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THE WHITE HOUSE

WASHINGTON

October 15, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of Report - "The Iran Arms Sales:
The Beginning"

The second installment of the Report arrived for declassification on October 14, 1987 at 3 p.m. The draft is 46 double-spaced pages long. This section concerns the background for the U.S. and Israeli arms sales to Iran beginning in 1984 through October 1985. I have noted the salient points below:

- P. 1 - In August 1985, the President decided that the United States would allow arms sales to Iran, reversing U.S. policy. The decision "was made so casually that it was not written down, the President did not recall it 15 months later, and the Secretaries of State and Defense were not even told of it at the time."
- P. 7 - Ghorbanifar's first proposal to ransom hostages occurred at a meeting on November 20, 1984 with former CIA employee Theodore Shackley. Ghorbanifar told Shackley that for a price he could arrange for the release of U.S. hostages in Lebanon through his Iranian contacts.
- P. 9 - Ghorbanifar ultimately "found another and ultimately more fruitful channel into the U.S. government through Israel. A New York businessman, Roy Furmark, served as the contact point."
- P. 11 - Ledeen tried to persuade McFarlane to use him as an informal channel to get intelligence on Iran using Ledeen's Israeli contacts. NOTE: Footnote 18 on P. 11 is the first reference to the "Israeli historical chronology" which is characterized as "classified information from the Israeli chronologies . . . used in this Report pursuant to specific agreement between the government of Israel and the Committees."
- P. 14 - The special national intelligence estimate circulated on May 20, 1985 recommended arms sales through an ally as a way of pursuing an opening to Iran.
- P. 15 - Shultz protested Ledeen's trip to Israel and McFarlane told Shultz that Ledeen had taken the May trip "on his own hook."

- P. 17 - Only Casey supported the draft NSDD which recommended that anti-Khomeini factions in Iran should be supported and that U.S. allies and friendly states should be encouraged to "help Iran meet its import requirements . . . includ[ing] provision of selected military equipment." Weinberger commented saying that "This is almost too absurd to comment on" At the same time, the President criticized Iran in his speech to the ABA on July 8, 1985.
- P. 18 - Ledeen testified that McFarlane authorized him to tell Prime Minister Peres that Israel could engage in a one-time arms sale to Iran of artillery shells; one of the Israeli participants reported that the Ledeen authorization was for the transfer of TOW missiles.
- P. 19 - In citing the Israeli historical chronology, the Report states that "the Israelis were unwilling to proceed without evidence of a clear, express and binding consent by the U.S. government to the proposed transaction."
- P. 24 - In his diary of July 17, 1985, "the President noted that McFarlane wanted to see him [at the hospital] concerning a possible breakthrough in securing the release of the hostages through contacts with an Iranian official."
- P. 25 - In the President's Diary for July 18, the day McFarlane and Regan met with the President in the hospital, the President's Diary "records only that McFarlane would be sent to a neutral country to meet with the Iranians."
- P. 26 - According to Ledeen, McFarlane told Ledeen at the time of the hospital visit that the President approved "in principle" the sale of the TOWs by Israel subject to further review of the details."
- P. 29 - White House records show an August 6 meeting between McFarlane, the President, Vice President, Shultz, Weinberger and Regan. McFarlane reported the Iranians wanted a dialogue with the U.S. and 100 TOWs from Israel in return for 4 hostages. Shultz and Weinberger opposed the sale and the President announced no decision at the meeting. In his diary, the President noted "only that there were rumors that 5 out of the 7 hostages might be released."
- P. 31 - Several days after the August 6 meeting, the President telephoned McFarlane authorizing the Israelis to proceed with the sale of modest quantities of TOW missiles that would be replenished by the United States.
- P. 32 - In his Tower Board interview, the President originally confirmed that he had authorized the sale, "but later stated that he had no actual recollection one way or another." The Committee Report notes the Tower Board's conclusion that the

President "most likely" approved the Israeli sales before they occurred and the Report states that "the evidence supports that conclusion."

