shultz.

The fanatical regime in Tehran continues to plague the U.S. At Syria's behest, terrorists backed by Iran explode a bomb in October 1983 that kills 241 U.S. Marines in Lebanon. In January 1984, the U.S. officially places Iran on its list of terrorist na-

Persian Gulf, the White House is concerned.

Lt. Col. North is assigned by National Security Adviser Robert McFarlane to analyze the CIA findings. Lt. Col. North, the NSC's chief covert operator, adds the Iran assignment to a portfolio that already includes working with rebels in Nicaragua and Afghanistan and trying to find ways to free the Lebanon hostages. He writes a memo with another NSC aide, Howard Teicher, calling for an opening to Iran, and suggesting the possibility of renewed arms sales. Defense Secretary Caspar Weinberger writes "absurd" in the margin of his copy of the memo.

In June, TWA Flight 847 is hijacked to Beirut. Its captors demand release of prisoners held in Israel, but the hostages are freed after the secret intervention of Hojatoleslam Hashemi Rafsanjani, the speaker of Iran's Parliament. The incident convinces the U.S. that Iran has more influence with certain Lebanese factions than Syria, and that Iran might be softening its support for anti-American terrorism.

President Reagan declares: "Let me make it plain to the assassins in Beirut and their accomplices that America will never make concessions to terrorists; to do so would only invite more terrorism."

Meanwhile, the CIA has failed to free Mr. Buckley. Officials assume he has been tortured for his wealth of information about U.S. intelligence and covert activities in the Mideast. And more U.S. hostages have been taken.

In July, Michael Ledeen, an NSC consultant, is told by Israeli officials that Iran has sent feelers encouraging a political dialogue with the West, but that arms sales will likely be a condition. On his return, Mr. Ledeen recommends that Mr. McFarlane meet with the Israelis, who are eager to improve their ties to Iran and help block a victory by Iraq, an Arab enemy.

Mr. McFarlane meets David Kimche, director-general of the Israeli foreign ministry, who suggests doors can be opened in Iran using an Israeli contact, Manucher Ghorbanifar, an Iranian with ties to key figures in Tehran. He says Mr. Ghorbanifar has been used by Israel as a channel to supposed "moderates" in Iran's leadership, including Speaker Rafsanjani, who might help free the hostages. Mr. McFarlane, according to administration sources, reports this to President Reagan.

The president publicly blasts Iran, calling it part of "a confederation of terrorist states." But privately, he sends Speaker Rafsanjani a message thanking him for his help in freeing the TWA hostages and expressing interest in improving relations. Mr. Rafsanjani replies that the U.S. should send Iran arms ordered by the late shah of Iran but never delivered.

McFarlane, Israeli Envoy Meet Again in August '85

the hostages, "We have been meeting with, talking with, a number of individuals, a number of other governments, following every lead that we can."

On Jan. 17, Mr. Reagan signs a secret intelligence "finding" authorizing a rapprochement with Iran, including arms sales, and instructing Mr. Casey to withhold details from Congress. A complex system, including Swiss bank accounts and private financiers, is put into place to carry out the sales.

First U.S. Arms Shipments Are Sent to Iran Via Israel

The first two U.S. arms shipments go to Iran via Israel, including TOW and Hawk missiles and other items, from Pentagon stocks. Israeli and other middlemen charge Iran a steep premium for these and subsequent weapons. The proceeds from the sales are deposited in one or more Swiss bank accounts at U.S. request. Some of the money is used to repay the Pentagon, some apparently is kept by middlemen. But other profits are diverted to aid the Contras in Nicaragua.

U.S. Planes Strike Libya; Iranian Signals Continue

On April 14, U.S. warplanes bomb "terrorist-related targets" in Libya. Meanwhile, signals from Iran continue. A top official there says publicly they'd be willing to buy arms from the U.S., and two Iranian factions pass word to Lt. Col. North through Mr. Ghorbanifar that Ayatollah Khomeini may be dying and they're prepared to improve ties to the U.S. by freeing all the hostages.

Vice Adm. Poindexter contacts Mr. McFarlane and asks him to fly to Iran to open a dialogue with top Iranian officials. He tells Mr. McFarlane a deal is in the works for all the hostages in Lebanon to be freed before the U.S. delegation arrives in Tehran. Mr. McFarlane agrees on condition he can meet top Iranian officials, not just intermediaries.

Policy Rules Out Deals; North Carries a Ransom

On May 6, the State Department declares that: "The United States government will make no concessions to terrorists. It will not pay ransoms, release prisoners, change its policies or agree to other acts that might encourage terrorism."

But only about two weeks later, Lt. Col. North obtains a \$2 million ransom from Texas billionaire H. Ross Perot and flies to Cyprus to deliver it to representatives of those holding the hostages. The ransom is part of a complex deal for the hostages that also involves sending another plane-load of arms to Iran and freeing some 300 Shiite prisoners held by Israeli-controlled

raelis continue to send shiploads of materiel. Two more Americans are kidnapped in Beirut, apparently by terrorists with ties to Iran. The U.S. by now believes one of the first hostages, CIA official Buckley, is probably dead.

Third New Hostage Taken; Iranian Link Again Feared

A third new American hostage is seized in Beirut, and the U.S. again suspects terrorists linked to Iran.

Official U.S. military aid for the Contras begins to flow again. But on Oct. 5 the Nicaraguans shoot down one of the private Contra supply planes and capture a crew member.

In Iran, officials arrest a terrorist leader for trying to smuggle explosives into Saudi Arabia; some 200 Iranians linked to international terrorism are jailed.

CIA Director Casey and his aides meet with an old Casey friend, New York consultant Roy Furmark, who tells them that a group of private Canadian investors, established to help finance the Iranian purchase of the U.S. arms at a profit, hasn't been fully paid. He tells Mr. Casey that he suspects the proceeds are being diverted and that the investors may expose the operation in a lawsuit. Mr. Casey says he informs Vice Adm. Poindexter.

The Los Angeles Times learns of the Iranian arms sales, but agrees to withhold publication, in order to avoid jeopardizing the hostages' lives or chances for freedom, until all hostages are free or the story appears, elsewhere.

Jacobsen Freed on Nov. 2; McFarlane Trip Disclosed

On Nov. 2, a third of the original seven hostages, David Jacobsen, is released. The next day, apparently in retaliation for the arrests in Iran, a Lebanese weekly magazine, al-Shiraa, discloses that the U.S. had supplied arms to Iran and that Mr. McFarlane had secretly visited Tehran. Iranian Speaker Rafsanjani confirms the McFarlane trip in a speech. The White House detects in his words signals that further contacts are possible.

On Nov. 6, the president says the Lebanese article has "no foundation." But the Los Angeles Times and the Washington Post disclose the U.S. arms sales to Iran and the U.S.-Iranian contacts. The disclosures cause a bipartisan uproar in Congress and public amazement that Mr. Reagan's administration would arm the reviled Iranian government.

Mr. Reagan goes on television Nov. 13 to confirm the arms sales and contacts. But he says the sales were "modest," able to fit into one cargo plane, and insists "We did not, repeat did not, trade weapons or

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in October 1983 that kills 241 U.S. Marines in Lebanon. In January 1984, the U.S. officially places Iran on its list of terrorist nations and curbs exports to Iran. But in March, terrorists under Iran's influence start kidnapping Americans in Beirut. Among the first to be taken is William Buckley, the CIA's station chief in Lebanon. In December, two Americans are murdered aboard a hijacked plane at Tehran's airport.

Separately, the new administration decides to destabilize the fledgling pro-Soviet Sandinista government in Nicaragua. The CIA is assigned to help anti-Sandinista guerrillas, called Contras. And in 1984 The Wall Street Journal discloses that CIA agents directed an operation in which Nicaraguan harbors are mined. The incident touches off an uproar and Congress that year suspends U.S. military aid to the Contras. The White House decides to encourage private military aid in its place and National Security Council aide Oliver North, a Marine lieutenant colonel, is assigned to oversee the private aid project.

CIA Memo in May 1985 Warns of Soviet Efforts

In May 1985, the CIA writes a memo expressing concern that the Soviets have gained an edge on the U.S. in cultivating contacts in Iran for the post-Khomeini era. Because of the strategic location of Iran, between the Soviet border and the oil-rich

McFarlane, Israel Envoy Meet Again in August '85

Mr. McFarlane and Mr. Kimche meet again in August. The Israeli official says the Iranians won't be willing to open a political dialogue with the U.S. or help free the hostages unless the U.S. agrees to send arms to Iran.

After a debate among his advisers, Mr. McFarlane has testified, President Reagan in August tells Mr. McFarlane to advise the Israelis that he authorizes Israel to make sales and that the U.S. will replace the weapons sold. Secretaries Shultz and Weinberger oppose the plan. But the president is swayed by Mr. McFarlane, White House Chief of Staff Donald Regan, and CIA Director William Casey, who all approve.

In early September, a privately owned cargo plane carries the first Israeli-arranged arms shipment pre-approved by the U.S.—508 TOW antitank missiles—to Iran. On Sept. 14, shortly after the arms arrive, hostage Benjamin Weir is released in Beirut. The U.S. hopes all the hostages will be freed, but no others are.