- P. 35 - The first shipment by the Israelis of TOWs occurred on August 20 rather than August 30, 1985, according to the Israeli historical chronology. 96 rather than 100 TOWs were shipped.
- P. 36 - "On August 24, the President noted in his diary that McFarlane said an Iranian official believed he could deliver some or all of the hostages, and that he, the President, had to make decisions on some points. The President did not describe the decisions."
- P. 38 - 408 TOWs were shipped to Teheran from Israel on the morning of September 15, 1985.
- P. 39 - "The Iranians made it clear that this was an arms-for-one-hostage bargain."
- P. 40 - On September 17, the President noted in his diary that "Weir was safe and other hostages would follow him to freedom."
- P. 40 - Ghorbanifar claimed "without any foundation - that he was in contact with Vice President Bush. (He later was to claim that he met with the President.)"
- P. 46 - "The lesson to Iran was unmistakable: all U.S. positions and principles were negotiable, and breaches by Iran went unpunished. Whatever Iran did, the U.S. could be brought back to the arms bargaining table by the promise of another hostage."

THE WHITE HOUSE

WASHINGTON

October 19, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *AR*

SUBJECT: Declassification of Report -- "HAWK Parts for a Hostage"

This section of the Report arrived for declassification on the afternoon of October 16, 1987 and is nineteen double-spaced pages long. This section concerns negotiations between North, Ghorbanifar, the Israelis and the Iranians after the May 1986 McFarlane mission to Tehran. I have noted the salient points below:

- P. 1 - "Although offered two hostages, McFarlane had refused to deliver the remaining HAWK parts unless all of the hostages were released first. But this was the last show of toughness by the U.S.: just two months later, the U.S. would deliver the same HAWK parts after obtaining the release of only one hostage."
- P. 2 - Ghorbanifar could repay his debt to Khashoggi only by inducing the United States to ship the rest of the parts.
- P. 3 - By the end of June 1986, the Iranians were complaining about being overcharged for HAWK parts by 600 percent. Ghorbanifar called the CIA and told them that he was being blamed for the overcharge whereas in fact his markup was only 41 percent.
- P. 9 - "North recommended that Poindexter brief the President and 'obtain his approval for having the 240 HAWK missile parts shipped from Israel to Iran as soon as possible, followed by a meeting with the Iranians in Europe.' Poindexter noted on the memorandum: '7/30/86 President approved.' The decision in Tehran not to ship the parts unless all the hostages were released first had been reversed. On August 4, 1986, the HAWK parts were flown into Iran. Secord provided the crew and Israel provided the airplane."
- P. 11 - Admiral Crowe, Chairman of the Joint Chiefs of Staff, had not been consulted or informed about the decision to ship weapons to Iran or the McFarlane mission to Tehran. "Crowe was 'startled' by the 'nature of the transaction' because it was 'contrary to our policy.'"

- P. 12-14 - "Weinberger offered no defense of the initiative. Instead, he merely told Crowe that the decision had been made by the Commander-in-Chief; that 'he (the President) can do what he wants to do;' and that 'consultation with others below the Commander-in-Chief level would not have perhaps been very fruitful.' For the first time, at Crowe's direction, the military focused on the effect that the previous sales to Iran had had on the strategic balance in the Middle East and the defense capability of the United States. Given Iran's avowed hostility to the United States, and to U.S. allies in the region, such a study by military experts should have been completed before any sales were authorized. The obsession with secrecy and the desire to avoid possible criticism lead to the concealment of the sales not only from Congress but from the President's principal military advisers. Only after determining how the TOWs were actually being deployed was Crowe able to conclude that the arms sales did not significantly affect United States military interest."
- P. 13 - At North's request, Nir briefed the Vice President in Israel on July 29, 1986. Nir raised the issue of whether to agree to a sequential release of the hostages or to remain insistent on the prior release of all before any weapons were delivered. Nir told the Vice President that Iran was using the retention of hostages for leverage and noted that "We are dealing with the most radical elements."
- P. 17 - "North never opposed sequential delivery of arms and the release of the hostages. He recommended it as early as December 4 [, 1985] in a PROF note to Poindexter, and he was disappointed when McFarlane did not accept the two hostage deal in Tehran."
- P. 18 - North had no intention of eliminating the markup on future shipments. At North's instruction, Robert Earl, North's National Security Council colleague, was calculating prices on a possible future shipment using a 3.7 multiplier against cost. North's solution to Iran's complaint [about gross overcharging] was to ask the CIA to prepare a phony price list to justify the prices charged Iran. This effort failed, not because of any concern about impropriety or any curiosity by the CIA as to what the Secord/Hakim enterprise had done with the profits, but because the CIA's Office of Technical Services proved incapable of preparing a credible forged list."