Israeli and U.S. officials meet in Geneva in October with Mr. Ghorbanifar to discuss further cooperation and arms sales. The hijacking of the Italian cruise ship Achille Lauro, while unrelated to Iran, helps cement relations between Lt. Col. North and the Israelis, who provide crucial intelligence that enables the U.S. to catch the hijackers.

In November, a second Israeli shipment of arms—Hawk antiaircraft missiles—goes to Iran via Portugal in a CIA-provided plane. Iran eventually returns the gear, saying it's out of date.

On Dec. 4, Mr. McFarlane resigns for personal reasons but remains on the White House payroll for a month. Vice Adm. John Poindexter, Mr. McFarlane's deputy, succeeds him.

Two days later, the president and his top advisers meet without Mr. Shultz, who is abroad. Mr. McFarlane says he advised that he found Mr. Ghorbanifar untrustworthy and unable to deliver either the political contacts or the hostages. President Reagan decides to tell the Israelis that the U.S. won't approve any more arms sales, but he remains willing to talk to Iran.

Mr. McFarlane flies to London to inform Mr. Kimche and Mr. Ghorbanifar. On returning, he informs another meeting of top advisers that Mr. Ghorbanifar will carry the U.S. offer of a dialogue. Participants leave believing the arms sales are over.

Iran Shows New Interest In Hostage Deal in 1986

In 1986, Iran sends fresh signals it wants to do business with the U.S. Hostage families increase pressure on President Reagan to seek the release of the Beirut captives.

On Jan. 7, another White House meeting is convened to consider resuming arms sales. Mr. Shultz and Mr. Weinberger again oppose this, but Mr. Casey, Mr. Regan and Vice Adm. Poindexter approve. No decision is made. That same day, President Reagan tells reporters that, to free

load of arms to Iran and freeing some 300 Shiite prisoners held by Israeli-controlled forces in southern Lebanon. But no one appears to deliver the hostages.

On May 27, Mr. McFarlane flies from Israel to Tehran, accompanied by Lt. Col. North, an Israeli official and retired CIA Iran expert George Cave as translator. Their Boeing 707 also carries spare parts for the Iranian military. The Iranians take the spare parts, but the hostages aren't freed and the promised senior Iranian officials never materialize. After four days in a Tehran hotel, the group leaves.

More Arms Flown July 4; Contra Aid Is Stepped Up

Despite the collapse of the deal and the humiliating failure in Tehran, the U.S. sends another airborne arms shipment to Iran, through Spain and Yugoslavia, on the Fourth of July. On July 26, a second U.S. hostage, the Rev. Lawrence Jenco, is freed. But the White House is disappointed that others are still held.

During the summer, the Contras begin receiving more arms via a private air transport system reportedly set up with the help of a company run by retired Air Force Maj. Gen. Richard Secord, a veteran of covert actions who had worked with Lt. Col. North and served as Mr. Weinberger's Mideast policy aide.

Iran refuses permission for a hijacked Pan American jetliner to land there. Congress completes action approving renewed official U.S. military aid for the Contras.

The CIA makes another shipment of arms and spare parts to Iran, while the Is-

Reagan Special Is Dropped After Sponsors Pull Out

By G WALL STREET JOURNAL Staff Reporter

NEW YORK — A nationally syndicated television special honoring President Reagan was canceled after sponsors concerned about the Iranian arms sale scandal pulled out of the show.

Sidney Love, general sales manager of YJR Enterprises Inc., a New York television program syndicator, said YJR decided to cancel the hour-long show, "Reagan's Way," after three out of four major advertisers, fearing bad publicity from their sponsorship, backed out. He declined to identify the advertisers.

"When the whole situation started in Washington, that's when the calls started coming in," Mr. Love said. "It's pretty obvious they canceled really for one reason: Iran."

The program chronicles President Reagan's movie and political career and was to have aired in many cities on the president's birthday, Feb. 6. YJR had a loss of more than \$1 million in advertising revenue because of the decision, Mr. Love said.

The show is an independently produced documentary that was broadcast in France in 1984 and hasn't been aired in the U.S., Mr. Love said. It is generally complimentary and includes interviews with "celebrity friends" of the president and Mrs. Reagan, though it does air the views of some Reagan critics.

did not, repeat did not, trade weapons or



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This Iran Policy Makes Carter's Look Good

By KAREN ELLIOTT HOUSE

If some malicious Merlin were trying to concoct a scheme that, with one stroke of a wizard's wand, would undermine American principles, policies, people, interests and allies, it would be hard to conjure up anything more harmful and humiliating than secretly shipping supplies of American weaponry to the world's primary terrorist state in exchange for a handful of hostages.

That, however, is precisely what Ronald Reagan has been doing. The president, who swept into power in 1980 in no small part because the country felt shamed by Iran's manipulation of American policy and people, six years later turns out to be following much the same script. The difference, if any, is that he seems to be doing worse for less. Jimmy Carter, for all his vacillation, at least resisted the temptation to trade arms for 52 hostages America had sent to serve in Tehran. Mr. Reagan, we now discover, has been shipping tons of weapons in partial exchange for a handful of hapless hostages.

John Q. Hostage

The policy implications of all this are many. But, on the simple street level of your safety or mine, what Mr. Reagan has done is to buy today's hostages with tomorrow's—to acquire a Mr. Jacobsen for shiploads of weapons plus unlimited future draft choices on John Q. Hostage.

For a country like Iran, engaged in a world-wide messianic crusade, there is no end to the tonnage of armaments it can use or to the number of innocent Americans it can abuse. For every hostage U.S. arms can buy back, there are all too many more available on the sidewalks of Beirut or elsewhere. Indeed, in the 18 months that Mr. Reagan has been trading arms for innocents, he appears to have acquired three (Messrs. Weir, Jenco and Jacobsen) and lost at least three more (Messrs. Cicippio, Tracy and Reed). As the columnist Charles Krauthammer put it last week, this is "commerce without end."

As the spotlight shines on this secret "diplomacy," the White House apparently is redoubling its efforts, hoping to acquire a few more hostages and turn American public attention to more happy homecomings. But even if the score temporarily winds up being 6-0, the game is still no-win

for America. That's so for any number of reasons:

- President Reagan has secretly sold out his own stated policy of making no concessions to terrorism and has violated the substance, if not the legal letter, of his own administration's official arms embargo on Iran. It was Mr. Reagan himself who publicly labeled Iran a terrorist state. It is Mr. Reagan who has argued frequently, persuasively and even courageously against trucking with terrorists. It is the Reagan administration that is prose-

cutting others which have sought to violate its arms embargo. Now all that has changed. It's as if the school drug counselor were suddenly discovered pushing crack.

- Mr. Reagan has managed in one fell swoop to undercut U.S. credibility with allies in every part of the world. Closest to the epicenter are the Mideast moderates such as Jordan and Saudi Arabia that are directly threatened by Iran's military and ideological expansionism and that have come to rely on America's assurances that it is working to contain Iran. Instead, they now discover the White House, aided and abetted by Israel, is feeding the Iranian cancer with weaponry.

We now have the spectacle of America chastising its European allies for not standing up to terrorism, all the while surreptitiously shipping weapons to Tehran.

More broadly, Mr. Reagan is the president who has preached—and up to now practiced—a policy of constancy and consistency in dealing with global allies. Yet, we now have the spectacle of America chastising its European allies for not standing up to Libyan, Syrian and Iranian terrorism, all the while surreptitiously shipping weapons to Tehran. It's as if Mr. Reagan, having criticized his allies for not supporting the Contras, were suddenly discovered to have been shipping arms to the Sandinistas. For those among us who belabored the French over their cynical behavior toward Libya, Syria and Iran, grudging apologies are in order.

- In the process, Mr. Reagan seems to have cuckolded his own secretaries of state and defense. Secretary of State George

Shultz has staked his personal prestige on a global campaign against cooperation with terrorism. Only weeks ago, for example, Mr. Shultz was at the United Nations reassuring Arab ministers that the U.S. was determined to stem the flow of arms to Iran. About the same time Defense Secretary Caspar Weinberger was in Peking urging Chinese leaders to cease shipping arms to Tehran.

- The White House now argues that it wasn't simply purchasing hostages with arms. Rather, its emissaries were seeking to open a new dialogue with a nation that over the long run is strategically important to America and to encourage forces of moderation in that nation. It's difficult to dispute that Iran is strategically important or even that long-run U.S. interests lie more with Iran than with its military foe, Iraq. Still, hostage issue aside, aiding Iran in its war against Iraq is tilting toward self-delusion—or worse. What, after all, is the difference between shipping arms to Khomeini's Iran in 1986 and shipping arms to Hitler's Germany in 1939? Germany was of long-run strategic importance to America; the triumph of Ayatollah Khomeini's fundamentalism is likely to be as destructive to the Middle East as Hitler's Nazism would have been to Europe.

As to the Iranian "moderates," if they exist at all in positions of real power, which is questionable, a U.S. secret diplomacy that seeks to embrace them almost surely bestows the kiss of death. The U.S., after all, remains the "Great Satan" in the official theology of Iran.

Some apologists for the arms shipments also argue that Mr. Reagan's policy is no different from Israel's—by giving some aid to Iran we help prolong a war that keeps two dangerous nations shooting at each other rather than wreaking wider regional havoc. This may or may not be in the interests of Israel, which is directly threatened by a regime in Baghdad that already has joined in two wars against it. But it's hard for anyone to argue that Iraq, even

with its sometimes brutal government and its sporadic support for terrorism, poses a present threat to America. Beyond all that, does the U.S. really want to pursue a policy so cynical that it ships arms to purposely perpetuate the mass slaughter of two armies that have already suffered a million casualties?

- A final casualty of the secret plan to arm Iran may well be a trend toward executive dominance of U.S. foreign policy. One of the most profound accomplishments of Mr. Reagan's presidency has been gradually to win the tug of war over which branch of government—executive or legislative—should ultimately conceive and conduct foreign policy.

By restoring constancy to foreign policy, by talking tough and then acting in pursuit of his principles in places like Libya, Grenada and Nicaragua, Mr. Reagan has restored much of the foreign policy power of the presidency that had been snatched away by Congress in the post-Vietnam era. The fact that conduct of foreign policy has moved back where it largely belongs should stand as one of the lasting legacies of the Reagan years. Playing power of the presidency that had been snatched away by Congress in the post-Vietnam era. The fact that conduct of foreign policy has moved back where it largely belongs should stand as one of the lasting legacies of the Reagan years. Playing

Congress—all the more so now that Democrats control the Senate—won't be shy about using this Iran policy, flawed both in its substance and its secrecy, to pull back the power it has lost. And that is a high price to pay for a few hostages.

Expensively Purchased Freedom

So one returns to the hostages, to the picture of Mr. Jacobsen standing in front of the White House, lecturing the press and the nation en route to join the president and first lady in celebrating his expensively purchased freedom. It seems heartless to wish Mr. Jacobsen or any of the hostages anything but happiness at home with their families. But somehow, all of us, including our president, must come to understand that there are higher causes than the release of individual hostages, that national and individual interests aren't always identical, that we must not let the nation be held hostage to our sympathy for hostages, that the U.S. can be victimized by these victims.

Ms. House is the Journal's foreign editor.

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THE REAGAN ADMINISTRATION'S SECRET ARMS D

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Operation Achieved Policy Goal

CONTRAS, From A24

At one point, after the plane was shot down in Nicaragua, the documents indicate that Dutton believed Rodriguez was exaggerating his ties to the operation. In a message dated Oct. 6, the day after the plane went down, Dutton said: "Advise Ramon [Medina] that [Rodriguez] is not part of this organization. He is passing incorrect information directly to high-ranking officials, wrong names of crew members . . . and [Rodriguez] appears to be using info provided him to make himself look like central figure. Please stop all further info to anyone other than Ralph [Quintero] or me, or [Col.] Steele. Thanx Bob."

The documents contain no information about who the "high ranking officials" were.

Dutton was kept apprised of the schedule and often sent back suggestions. A Sept. 19 message said, "Be sure we are getting the right materials to troops, I understand DZ 3 needs AK-47," a reference to rifles made in the Soviet bloc. "Let me know how we do today."

The operation's fleet of five aircraft consisted of two small cargo planes (DHC-4A Caribous) that could go 600 to 700 miles without refueling and carry 4,000- to 5,000-pound loads, a smaller Maule plane used for takeoffs on short airstrips, and two large C123K cargo planes that could go 1,000 miles and carry up to 10,000 pounds.

The Caribous and the Maule were the first planes bought. In March, the first C123K was purchased with a check drawn on an account listed as Southern Air's, according to one source familiar with the transaction. The second C123K was purchased in July in a transaction handled by Cooper.

The aircraft were taken frequently to Miami so that Southern Air maintenance crews could do major repairs, including replacing an engine in one of the C123K planes in August. Crew members also complained about the lack of survival equipment such as parachutes, compasses and other gear.



Two planes used to drop weapons and supplies to contras sit on tarmac at Ilopango base earlier this year. C123 in rear was id

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In the nearly five weeks since it was first disclosed that the United States had secretly shipped arms to Iran, the scandal has become the most serious crisis of the Reagan presidency.

The Washington Post has reconstructed here, to the extent that information is known, a chronology of the secret sale and the subsequent disclosure that profits were funneled to aid the Nicaraguan contras.

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■ May 1985
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■ Dec. 8
McFarlane meets in London with Khatami and Ghorbanifar and says Washington no longer needs their services as arms brokers.

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■ Jan. 7, 1986
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On a plane carrying spare missile batteries, McFarlane Nir, counterterrorism adviser Minister Peres, secretly visit McFarlane has been told to hostages will be released by several days of waiting in the fruitless talks with Iranians, Iran. During the same week, to have \$1 million in cash for H. Ross Perot flown to Cyprus to ransom the hostages.

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Concerned about the operation's continuing problems, several crew members turned to Col. Steele, who as the top U.S. military adviser in El Salvador was asked by the U.S. ambassador there, Edwin Corr, to "keep track" of the operation, according to a knowledgeable source outside the resupply operation.

The source said Steele was careful not to become actively involved in the running of the operation. But crew members said they thought Steele had influence in the operation, and they consulted with him, according to references in the documents.

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"As you know," he was quoted as saying, "with the release of the \$100 million there will be some changes. Maybe a new organization. I hope they will let you continue because it will take at least a month, even if they have all the money."

New funds were found, and flights into Nicaragua resumed at an even greater pace. Flight logs show 19 flights between Aug. 25 and Oct. 5.

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May 1985
The Central Intelligence Agency proposes in a secret document routed through the National Security Council that the U.S. government consider easing its worldwide arms embargo against Iran and encourage some allies to sell military equipment to Tehran. Defense Secretary Caspar W. Weinberger later writes on the proposal, "This is absurd." The CIA reportedly is desperate to find ways to free William Buckley, its Beirut station chief, kidnapped by pro-Iranian extremists in Lebanon March 16, 1984.

June 14
TWA Flight 847 hijacked to Beirut. White House comes to realize that Iran is key player in hostage release.

July 8
In speech before American Bar Association, President Reagan says Iran is part of "confederation of terrorist states... a new, international version of Murder Incorporated."

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Secret U.S.-Iranian contacts initiated through Israelis. National security adviser Robert C. McFarlane meets in Washington with Israeli foreign ministry official David Kimche, who proposes that Israel send U.S.-made arms to Iran to encourage Tehran's help in freeing U.S. hostages held in Lebanon.

August-September
First two planeloads of Israeli-arranged arms are sent to Iran. The shipments are brokered by Israeli arms merchants Al Schwimmer and Yaacov Nimrodi, close friends of then-Israeli Prime Minister Shimon Peres. Also involved as a middleman in the 1985 shipments is Iranian businessman Manucher Ghorbanifar. Reagan tells Israel through McFarlane that he will approve the sales and replace Israeli stocks.

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The Rev. Benjamin Weir, a hostage, is released. White House delays announcement until Sept. 18, hoping other hostages will be freed.

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Shipment of missiles goes to Iran from Israel. The arms are delivered on a plane facilitated by CIA officials at the urging of Lt. Col. Oliver L. North, an NSC staff member. It is not yet clear whether Director William J. Casey authorized the activity. John M. McMahon, then deputy CIA director, says there will be no more such authorizations without formal presidential approval. The shipment of missiles was eventually returned because Israeli middlemen had substituted obsolete materiel. The White House subsequently stopped using Israeli middlemen.

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Jan. 17
White House says Reagan signs secret document, called a "finding," authorizing arms shipments to Iran. The president directs Casey in writing not to tell members of congressional committees that have oversight responsibility for intelligence activities.



WILLIAM J. CASEY

February
First shipment of weapons is sent directly from U.S. military stocks to Iran. Pentagon transfers 500 TOW antitank missiles to CIA, which flies them to Israel. They are then flown to Tehran. Although no direct link has been established to the TOW transfers, at this time two Boeing 707s operated by Southern Air Transport Inc. carried 45 tons of cargo each from an Air Force base in Texas to Tel Aviv. Proceeds from the sale are deposited in a Swiss bank account established by the CIA.

Spring
In Central America, a secret air resupply operation begins to funnel guns and other supplies to the contras. Crews for the operation consist largely of former CIA employees; eventually, the network's payroll and logistics are handled largely by Robert C. Dutton, a retired Air Force colonel. Dutton works for Stanford Technology International Trading Group Inc., a Northern Virginia-based company partly owned by retired major general Richard V. Secord, who is a friend of North's and is linked to the Iran arms trade. Contra leaders later suggest that this resupply operation is financed with profits from the Iran sales.

May
Two Southern Air 707s, again each carrying 45 tons of unknown cargo, make deliveries from Air Force base in Texas to Tel Aviv.

May 28
On a plane carrying spare parts for Hawk anti-air missile batteries, McFarlane, North and Amirian Nir, counterterrorism adviser to Israeli Prime Minister Peres, secretly visit Tehran via Israel. McFarlane has been told to expect that all hostages will be released before he lands. After several days of waiting in the Hilton hotel, and fruitless talks with Iranians, McFarlane leaves Iran. During the same week, North has arranged to have \$1 million in cash from Texas billionaire H. Ross Perot flown to Cyprus in a futile attempt to ransom the hostages.