THE WHITE HOUSE

WASHINGTON

October 20, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of Report --
"Summary: The Iran Initiative"

We received this section of the Report on the afternoon of October 19, 1987. It is seventeen double-spaced pages long and contains harsh and polemical conclusions about the Iran Initiative. The salient points are noted below:

- P. 1 - Quoting Walter Lippman, the Report states that the Iran Initiative failed because: "A policy is bound to fail which deliberately violates our pledges and our principles, our treaties and our laws."
- P. 1 - The Report states that "It was not a mistake for the President to seek an opening to Iran. Nor was it an error for the President to seek the release of kidnapped American citizens. What was wrong was the way in which the Administration tried to achieve these objectives. The Administration had pledged" not to bargain with terrorists or make concessions in exchange for American hostages.
- P. 2 - The Administration recognized it was not in the Nation's interest to prolong the Gulf war and strengthen the Ayatollah against Iraq and would, accordingly, maintain a policy of strict neutrality.
- P. 2 - Processes for drawing on the knowledge and expertise of accountable officials were "deliberately bypassed, and deception replaced consultation." The President ignored the advice of his Secretaries of State and Defense and did not obtain the views of intelligence community professionals.
- P. 3 - The Secretary of Defense warned in 1985 that [the arms initiative] violated the law. Both [State and Defense] Cabinet officers rejected the notion that the United States could use the leverage of arms sales to open a new relationship with Iran."
- P. 3 - The President's decision was "at once too casual and too influenced by emotional concern for the hostages. It constituted a major shift in U.S. policy, yet it was not recorded in any writing. . . . Reasoned analysis was sacrificed for the sake of secrecy and deniability."

- P. 4 - "Given the manner in which the Iran Initiative was conceived and conducted, there is no mystery in why it failed, only in why it continued, particularly when promise after promise was broken by the Iranian side."
- P. 5 - "As Secretary Shultz testified 'Our guys . . . they got taken to the cleaners.' Indeed, by the end of the Initiative the Administration had yielded to virtually every demand the Iranians had ever put on the table. . . . No price seemed too high, not even promises to help overthrow the government of Iraq or to pressure Kuwait into releasing the murderous Da'wa terrorists."
- P. 5 - "The record affords some explanation of why the Administration persisted -- and capitulated -- when the Iranians repeatedly reneged: The decision makers were moved by different objectives in hopeless conflict with one another. The goals of freedom for the American hostages and better relations with Iran required that the United States create trust in Tehran. But generating surpluses for the Contras and other secret operations required that the United States overcharge the Iranians The Iranians North was so willing to deceive were the same people the Administration was depending on to foster a new relationship with Tehran."
- P. 6 - The Report quotes from the President's address to the nation on August 12, 1987 where he stated that he let his preoccupation with the hostages intrude into areas where it didn't belong. The Report concludes that "The record supports this candid self-criticism."
- P. 7 - "Freeing the hostages was a primary objective for the President in the Iran Initiative The President failed to see that, by pursuing this objective through the sale of arms, the Administration was violating its own basic principles, and putting all the cards in the terrorists' hands."
- P. 7 - "The President's personal notes record his pain and frustration at the continued captivity of the American hostages in Lebanon."
- P. 7 - His notes throughout the venture focused on the hostages."
- P. 8 - "The President's first diary entry on the proposal described it as a possible breakthrough in freeing the hostages."
- P. 8 - At a December 7, 1985 meeting with members of the NSC, Secretary Shultz recalls that "the President brushed aside arguments that the arms sales might violate the Arms Export

Control Act with the statement that 'The American people will never forgive me if I fail to get these hostages out over this legal question.'"

- P. 8 - "The Iranians preyed on the President's vulnerability with threats to kill the hostages if the arms sales stopped."
- P. 9 - "The President noted the threat in his diary and directed that the Initiative proceed."
- P. 9 - "With the suggestion [in his diary?] that the blood of the hostages would be on his hands, the President ordered delivery of the remaining HAWK parts."
- P. 10 - "We do not fault the President for his concern about the hostages. It is a testament to the values of this nation that the leader of the greatest power on earth would devote so much energy and thought to the fate of just six citizens. But when fundamental foreign policy decisions are sacrificed in the hope of freeing six hostages, then the nation itself becomes the victim. Every American who travels abroad becomes a potential hostage, and U.S. policy can be dictated by hostage takers."
- P. 11 - "Israel's sponsorship of the Iran Initiative, and of Ghorbanifar as an intermediary, carried great weight with the President and his advisers."
- P. 12 - "The fact that Israel, not the United States, was selling directly to Iran was noted by the President in his diary in December 1985 as meaning that U.S. policy was not being violated."
- P. 12 - The President was under no illusion that U.S. and Israeli interests were synonymous.
- P. 13 - "Israel cannot, nor did it try to, dictate the conduct of U.S. foreign policy. Super powers make their own decisions. And the United States did so in this instance. Nevertheless, Israel's endorsement of the Iran initiative cannot be ignored as a factor in its origin or in its continuation."
- P. 13 - The Israelis paid Secord/Hakim \$1 million for the cost of delivering 120 HAWKS in November 1985. When 18 were delivered for \$200,000, the enterprise had \$800,000 left. "With the Israelis' permission to use this money as the United States wished, North directed Secord to spend the \$800,000 on Contra support."
- P. 14 - On December 6, [1985,] North told Israeli defense ministry officials that the United States expected to generate a profit on future arms sales to be used in Nicaragua."

- P. 14 - "North testified that when he was beginning to doubt the wisdom of the Initiative in January 1986, he found the opportunity to support the Contras from the proceeds of future sales an 'attractive incentive' to continue."
- P. 16 - "Arms-for-profit" for Hakim and Secord "entered the list of colliding objectives in the Iran Initiative. Privatization of foreign policy had its costs."
- P. 16 - "Too many drivers -- and never the right ones -- steering in too many directions took the Iran Initiative down the road to failure. In the end, there was no improved relationship with Iran, no lessening of its commitment to terrorism and no fewer American hostages."
- P. 16 - The Iran Initiative improperly generated funds for the Contras and other covert activities and produced "profits for the Hakim/Secord enterprise that in fact belonged to the U.S. taxpayers, leading NSC and CIA personnel to deceive representatives of their own government, undermining U.S. credibility in the eyes of the world, damaging relations between the Executive and the Congress, and engulfing the President in one of the worst credibility crises of any Administration."

THE WHITE HOUSE

WASHINGTON

October 20, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *AR*

SUBJECT: Declassification of Report -- "The Second Channel"

This section of the Report arrived for declassification at approximately 9 p.m. on October 19, 1987. It is eighty-nine double-spaced pages long. The salient points are noted below:

- P. 1 - This section concerns the development of the second channel, cutting Amiram Nir out of the negotiations and replacing him with Secord and Hakim. The Report states that "In the end, the United States secured the release of another hostage but three more were seized The United States agreed not only to sequential release of the hostages but also to seeking the freedom of the convicted Da'wa terrorists from the prison in Kuwait."
- P. 3 - Reliance on Ghorbanifar was curtailed "when the Americans attributed the failure of the McFarlane mission to Ghorbanifar's misrepresentations to both sides."
- P. 10 - "North's notebooks also show a meeting with Poindexter on September 4 [1986] in which the entry appears 'go/no go on sequential deliveries.' The entry mentioned the need to talk to 'Joshua,' North's codename for President Reagan."
- P. 14 - Secord and Hakim had little to do with negotiating with the first channel. All of this changed with the opening of the second channel. Hakim, not the Israelis, developed the second channel. From August to November, Hakim and Secord were at all meetings with the Relative. Secord acted as a negotiator for the United States, presenting -- and sometimes formulating -- the views of the United States and offering military guidance to the Iranians."
- P. 16 - The President approved proceeding with a meeting with the Rafsanjani representative.
- P. 21 - In meetings with the Relative in September 1986, North stated that "The President had authorized only the shipment of defensive arms North promised, however, that the TOWs and HAWK spares would be shipped as soon as the hostage issue was resolved."