July 26
The Rev. Lawrence Jenco is released. The White House is again disappointed that additional hostages are not freed. At about the same time, the third U.S. arms shipments go via Israel to Iran.

September
Frank Reed is abducted in west Beirut Sept. 9. Joseph James Cicippio is abducted in west Beirut Sept. 12. State Department specialists later identify their abductors as an extremist group with ties to a political faction in Iran.

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Attorney General Edwin Meese III reviews prepared testimony of key administration officials who have been summoned to Congress to explain the arms shipments to Iran. Meese says subsequently he found troubling gaps.

Nov. 21
Casey tells Congress in the morning that Iran bought 2,000 TOW missiles and paid more than \$12 million into a Swiss bank account for American weapons. Casey says he did not know who had arranged the transaction or where the money was transferred. Meese meets with Reagan and other senior aides at 11:30 a.m. The president approves an investigation of the operation.

Nov. 22
Meese and other Justice Department officials find evidence in NSC documents that money from the Iran sales was transferred to aid the contras. North is interviewed at length.

Nov. 25
Reagan announces at noon that national security adviser Poindexter has requested reassignment and that North has been fired from the NSC staff. Meese announces that \$10 million to \$30 million of Iran's payments for U.S. arms were diverted to Swiss bank accounts financing the contras.



JOHN M. POINDEXTER

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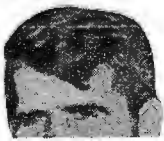
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At 9 p.m.—5½ hours after the plane was scheduled to return—a coded message was sent to Dutton in the United States.

"Bob, here is what we know so far," it said. "The route was the same as usual, down the coast, inbound at the Plantation [code name for a Costa Rican airfield used by the operation]. The only thing different was the point of border crossing. The coordinates are approx. N11.00 W84.30. Intended DZ was 11.27N 84.32W.

"ETA Ilopango was 1530 local. No show and no word."

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PRESIDENT REAGAN

EDWIN MEESE III

THE REAGAN ADMINISTRATION'S SECRET ARMS DEAL

North's Relationship With Reagan Remains a Mystery

NORTH, From A23

Officials said there is only one recorded phone call to North—on Nov. 25, the day Reagan announced on national television that North was fired. Sources close to North have said Reagan thanked him in the phone call for his service.

Four of the meetings with Reagan involved returned American hostages from Lebanon or their families—twice with Jacobsen and twice with the Rev. Lawrence Jenco. North was deeply involved in efforts to free all the American hostages, one of the motivations for Reagan's decision to sell weapons to Iran. Texas billionaire H. Ross Perot has said North solicited millions of dollars in ransom money from him in a bid, eventually unsuccessful, to win freedom for the hostages.

Officials who examined the records would not characterize the other 15 meetings, except to say they were unrelated to the hostages. Several officials said North's most frequent contact with the president would be for briefings on the Nicaraguan rebels. North was the central figure in White House efforts to keep the contras supplied from other sources during the period in which Congress terminated U.S. military aid.

North appeared in the office of Vice President Bush once along with Felix Rodriguez, a veteran of the Bay of Pigs who later came to oversee the private supply airlift to the contras.

"Ollie by 1985 was someone that the president would know by face. But he would have thought of him as Col. North, not as Ollie," said another administration official with firsthand knowledge. The official pointed out that it was rare for Reagan to develop a personal relationship with his White House assistants.

North, who had many friends and contacts in conservative ranks in this country, often told them and other White House colleagues of seemingly personal contact with Reagan. Once, for example, after the Libyan attack, he told a friend that Reagan was in tears after telephoning the family of a downed

file attempt aimed at the eventual overthrow of the Sandinista government of Nicaragua.

Whittlesey left the White House in early 1985, and the outreach group died soon afterward. "Ollie very much regretted this, and he may have felt that it was up to him to keep contra aid going" until Congress would approve it again, said another source who held a high-ranking White House post at the time. North at one point reportedly suggested that Reagan give a nationally televised speech saying that Congress had cut off aid but encouraging private donations to aid the

contras. Reagan never gave the speech but did deliver the message generally, saying, "I am a contra, too."

All the sources said North became steadily more important under Clark's successor, Robert C. McFarlane, who has said North is "like a son of mine." It was during McFarlane's tenure that the United States intercepted the cruise ship Achille Lauro hijackers in one of the most successful antiterrorism operations of the Reagan years; North reportedly played a key role in running the operation.

McFarlane had a "management problem" after McFarlane departed, and North assumed an even larger role, sources said. "Ollie became the point man for a lot of covert stuff," said a well-informed source still at the White House. "He operated more on his own under Poindexter than under Clark or McFarlane."

This source described North as more complicated than he seems, both "obedient and innovative." The source said North thought that he was carrying out the president's wishes in pulling strings for the con-

tras, but at the highly capable (chestration on minded friends keeping it to him

"He has this to him, which is set when he was accouts" in late in dealing with source said. "I cause, but he al was playing."

Staff writers Dan Joanne Omgan contributed to the

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from other sources during the period in which Congress terminated U.S. military aid.

North appeared in the office of Vice President Bush once along with Felix Rodriguez, a veteran of the Bay of Pigs who later came to oversee the private supply airlift to the contras.

"Ollie by 1985 was someone that the president would know by face. But he would have thought of him as Col. North, not as Ollie," said another administration official with firsthand knowledge. The official pointed out that it was rare for Reagan to develop a personal relationship with his White House assistants.

North, who had many friends and contacts in conservative ranks in this country, often told them and other White House colleagues of seemingly personal contact with Reagan. Once, for example, after the Libyan attack, he told a friend that Reagan was in tears after telephoning the family of a downed American flier, according to the friend.

A colleague at the National Security Council at the time said, "Ollie was what the president wanted to be—a decorated war hero, a straight-arrow patriot. But Ollie also had a flair for the dramatic and was something of a self-promoter. He would say, 'I've just been with the president,' when he had been there as a member of the team."

North, a San Antonio native, graduate of the U.S. Naval Academy and Marine platoon and company commander during the Vietnam war, returned to Washington in 1975 to be an analyst at Marine headquarters.

He was sent to the National Security Council in 1981; several sources said he started seeing the president personally after William P. Clark was brought in as national security adviser in early 1982. He came into the Oval office as part of the briefing teams that regularly accompanied Clark for his meetings with Reagan.

A source who held a high-ranking post at the time said North in this period might have come in as a member of the team "every other week or so," but more often during crises. In the aftermath of the bombing of the Marine barracks in Beirut in October 1983, North came in to the Oval Office two or three times a week, this source said.

According to another source who was a high-ranking official at the time, "He wasn't a member of the inner circle, and the president didn't adopt him or anything like that. But the president knew who he was and respected his views."

However, James A. Baker III, then White House chief of staff, and Michael K. Deaver, then deputy chief of staff, were said to "faintly distrust" North, as one official not allied with them put it last week. Baker and Deaver realized that the cause of the Nicaraguan rebels was unpopular in this country, this official said, and "they didn't like anyone in the Oval office pushing that on the president."

When Faith Ryan Whittlesey, then White House director of public liaison, began the "Outreach Working Project" on Central America in 1983 to drum up support for the contras, North provided her with speakers from the rebels, known as contras or counterrevolutionaries. And North first brought contra leaders into the White House. The once-covert war originally justified to interdict weapons shipments to guerrillas in El Salvador was evolving in this period into a higher pro-

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The Iran Policy Was Wrong, Too

Acknowledging finally that mistakes were made, President Reagan concedes only that the "execution" of his Iran policy was flawed. He and his aides talk as if their policy were sound because their objectives were noble.

Who could quarrel with the goals of encouraging moderate elements in Iran, thereby stopping terrorism, freeing American hostages and ending the Iran-Iraq war? But policy is much more than ends. It encompasses means as well. It entails judgments about feasibility and risks. The President's Iran policy should be weighed by this whole standard. By it, that policy must be judged as fatally flawed.

Administration officials speak in hushed tones about evidence of "moderate elements" in Iran whose objectives coincided with Washington's in matters of terrorism and peace. Which moderates could receive arms secretly, without the knowledge of Ayatollah Khomeini and his Islamic totalitarian state? Who could have advised the President that providing more arms to Iran would make the mullahs more likely to seek the peace with Iraq that Washington desires? It has all the earmarks of a setup to trade hostages for arms and kidnap more hostages for more arms.

From what is known now, the intermediaries in Iran hungered for American arms and got them. American emissaries said "Give us our hostages back," and Iranian intermediaries answered "Send arms." The emissaries persisted with thoughts of parallel interests against the Soviet Union, and the intermediaries answered "Send arms."

Did these moderates curtail Iranian support of terrorism in return? Mr. Reagan says yes; Secre-

tary of State Shultz and other officials say no. Did they help in releasing the hostages? Yes, three of them. But three others were kidnapped in the meantime. The Administration's policy impels such horrible human arithmetic. Could Robert McFarlane and Oliver North really have thought that when they flew into Teheran with a planeload of arms that their presence would be known only to "moderates"? On such judgment was this policy based.

Beyond grossly miscalculating the chances of success, the Administration apparently gave little thought to the consequences of failure. The officials involved had to assume that their secret would be revealed one day. Little foresight or insight was needed to understand that this would mean total loss of credibility.

What would allies think about the Administration's entreaties to block all arms to Iran? How plausible would it be to insist on a policy of never bargaining with terrorists? Would Congress lightly forgive the flouting of law and consultation? How quickly would such a sudden contradiction confuse, even inflame a public that has learned to despise the cruel zealots of Iran?

These likely consequences glow so brightly that even if the policy had succeeded in freeing the hostages, it would still have produced a failure over all.

No wonder Mr. Reagan says "I want to speak to you about something else, not the policies themselves, but how they were carried out." That turns the spotlight away from the substance of his policy and puts it entirely on process. Mr. McFarlane contends that the fault lay in trying to formulate and execute a policy too sophisticated for the public. That blames democracy for the shortcomings of leaders. For sure, the process faltered. But the policy was also wrong. From the start.

Speaker Wright, Meet Mr. Wright

D. Wright, the new president of NBC, says he will encourage employees to "invest some portion of their

topping \$20 million in California, \$10 million in California

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Evidence Points to a Significant Saudi Role in Iran

Continued From Page 1

in handling the arms sales, may have played a less central role.

The Saudi role was multilayered: Many banks in Europe and Saudi Arabia with ties to top Saudi officials provided funds for Adnan Khashoggi, the Saudi businessman who, in turn, acted as a middleman and financier for at least some of the arms transactions, according to the sources and documents. Mr. Khashoggi acted in concert with some top Saudi officials, though there are divisions within the royal family of Saudi Arabia on the issue, according to Arabs and Americans familiar with the operations.

The Iranian purchase of American arms over the last few years generated more than \$190 million, taking into account inflated prices, large commissions and ultimately diversions for the Nicaraguan rebels through corporations in Switzerland and elsewhere, according to participants in the deals, documents and American officials.

The White House has acknowledged arms dealings amounting to between \$22 million and \$42 million in 1986.

President Reagan dismissed Colonel North from the National Security Council staff after it was found that up to \$30 million from Iranian arms purchases had been diverted for the contras in 1986.

In addition to Colonel North, the Saudis worked with two former National Security Council officials and one former Pentagon official, all of whom worked with Colonel North and then left the Government to work with Saudi interests, according to documents and sources familiar with the operation.

New Perspective on Israel's Role

Emerging details give a fuller picture of how the arms purchases were financed, how monies were laundered and who was involved. They also provide a new perspective on the Saudi connections intersected; Mr. Khashoggi had dealings with the Israeli dealers and was also acting as a liaison between Saudi leaders, according to Israeli sources, and other Middle Eastern

Many details about the transactions remain unknown or unclear. Some Iranian deals took place under the auspices of the United States, others were done on the black market and many details of all the deals remain to be disclosed. The extent to which top White House officials were aware of the Saudi role is also not known.

One American familiar with the operation suggested that many of the transactions and deals intersect in Switzerland. Federal law-enforcement investigators are pursuing this avenue of inquiry.

The official Saudi press agency has quoted an unnamed Saudi official as saying that reports that Mr. Khashoggi arranged financing for the purchase of Iranian arms are "planted lies." The

These were among the details pieced together from these sources:

The Saudi discussions with Americans about supplying arms to the contras involved Colonel North, Maj. Gen. Richard V. Secord, who retired as a Pentagon official in 1983 and was familiar with Saudi affairs, and Albert Hakim, a former Iranian businessman with close ties to Saudi Arabia and a business partner of General Secord, according to sources and documents. Mr. Hakim and General Secord did not return phone calls.

In early 1984, Charles P. Tyson, a colleague of Colonel North's at the National Security Council, left the White House to work for Mr. Khashoggi, according to two former White House officials. Mr. Khashoggi later told an associate that Mr. Tyson was responsible for introducing him to Robert C. McFarlane, the former national security adviser, and other National Security Council officials for talks about the arms deals and Iran. Mr. Tyson, who was said by associates to be in Madrid, could not be reached. Ronald Kesler, author of a biography of Mr. Khashoggi, titled "The Richest Man in the World," said he was told that Mr. Khashoggi and Mr. McFarlane had several meetings, including one in the White House in the spring of 1985, when Mr. McFarlane was still national security adviser.

In 1984 and 1985, General Secord directed the acquisition of materials, including small airplanes, to help the contras, according to sources familiar with the acquisition and documents. His associates included Mr. Hakim and Robert H. Lilac, who had been a superior of Colonel North at the National Security Council, according to the sources and documents. Mr. Lilac is now a consultant to Prince Bandar, the Saudi Ambassador, according to a former White House aide and an official at the Saudi Embassy, who said Mr. Lilac

was out of the country. By 1985 both the United States and Saudi Arabia, with the assistance of Israeli arms dealers, Mr. Khashoggi and a confidant of King Fahd of Saudi Arabia, had begun discussions with Iran. The ensuing arms purchases involved a variety of financial transactions centered around Mr. Khashoggi and related companies. For example, copies of 1986 bank records show two checks from Manucher Ghorbanifar, the Iranian arms dealer who was the liaison to Iran, to Mr. Khashoggi totalling \$5 million. Other checks totalling \$12 million from Mr. Ghorbanifar were deposited in an account at the Monte Carlo branch of the Bank of Credit and Commerce International, a bank tied to former top Saudi officials, the records also show.

Iran Arms Sale Defendant Demands U.S. Apology

By STUART DIAMOND
One of the defendants on trial in Federal court in New York over the planned sale of arms to Iran said yesterday that he would oppose a dismissal of the charges against him even if the Government asked for it.

The defendant, Nico Minardos, a Los Angeles businessman, said he was angry he was indicted as the result of a Government "sting" operation for planning to sell arms to Iran when the Reagan Administration was secretly doing the same thing.

It was reported in The New York Times yesterday that the United States Attorney for the Southern District of New York in Manhattan did not know about the sting operation when the prosecutors brought the case, which may now be seriously weakened. It will be difficult, legal sources said, to convict people for doing something the Government was also doing covertly.

"I want to be formally exonerated," Mr. Minardos said. He said he had no criminal record but was jailed for more than three months in lieu of \$2

million in bail. He said he was not involved in the arms sale and that he was a victim of the Government's "sting" operation. He said he was a former member of the N.S.C. and as a spinner of policy, so, contact with him has been completely severed.

Most of the participants in the arms deals, including Mr. Ghorbanifar, the Israeli arms dealer, Mr. Hakim, Mr. Khashoggi and Saudi officials, had accounts with the same banks in Switzerland, according to bank records and sources familiar with the operation.

The complicated and covert relationships surrounding the arms deals stem from a variety of political factors. Middle Eastern countries such as Saudi Arabia have to balance conflicting interests and relationships. Thus, for example, any overtures to Iran or Israel would have to be done quietly so as not to irritate Iraq, to which Saudi Arabia is publicly allied. Similarly, any official Saudi support for the contras might irritate the Palestine Liberation Organization, which supports the Sandinista Government in Nicaragua.

Many of the Saudi-American relationships at issue were forged during the effort by the Reagan Administration in 1981 to get Congressional approval for the sale of Awacs radar planes to Saudi Arabia. Colonel North was instrumental in the success of that effort, for which he was later awarded

a medal by President Reagan. Congress approved the sale of the Awacs in part because of a perceived threat to Saudi Arabia from Iran.

Colonel North, who eventually became the point man for the contras as well as for the secret Iranian dealings, developed close ties during the Awacs debate with some Saudi officials as well as with General Secord and Mr. Lilac, according to former Administration officials. At the time, General Secord was Deputy Assistant Secretary of Defense with responsibility for the Middle East. Mr. Lilac, who was director for political military affairs at the National Security Council, gave some of the council briefings on the Awacs sale, according to one former White House official. Colonel North served under Mr. Lilac as deputy director for political military affairs.

Talks on Contras As Congress Debates

Discussions about private Saudi assistance for the contras began in late 1983 and intensified over the next year, as Congress debated and eventually killed any further United States military aid for the Nicaraguan insurgents, according to an American familiar with the discussions. The prohibition included assistance from third countries acting for the United States.

Prince Bandar, who held numerous discussions with Colonel North and General Secord during this time, told an associate of General Secord that helping the contras was good for Saudi-American relations, something the Administration supported and a source of future private business profits, the associate said.

In 1984 and 1985, under Mr. Secord's direction, a number of short take-off and landing airplanes, called Mauls, were purchased from Maule Air and

Iran Arms Sale Defendant Demands U.S. Apology

proceed with the case because it would enable him to continue obtaining documents from the Government showing the extent of its involvement in what he said may well be an illegal arms operation.

"This should come to trial, so that the American people can see an investigation not by the Government or Congress, but by private citizens," said Mr. Kunstler, a political activist who has been sparring with administrations of both parties since the late 1960's.

Not all of the defendants want to proceed, however. Jonathan Marks, the attorney for Gurriel Eisenberg, an Israeli businessman, said his client still wanted a dismissal. Another hearing on the issue is scheduled in Federal District Court in Manhattan for tomorrow afternoon.

Previous news accounts said 17 defendants were indicted on April 22 on charges of conspiring to send planes, missiles and other military equipment to Iran. Mr. Marks said a close reading of the indictment showed there were

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POLITICS AND POLICY

Deciding What Laws Apply to Iran-Contra Affair May Be as Difficult as Finding Who Broke Them

By JANE MAYER and ANDY PASZTOR
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — For investigators on the track of the Iran-Contra arms-sale scandal, finding out what laws may have been violated could prove as formidable a task as finding out who may have violated them.