- P. 25 - "The Relative asked that the United States join Iran in trying [sic] raise the price of oil." North observed that the oil market was 'naturally depressed'. He also stated that the United States and Iran had 'similar interests with respect to oil.'"
- P. 25 - "The Relative said that the second Iranian had 'played a role in the kidnapping of Frank Reed to put 'additional pressure on the United States to send the next shipment [of weapons].'"
- P. 27 - "North also promised the Relative that President Reagan would signal his appreciation for Iran's withholding of landing rights for a hijacked Pan American flight."
- P. 30 - In an October 2, 1986 memorandum to Poindexter, North stated that "The memo from you to the President has not been prepared for obvious reasons. It is hoped that between now and 3 p.m. Friday you will have an opportunity to privately discuss this with the President and obtain his approval/signatures on the steps indicated above [regarding negotiations with the Relative]." The Report states that "North did not explain the 'obvious reasons' for not preparing a memorandum for the President."
- P. 33 - The concessions made at the meetings in Frankfurt on October 6-8, 1986 "included mainstay principles in American policy toward the Middle East and terrorism. In his testimony, when questioned about these concessions, North asserted that he had 'lied every time [he] met the Iranians.'"
- P. 36 - "North then provided the Iranians with what he described as 'very sensitive intelligence, what we know of Iraqi military positions" North added that, 'if it ever became known that we have done this, we would be finished in terms of credibility as long as President Reagan is President.'"
- P. 38 - North quotes the President as harshly criticizing Iraqi President Saddam Hussein.
- P. 39 - "Cave confirmed that, under this proposal, which was apparently never discussed with the President, the United States would try to remove President Hussein by approaching the Gulf states assisting the Iraqi President and advising them that as long as Hussein was in power the Iran-Iraq war would continue."
- P. 42 - "North even created a fanciful meeting between himself and the President at Camp David in which he showed the President the Relative's arms list."
- P. 52 - North told Hakim that the President wanted a hostage back by election day.

- P. 56 - Poindexter testified that he submitted North's proposal on shipping more arms in exchange for two hostages and developing a plan for the release of the Da'wa prisoners to President Reagan and that the President approved the plan.
- P. 59 - "North, Secord and their Israeli contact met in Geneva on October 22 to iron out the details of the next arms shipment to Iran. They agreed that the 500 TOWs shipped to Iran would be taken from the 508 sent to Israel in May and rejected as inadequate by the Israeli defense force. They further agreed that the Israelis would keep the 500 new TOWs the United States had earmarked for Iran."
- P. 62-3 - In connection with the January 17, 1986 Finding to establish contact with "moderate elements," the Report states that "To the best of the Committee's information, the President was never told that the United States was arming the [extremely radical] revolutionary guard. Cave stated that he recalled no discussion of whether arming the guard was consistent with the Finding."
- P. 63 - "The Relative reported that dissention in Iran over the Initiative had prompted students associated with a political faction to publish '5 million copies of pamphlets describing the McFarlane visit to Iran. . . . The distribution of the leaflets was attributed to Mehdi Hashemi, a follower of Montazeri. An associated press report, carried on September 29, 1987, in the Washington Times, stated that Hashemi had been executed after having been convicted of numerous crimes."
- P. 65 - North told the Relative that "Congress would not be told 'until we get the hostages out.'"
- P. 75 - "On Sunday, November 2, two days before the mid-term elections, David Jacobsen was released."
- P. 79 - "On November 9, North and Secord met with Nir. They told Nir that the Lake Resources account had been closed because some of the Iranian funds had become 'mixed' with funds for Nicaragua. North's notes of this meeting show that Nir told North and Secord that Ghorbanifar was asserting that the United States was spending Iranian money in Nicaragua."
- P. 81 - "On November 14, a day after the President's televised speech on the issue, Secretary Shultz, at his regular weekly meeting with the President, urged him not to sell any more arms to Iran. The President refused to commit himself. Shultz then tried another approach. The next day, he submitted a proposal to Chief of Staff Regan permitting the State Department to take control of U.S./Iran policy. This would have given State the authority to block further sales. Regan said he favored this step, but the President was unwilling to adopt it. . . . Not until the diversion of

money to the Contras was discovered and Poindexter's resignation requested did the President agree on November 24 that the State Department should assume control of the Iran Initiative."

- P. 84 - On December 13, 1986, "Casey met along with Regan and succeeded in reversing the ground rules. Under the new decision, the second channel could be used for policy purposes as well as intelligence exchanges. Secretary Shultz learned of this change only after the fact. He observed: 'Nothing ever gets settled in this town.'"
- P. 87 - Poindexter testified that the President had approved the nine-point plan, including the provision authorizing Secord to facilitate the release of the Da'wa.
- P. 88 - Secretary Shultz testified, however, that when he told the President of the plan, the President gave no indication that he was familiar with it, but 'reacted like he had been kicked in the belly.' . . . The President's meeting with Secretary Shultz laid the Iran Initiative to rest. The President authorized Shultz to tell Iran that the United States repudiated the nine-point plan and unequivocally rejected further arms sales."