Legal experts and investigators say the affair raises wide-ranging questions about at least 14 different areas of law, from civil statutes governing executive-branch covert operations to criminal laws against fraud, perjury and diversion of government funds.

At this point, many crucial legal facts about the operation are still unknown. "A lot depends on how the deal was done," says former White House counsel Fred Fielding. But it is already clear that the probes by Congress and by the still unnamed independent counsel will likely break new legal ground. And there is broad agreement that, whether or not the investigations result in any criminal prosecutions, Congress is likely to impose stricter controls over the executive branch's ability to conduct secret foreign policy.

Legal experts expect that whoever is chosen as independent counsel will have unprecedented leeway in shaping the criminal investigation. The leading candidate appears to be retired federal Judge Lawrence Walsh, 74-year-old former president of the American Bar Association, diplomat and Justice Department official, who served in the Eisenhower and Nixon administrations.

Mr. Walsh declines to comment, but officials familiar with the process yesterday confirmed reports, first aired by National Public Radio, that his name is one of several under final review by the Federal Bureau of Investigation and an appeals court panel.

Meanwhile, the White House is under increasing pressure to bring in its own legal expert to sort out the legal problems. On NBC-TV's "Meet the Press" yesterday, Senate Republican leader Robert Dole said that a prestigious lawyer such as former Sen. Howard Baker could advise the president on the matter.

"The statute allows for a great deal of latitude," agrees Arthur Christy, the first special prosecutor appointed under the 1978 law. In past investigations, he notes, "the focus has been quite narrow." But in each case, he suggests, "It's up to the counsel—he certainly has the powers."

Here are some of the stickiest legal questions raised by the Iran-Nicaragua affair:

—Arms sales to Iran: The 1976 Arms Export Control Act, the 1979 Export Ad-

ministration Act, and the 1986 Omnibus Diplomatic Security and Anti-Terrorism Act all in various ways prohibit the sale of arms to state sponsors of terrorism. President Reagan formally added Iran to the list of such states in March 1984.

But all of these laws give the president special leeway in cases of national security, and the courts generally have been reluctant to abridge that power. These laws do, however, require in different ways that Congress be notified when the president is invoking national security, but the notification requirements too have loopholes. For instance, the 1976 law allows the president to waive the ban on arms shipments, and the notification requirements when any single shipment is valued at less than \$14 million. Administration officials have placed the value of their shipments below that limit.

Congressional committees say the Iranian arms sales also raise questions about whether the administration complied with the notification requirements in the 1980 Intelligence Oversight Act, which calls for "timely" notification of lawmakers when the executive branch undertakes a covert operation.

On Jan. 17, President Reagan signed a formal finding that secret U.S. arms sales to Iran are in the national interest, but it specifically directed that Congress not be informed. This finding followed at least two Israeli-arranged arms shipments to Iran, which top administration officials have said the president condoned. Although the White House at first disputed this, other administration officials have since claimed that the earlier shipments were authorized by an "oral finding."

Legal experts question this concept. "Findings are supposed to be reported to Congress in a timely fashion. If it's oral, how is Congress to know?" asks Andreas Lowenfeld, professor of international law at New York University.

Moreover, Morton Halperin, national security expert with the American Civil Liberties Union, notes that even after the Israeli arms operation had concluded, the White House still hadn't notified Congress. "There's no evidence they ever intended to notify Congress at all," he suggests. "You can debate what 'timely' means, but one thing it doesn't mean is never."

While all of the above laws are fraught

Trade Legislation Cited by Democrats As Top Priority

By DAVID SHRIDMAN
Staff Reporter of THE WALL STREET JOURNAL
WILLIAMSBURG, Va. — The

with political peril, none of them carries any criminal penalties.

—Diversion of profits: Attorney General Edwin Meese has stated that as much as \$30 million in profit from the arms sales was diverted to the rebel Contra forces in Nicaragua. If so, investigators say the funds may very well have violated a series of congressional strictures, loosely known as the Boland amendment, barring U.S. officials from providing direct or indirect "support to military or paramilitary groups" battling the Nicaraguan government. The statutes also prohibit all but the State Department from seeking "nonlethal" aid from third parties on behalf of the rebels.

Both the supporting role played by Israel and recent disclosures that the State Department solicited millions of dollars from the sultanate of Brunei raise serious legal questions, according to investigators, who question whether all of those funds were strictly for "nonlethal" purposes. And central to the investigations will be the issue of whether U.S. officials set up, or even supported, a back-channel—through numbered Swiss bank accounts—for funding for the Contra forces.

Under the 1949 Central Intelligence Agency Act and related laws, CIA officials can spend money on covert operations only under strict accounting and procedural rules. All profits generated by such CIA-run operations must be turned over to the Treasury. Mr. Meese has asserted that the profits from the sale of arms to Iran, which he estimated at between \$10 million and \$30 million, belonged solely to the middlemen. But former Watergate investigator Philip Lacovara disagrees. "The profit belonged to the U.S. government and had

to be dealt with the same way" as any other federal property or asset, he asserts.

Some lawmakers suspect that the CIA may have run afoul of the Anti-Deficiency Act, which bars the executive branch from spending funds for purposes not appropriated by Congress. This law does have some criminal penalties, but legal scholars maintain they have never been used to cover such complex, highly classified activities.

Still another difficult issue revolves around assertions by Rep. Charles Wilson (D., Texas) and others that at least some of the profits from the arms sales were deposited in a CIA-controlled Swiss bank account that also contained covert aid slated for rebels in Afghanistan and Angola. Rep. Wilson and some administration officials have maintained that the co-mingling of the funds—which could violate the Intelligence Authorization Act—was simply a clerical oversight that was quickly corrected.

—The investigation: A final area posing potential legal problems is the administration's handling of the investigation into these matters. While there isn't any proof that laws have been violated, investigators will scrutinize the statements and documents of officials for evidence of perjury, obstruction of justice, and even criminal conspiracy to evade what may be civil laws. "Conspiracy is normally one of the areas in which criminal investigation is conducted," confirms the Federal Bureau of Investigation's director, William Webster.

In Watergate, it was false statements by the principals as much as anything else that brought down the Nixon administration. There have been a number of inconsistencies in various officials' accounts of how the Iran arms deal worked, and who knew about it and when, all of which investigators plan to examine. Such inconsistencies can create legal problems, either in sworn testimony or in written documents.

Stanley Brand, who was general counsel to the clerk of the House of Representatives for seven years before entering private practice, notes that "In the government,

you almost always have to fill out forms to cause things to happen. If these forms include false statements of any kind, that's considered a felony."

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Fleeing Iranian Jews are resettling here

(Continued from Page 1)

out legal travel documents, Zahler says. She explains that it has become more difficult for Jews to obtain passports since a special passport facility for non-Moslems was transferred from the prime minister's office to the prosecutor's office.

Once refugees do arrive in Vienna, the Hebrew Immigrant Aid Society helps send them to the country of their choice.

JF&CS collects the names of family members of Iranian Jews already in the Bay Area and supplies them to the HIAS as an aid to resettle them.

"Jews are getting out with great difficulty," says Zahler. "It's harder for them to get out now than after the Shah was overthrown."

Most of the recent refugees have been unable to take money from Iran, asserts Pliskin, noting that their situation belies the popular misconception in the Jewish community that Iranian Jews have fled with all their wealth.

Pliskin works with relatives to find refugees a home and a job. Financial aid from the agency can range from very little — if the family can afford to support newly arrived members — to \$1,000 a month for a family of three, she explains.

Many of the refugees speak English, although some newly arrived Iranian Jews do not, Pliskin says, adding that few have transferrable skills even though they have founded and successfully developed their own businesses in Iran.

"These are the people who really tried to stay on in Iran," says Pliskin about the new wave of refugees. "Maybe they felt there was hope that the economy would become better. But the conditions have become worse for all minorities."

The caseworker adds: "One of the major problems is that the Iranian Jews feel that there hasn't been much outreach by the American Jews — not much of an attempt to get to know them and their culture — not as much as with the Russian Jews."

About 500 Jews are believed to be jailed in Iran, many accused of being Zionists. The lone Jewish representative in Parliament, a teacher, was arrested last week on what has been characterized by the Western press as trumped-up charges of sexual abuse.

The arrest is believed to be in reaction to the American media's



Photo by Tom Wach

Karen Pliskin, a Faral-speaking caseworker with Jewish Family & Children's Services, helps Iranian Jews relocate in the Bay Area.

publicizing Israel's role in organizing secret deliveries of American arms to Iran as part of a White House plan to secure the freedom of American hostages being held by pro-Iranian terrorists in Lebanon.

Although Israeli officials report that some 40,000 to 50,000 Jews remain in Iran, refugees place the remnant at 15,000 to 20,000, many of them elderly people afraid of uprooting themselves — despite daily harassment and threats.

According to emigres, no terror campaign now is under way against Jews in Iran. What is taking place, however, is the continuation of a slow and systematic policy of discrimination against all religious minorities, says Pliskin.