THE WHITE HOUSE

WASHINGTON

October 29, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM:

ALAN CHARLES RAUL *ASR*

SUBJECT:

Declassification of Report: "Introduction:
Background on U.S.-Nicaragua Relations"

This section of the Report is ten pages long and arrived for declassification on October 23. This section describes the history of U.S.-Nicaragua relations from the Somoza period through the early years of the Sandinista regime. The salient points are noted below:

- P. 6 - "Yet while providing overt financial assistance, President Carter in the fall of 1979 signed a Finding authorizing support to the democratic elements in Nicaragua because of the concern about the affect of the Sandinista takeover."
- P. 10 - "By the end of 1981, however, the Contras were looking to the United States for their support. They were to find a receptive audience -- President Reagan."

THE WHITE HOUSE

WASHINGTON

October 29, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *AR*

SUBJECT: Declassification of Report: "Keeping the Contra
Operation Secret: 1984-1985"

This section of the Report is seventy-five pages long and arrived for declassification on October 22. The salient points are noted below:

- P. 2 - "Despite the Boland Amendment's prohibition, U.S. support for the Nicaraguan Resistance continued. As set forth fully in Chapters 1 and 2, the National Security Council staff -- with the help from officials of other Government agencies -- supervised a covert operation supporting the Contras.
- P. 3 - "The intent of Congressional restrictions, however, was clear: the U.S. Government, including the NSC staff, could not help raise funds for the Contras or aid their military effort Secrecy, therefore, was vital to the success of the Contra support operation Poindexter told the Committees: 'It was very likely if it became obvious what we were doing that Members of Congress would have maybe tightened it [the law] up. I didn't want that to happen.'"
- P. 15, 16 - "Motley replied that the Boland Amendment prohibited 'any U.S. assistance whether direct or indirect, which to us would infer also soliciting and/or encouraging third countries; and we have refrained from doing that because of the prohibition.'"
- P. 35 - "North concluded by noting, 'Plans are underway to transition from current arrangements to a consultative capacity by the CIA for all political matters and intelligence, once Congressional approval is granted on lifting Section 8066 restrictions [the Boland Amendment].' He added: 'The only portion of current activity which will be sustained as it has since last June, will be the delivery of lethal supplies.' North recommended that McFarlane brief the President on these matters. NSC records do not indicate whether or not McFarlane approved this recommendation."
- P. 39 - "Although the record is inconclusive on what exactly McFarlane and North discussed at their meetings, it is undisputed that both the National Security Adviser and one

of his principal deputies considered altering NSC documents."

- P. 45 - "McFarlane told the Committee Members that President Reagan had made clear that the entire executive branch had to comply with the Boland Amendment."
- P. 59 - "The flood of press allegations about possible NSC violations of the Boland Amendment prompted no investigations by executive branch law enforcement agencies. Only one small Executive oversight organization, the Intelligence Oversight Board, responded to the widespread charges. In late August 1985 the Board conducted an inquiry into NSC staff activities. After a brief investigation by its counsel Bretton G. Sciaroni, the Board concluded that Oliver North had not provided military or fundraising assistance to the Nicaraguan Resistance."
- P. 60 - "In his interview with Sciaroni, Thompson made no mention of North's activities as depicted in the memoranda. Indeed, he denied that North had provided 'military support' to the Contras and asserted that North had limited himself to providing political encouragement and 'moral support' while funds were unavailable. Although the Committees cannot be certain of what Thompson knew of North's activities, it is clear that his denials cannot be squared with the memoranda he had given McFarlane. Furthermore, Thompson withheld from Sciaroni the six 'troubling' memoranda selected by McFarlane. During their meeting, Thompson provided Sciaroni with an inch-thick pile of documents that did not include the 'troubling' memoranda. Thompson told Sciaroni he was producing 'the relevant documents for my review,' Sciaroni said; Thompson went on to say that the only documents to which Sciaroni would not be permitted access were North's personal working files. Thompson also told Sciaroni that the pile of documents were the same as those that had been 'made available to the Hill.'"
- P. 62 - "Oliver North and Admiral Poindexter, and perhaps other high Administration officials, were aware that the NSC staff was directly providing lethal support to the Nicaraguan Resistance."
- P. 66, note 41 - Poindexter "tried to ensure that CIA Director Casey would not learn about North's Contra-support activities because, he testified, Casey was vulnerable to direct questions at Congressional hearings."
- P. 73, note 156 - McFarlane discussed the Barnes request regarding North's activities with White House Counsel Fred Fielding. McFarlane said he took the relevant documents to Fielding and told Fielding they were "extremely troubling in terms of interpretation of law." Fielding does not recall any such statement.