The policy has anti-Semitic and anti-Zionist overtones, she reports: Jewish children attending mixed schools are forced to chant "Death to Israel" and other anti-Zionist slogans before they can enter school each day. Some, Pliskin says, have been pressed to convert.

Jews also find it increasingly difficult to get necessary licenses for commercial activities, Pliskin adds.

Jewish families, she says, have become anxious about spiriting their children out of Iran because of what refugees describe as attempts to indoctrinate them in school. A four-year-old statute makes it illegal for children under the age of 12 to leave Iran.

Iranian Jews coming to the Bay Area report that many of the Jews want to escape being drafted into the army for the war against Iraq, which began in 1980, Pliskin reports.

Those who leave do so with a heavy heart, explains Pliskin, noting that Jews have been living in Iran since 700 BCE.

Prejudice against the Jews began before the state of Israel was born, with the Jam Abbasi laws, which considered Jews and other non-Moslems to be polluted. Those laws were repealed during the reign of the Shah's father, who supported religious minorities.

When Israel became a state, the Shah maintained diplomatic contact with Israel; many Iranians left for Israel, but others came back to Iran

from their self-imposed exile.

The exodus of Iranian Jews began in the tumultuous weeks before Ayatollah Ruhollah Khomeini returned from exile to lead the revolution against the Shah. At the time, El Al airplanes took off with thousands of Jews, many of them wealthy businessmen.

In his first speeches, Khomeini promised that Iran's 75,000 Jews would be respected and protected. But after the seizure of the American Embassy in 1979, grassroots revolutionary groups began harassing Jews in Teheran and other cities.

"The people who are calling us are more anxious than before about their relatives," says Zahler. "They are afraid of what they call growing harassment and discrimination."

According to Pliskin, one woman reported that a Jewish school-teacher was forced to wear the Moslem headcover — the chador — and that Jewish boys and girls found playing together in a local park near their homes were held for several hours in an Iranian police station. Moslem boys and girls are forbidden to play together.

"It's clear that everyone wants to get out at this point," says Pliskin. "The question is who will get out and who won't."

Sole Jew arrested in Iran's Parliament

PARIS (JTA) — Iran's only Jewish member of Parliament, Manoucher Kalimi Nikruz, has been arrested and charged with "moral turpitude," according to the Teheran English language daily *Teheran Times*.

Nikruz, who was elected to the Majlis, the Iranian legislative assembly two and a half years ago, has been charged by the Islamic state prosecutor with "illicit sexual relations." The Teheran daily claims that he had conducted an unspecified number of "illegal sexual relations" with several young women and men employed in the clinic he heads.

Nikruz was elected to the Majlis seat provided by the Iranian constitution for the Jewish community. Papers quoting the Iranian daily say Nikruz, a 40-year-old pharmacist, is being detained in Teheran's central prison in spite of his parliamentary immunity.

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Washington Post

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Detailed index on Page A2

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FRIDAY, DECEMBER 12, 1986

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Arms and Hostages: Dealings That Went Sour Saudi, Canadians Said to Have Been Financiers; U.S. Halted Shipment When Captives Not Freed

By Walter Pincus
Washington Post Staff Writer

A clearer and more detailed outline of the secret dealings between the United States and Iran involving the selling of U.S. arms and the freeing of American hostages held in Lebanon emerged this week from congressional investigations and closed-door hearings, according to sources familiar with these inquiries on Capitol Hill.

The dealings between the United States and Iran from August 1985 until this October became contentious during this year, and on one

occasion the United States held back an arms shipment because an expected release of hostages did not occur, informed sources said yesterday.

By October, the sources said, the clandestine operation was going sour: private financiers who had supported the deals were threatening to go public with complaints that they were not being paid; elements in Iran hostile to the dealings also threatened to publicize them, and did so in leaflets distributed in Tehran; and Defense Secretary Caspar W. Weinberger, who initially opposed the arms ship-

ments but then reluctantly went along with them, again began to express doubts about the wisdom of continuing.

This new account begins with Saudi billionaire Adnan Khashoggi, who was more deeply involved in the arms deals than previously realized, the sources said.

In August 1985, Khashoggi advanced \$1 million to help finance the first shipment of Israeli arms to Iran "to get the deal going," he said in an interview with ABC that was broadcast last night. The funds went to Iranian arms dealer Manucher Ghorbanifar, who was acting

for the Iranian regime of Ayatollah Ruhollah Khomeini, Khashoggi said.

Khashoggi said he put up \$4 million for a second shipment, which was made Sept. 14, 1985. That same day, the Rev. Benjamin Weir, one of five American hostages then being held in Lebanon by the pro-Iranian Islamic Jihad, was released.

The United States, however, had been led to believe by Israeli intermediaries handling the deal that it would produce the release of at least two and perhaps all five hostages.

Khashoggi also financed an arms delivery in November 1985,

sources said, but no hostages were released because the material—spare parts for Hawk anti-aircraft missiles—was considered obsolete by the Iranians.

That mishap led to renewed debate in the White House National Security Council on the merits of continuing the shipments, sources said. Despite the objections of Weinberger and Secretary of State George P. Shultz, President Reagan decided in January to proceed with the deliveries on a new basis.

Under the new plan, the weapons would be taken out of U.S. stocks. See INVESTIGATE, A15, Col. 1



New York businessman Roy L. Furmark, right, is escorted to Senate panel hearing, where he testified on Iran affair.

Outside Advisers Urge Reagan to Act on Crisis Ability to Govern Effectively Said at Risk

By David Hoffman
and David S. Broder
Washington Post Staff Writers

Elder statesmen from both parties have conferred privately with President Reagan in recent days as part of an effort by longtime associates to persuade him that he must take additional strong action to rescue himself from the damage caused by the Iran arms crisis.

Informed sources said yesterday Reagan has talked at the White House with former Democratic national chairman Robert S. Strauss and former secretary of state William P. Rogers about the Iran crisis and that former Senate majority leader Howard H. Baker Jr. (R-Tenn.) has met with Vice President Bush.

The three reportedly offered differing advice on how Reagan should cope with the crisis but agreed that he cannot remain passive while investigations into the Iran affair accelerate. They also suggested that

tell him everything" about the Iran operations. That advice reflected one line of action recommended privately to Reagan, but others think that he needs to make even stronger moves.

The meetings with Reagan were arranged by former deputy White House chief of staff Michael K. Deaver, who has discussed the effort frequently with First Lady Nancy Reagan, the sources said. They said Deaver's immediate goal is to arrange the departure of White House chief of staff Donald T. Regan, although privately and publicly the president has strongly resisted that step.

"Deaver and his friends believe that Don Regan should resign so that the president can make a fresh start," said a Republican supporting the effort. "But their effort is broader than getting rid of Regan. They think the president has to realize that his administration faces an unprecedented crisis and that he has to get on top of it. A new chief of

Casey Report Encouraged Iran Talks

CIA Chief Judged Israeli Data on 'Moderates' to Be Bona Fide

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Washington Post

Weather

Today: Partly sunny. High 44-49.
Low 24-29. Winds 10-20 mph.
Saturday: Partly sunny. High
around 40. Winds 10 mph.
Yesterday: AQI 25. Temperature
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FRIDAY, DECEMBER 12, 1986

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Barry Said To Prepare Staff Shifts

Sources Report Mayor To Replace a Deputy, Reassign Top Officials

By Tom Sherwood
Washington Post Staff Writer

Mayor Marion Barry, seeking to deal with longstanding problems of mismanagement in his administration, has told associates he has decided to replace the District's deputy mayor for economic development and reassign at least a dozen other top officials.

Carol B. Thompson, the mayor's chief of staff, would become the deputy mayor for economic development in Barry's third term that begins Jan. 2, replacing former football player Curtis R. McCClinton Jr., who will leave government, according to government sources.

City Administrator Thomas M. Downs, who also serves as deputy mayor for operations, would remain in his job with the understanding that he may leave before the end of the term. Downs has played a major role in reshaping the administration.

Barry is having difficulty recruiting for several key positions, including deputy mayor for finance. Alphonse G. Hill resigned that post this year after acknowledging that he accepted \$3,000 from a city contractor.

Officials expected to leave their posts include James Palmer, director of corrections, who it is believed would retire; David A. Rivers, director of human services, who is being urged to become secretary of the District, in place of Clifton B. Smith, who is leaving government, and William Johnson, director of the Department of Administration, who is expected to take over the Recreation Department.

Also expected to be affected are Recreation Director F. Alexis Robertson, who would head the much larger and troubled Department of Employment Services, and William Jameson, director of the Minority Business Opportunity Commission, who may be offered another post in the administration.

Dwight S. Cropp, a close Barry adviser who heads the broad-ranging Office of Intergovernmental Affairs, would keep his title while assuming some duties now handled by Barry's chief of staff and news secretary, including general government.

See BARRY, A52, Col. 1

Arms and Hostages: Dealings That Went

Saudi, Canadians Said to Have Been Financiers; U.S. Halted Shipment When Captives Released

By Walter Pincus
Washington Post Staff Writer

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sources

released spare parts for missiles—by the Iranian regime.

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New York businessman Roy L. Furmark, right, is escorted to Senate panel hearing, where he testified on Iran affair.

Outside Adviser Reagan to Act on Ability to Govern Effectively

By David Hoffman
and David S. Broder
Washington Post Staff Writers

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The three reportedly offered differing advice on how Reagan should cope with the crisis but agreed that he cannot remain passive while investigations into the Iran affair accelerate. They also suggested that more is at stake for the president than public relations and that the success of his presidency and his ability to govern effectively in the final two years of his term are at risk, the sources said.

In a letter to The Washington Post published today, Senate Majority Leader Robert J. Dole (R-Kan.) said the impasse threatening Reagan's credibility and leadership could be broken if two former aides, Vice Adm. John M. Poindexter and Lt. Col. Oliver L. North, volunteered "to go to the president and

tell him the operation is one line privately think that stronger

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See PR1

Additional stories about the secret arms deal.

Casey Report Encouraged Iran Talks

CIA Chief Judged Israeli Data on 'Moderates' to Be Bona Fide

By Bob Woodward
Washington Post Staff Writer

Central Intelligence Agency Director William J. Casey encouraged the secret White House initiative toward Iran in the summer of 1985 by providing his own intelligence evaluation, which supported Israeli claims that "moderates" in Iran were willing to open talks with the United States, informed sources said yesterday.

Casey, who has consistently described his and the CIA's role in the Iran affair as minimal, was asked to

make the evaluation by Robert C. McFarlane, then national security adviser to President Reagan, according to the sources.

This followed a July 1985 meeting in Washington between McFarlane and David Kimche, then director general of the Israeli Foreign Ministry and a 30-year veteran of the Israeli Mossad secret intelligence service.

Kimche told McFarlane that there were Iranian moderates open to negotiations with Washington and "Bill Casey found the Israeli analysis bona fide, based on his own

intelligence," said one well-placed source.

The CIA director took several weeks to assemble information from U.S. intelligence agencies and compare it to the Israeli intelligence, the source said. Only months earlier, Casey's senior Middle East analyst, Graham Fuller, had advanced the argument in the administration that the time was ripe to seek improved relations with Iran.

Kimche and other high-ranking Israeli diplomats had brought a large amount of sensitive intelligence

See CASEY, A18, Col. 1

Israeli Economy Depends on Nation's Role as Arms Exporter

By Glenn Frankel
Washington Post Foreign Service

JERUSALEM, Dec. 11—When the Carter administration cut off military aid to the rightist regime of Guatemala because it refused to accept human rights requirements, Israel was one of several countries that filled the gap. Today Guatemalan troops wear Israeli uniforms,

and a mandatory arms embargo against South Africa in 1977, Israel was one of the states that quietly defied the ban by maintaining its own pipeline of military equipment to the white-minority government there, and in South Africa. Last July, South Africa unveiled a new jet fighter bearing an uncanny resemblance to the Israeli Kfir, and an

involvement in each of the above cases, senior officials privately concede that such deals take place. The justifications they offer include the need to support friendly regimes in an international climate hostile to Israel; the need to honor requests and aid the interests of the United States, Israel's chief ally, and the role arms sales can play in providing a form of life insurance

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administration to deprive him of that excuse and to leave him to stew in his own juice by lifting the ban on Most Favored Nation trading status and on Export-Import Bank credits. Warsaw clearly hopes this will open the way to International Monetary Fund credits that will temporarily relieve some features of the economic morass here.

Imposing sanctions at the time of the crackdown undoubtedly helped moderate the extent of repression that followed. It is hard to believe that Jaruzelski would have granted September's full amnesty without some hope that Washington would in return lift the last two sanctions.

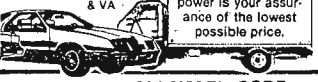
By the same token, leaving the two symbolic sanctions in place indefinitely reduces the incentives Jaruzelski has for not rearresting the political prisoners he has released. And it sends a message to Europe that you can keep MFN status by being as internally repressive as Romania as long as you voice disagreement with Moscow on some foreign policy issues.

A recommendation to lift the sanctions reportedly has been at the White House for several weeks. The Christmas season provides a perfect moment for the administration to emphasize that its action reflects full faith in the people of Poland, not the government. It is worth putting aside the Iran-contra scandal long enough to deal with this opportunity.

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Rowland Evans and Robert Novak

It Cost Him the NATO Ambassadorship

Just as Patrick J. Buchanan was forcibly altering the political climate with his defiant defense of the president, it became clear that the Oval Office lacked the will to give that ardent Reaganaut his only personal request.

Because the State Department has its "heels dug in" (the phrase of

the investigative engines of a hostile

an old pal, that Regan should be out front instead of "running away like a banshee and bleeping on everyone else."

After the radio speech, without awaiting bureaucratic clearance, Buchanan began his "offensive" to save the president. He at least has changed the climate enough to cause Republicans to think twice before they trash Reagan. With Buchanan present on the McNeil-Lehrer broadcast, Sen. Richard Lugar softened his criticism. Rep. Jack Kemp, who had been silent partly because advisers feared he would support Regan, joined Buchanan and declared: "Bravo to Pat."

The price of Buchanan's explosive loyalty is a change in White House perception of his Senate confirmation prospects for the NATO post from difficult to impossible. Buchanan won't talk, but friends say he is loath to drop another burden on Regan.

"The rancid mood peaked Dec. 3 when Linda Chavez . . . looking for a new administration post, wrote a Washington Post op-ed page article dissociating herself from the Iran-contras connection."

presidential aides), the loyal and combative White House communications director will not be nominated for ambassador to NATO. The decision to nominate is wholly Ronald Reagan's, but nobody expects him to intervene.

Education Secretary William J. Bennett, speculating that she was trying to polish her Senate confirmation chances, apologized to friends for having brought fellow neoconservative Chavez into the administration. Recently converted Republican Bennett was the only Cabinet member backing the president. "Why are so many forgetting so quickly who this man is?" he asked. Even Buchanan was silent, inspiring Reaganauts outside the government to wonder what had happened to their gladiator.

While Buchanan goes unrewarded for loyalty, the president seems determined that Donald Regan not be forced out. So does the chief of staff. Hence, the startling contrast: Buchanan stages a one-man suicide charge to preserve his leader; Regan goes underground to save himself.

In fact, Buchanan was hamstringing by counsels of caution inside the White House that have frustrated him since he came aboard nearly two years ago. Never intending to stay the full second term, he recently made clear his interest in the NATO post. Regan and Regan quickly assented.

This paradox describes the remoteness of the Reagan presidency that led to the current crisis. While the president cannot bear to sack anybody and particularly his prime minister, he is blissfully oblivious to rewarding his truest supporters (such as putting Buchanan in Brussels).

Regan. In fact, those lines were written by chief speechwriter Tony Doan to clear the air, not to exonerate Regan, and were cut from the speech on grounds they were plowing old ground.

An absence of Reaganauts in the administration may partially explain the absence of early defense for the president, but even supposed Reagan-

But not the State Department. Buchanan was inexperienced diplomatically (but no less so than successful NATO envoys Donald Rumsfeld and Robert Ellsworth) and so "controversy-

But quick interpretation of the excised words reflects criticism of Regan deriving from his own private remarks that he is not about to leave until he has exonerated himself in the job that caps his career. That has led CIA Director William Casey to comment privately, as related by

Regan's critics inside the White House were outraged. They interpreted that paragraph as an attempted exoneration by Thomas of Don

"It has led CIA Director William Casey to comment privately . . . that Regan should be out front instead of 'running away like a banshee and bleeping on everyone else.'"

He will stay on at the White House until the storm abates.

White House and State Department staffers, seeking a "compromise" for the NATO vacancy, are talking about arms control director Kenneth Adelman. But the old question shouts out again: Where is the president? If he cannot override Shultz and the Senate on behalf of an impeccable Reaganaut for a second-rank diplomatic post, can much be left of his presidency?

Richard Cohen

What's the Standard for Law-Breaking?

Patrick J. Buchanan, who shared the White House bunker with Richard M. Nixon and now occupies the same place under his latest true love, Ronald Reagan, says of Lt. Col. Oliver North: if he broke the law it was for a good cause.

During the Israeli war of independence were also private citizens. And so were the abolitionists. At least one of them, Elijah Lovejoy, was killed by a mob, and others were beaten senseless. As for Billy Mitchell, one wonders how he got on Buchanan's list. His public insubordination—he accused his military superiors of "incompetency, criminal negligence and almost treasonable administration of the national defense"—was certainly a mouthful, but hardly a criminal act.

the Nicaraguan contras. He did so, we are told, with a wink and a nod from National Security Adviser John M. Poindexter and supposedly without the permission or knowledge of the president.

For this exercise in rationalization, Buchanan assembles quite a case. In an op-ed column, the White House communications director compared North to abolitionists who "ran escaped slaves up the Underground Railroad"; Franklin Roosevelt who before the war "secretly ordered American destroyers to hunt down German submarines"; Col. Billy Mitchell who

What is Buchanan's standard when it comes to law-breaking? Is it permissible if the object is to kill commies but not to bring justice to black Americans? Is it okay if you are white and splendidly bemadeled, but not if you are black and a civilian? Is it fine and dandy if you happen to be a government official who has taken an oath to the Constitution, but not if you are a mere private citizen who cannot hide behind the veil of national security? Is