THE WHITE HOUSE

WASHINGTON

October 29, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of Report: "Arms to Iran:
A Shipment of HAWKS Ends in Failure"

This section of the Report is sixty-nine pages long and arrived for declassification on October 22. The salient points are noted below:

- P. 4, 5 - The Report states that North and Nir "discussed the possibility of an Israeli-U.S. covert operation. North jotted notes indicating that this operation could require at least a million dollars a month 'for near and probably mid-term requirements.' North's notes contain several unanswered questions: How to pay for? How to raise \$? . . . Use Israelis as conduit? Go direct? Have Israelis do all work with U.S. pay? Set up joint/Israeli cover op? On November 19, North and Nir discussed two code-named covert operations in Lebanon. North's notes reflect that the second operation would also require a source of "op[erational] funds." In mid-November, North did not have answers to the funding question. But, according to North, within a few months, he and Nir had solved the problem: they would use the Iranian arms sales profits. Planning for the privately funded joint covert activities began."
- P. 6 - "Rabin met with McFarlane at the White House and told him that Israel was about to make another arms shipment to Iran and would need replenishment from the United States. Rabin wanted 'to reconfirm that the President of the United States still endorsed this concept of Israel negotiating these arms sales.' McFarlane replied that the President's authorization for Israel to sell arms to Iran subject to replenishment by the United States was still in effect, and that this was "based upon recent questions and reaffirmation by the President that I had received." Rabin also sought reassurance that the matter was definitely a joint project between the U.S. and Israel. McFarlane replied that while it saw Israel as taking the lead, the United States supported Israel's activities."

- P. 7 - McFarlane told the President about the developing plans for HAWKS transaction shortly before they left on November 17 for a summit meeting with Soviet leaders in Geneva. Regan, who was present, said it was 'just a momentary conversation, which was not a detailed briefing to the President, that there [is] something up between Israel and Iran. [McFarlane said] [i]t might lead to our getting some of our hostages out, and we were hopeful. . . .' McFarlane did not stress that what he and Rabin saw as Ghorbanifar's unreliability was adding to the risks of the operation. Instead, McFarlane merely made 'a passing reference here or there' about these concerns, and did not discuss them at length with the President at the time. The President's reaction was 'cross your fingers or hope for the best, and keep me informed.'"
- P. 14 - "Gaffney testified that under the Arms Export Control Act (AECA), Iran was not a country then eligible for sales directly from the United States and that even if Iran were to become eligible, the contemplated sales of HAWKS would not be made directly or indirectly (through Israel or otherwise) without the President providing Congress notice. In addition, Gaffney testified that if the transfer were to be made by Israel, U.S.-Israeli agreements require advance, written U.S. consent. U.S. law mandates that the President cannot give that consent without certain conditions being met in advance, including obtaining assurance from Iran that it would use the weapons only for self defense and would comply with U.S. restrictions on retransfer to another country. These were conditions that Iran could not or would not meet."
- P. 15 - "McFarlane testified that he simply informed the President that the Israelis were about to act, but did not ask for specific approval: '[T]he President provided the authority in early August for Israel to undertake to sell arms to Iran, and to then come to the United States for replenishment, to buy new ones. That didn't require then the Israelis to come back to us on each occasion and get new approval.'"
- P. 20 - "North testified that in early 1986 he told the Israelis that the money deposited in Lake Resources by Israeli intermediaries had been used 'for the purpose of the Contras' and that they acquiesced. This use of the money for the Contras constituted the first 'diversion' to the Contras of money received in connection with the Iranian arms sales."
- P. 35 - "The Committees are also troubled by the fact that the cable informing Clarridge of Secord's detailed account of the operation, and an earlier cable which Clarridge sent to the Chief of Station at the outset of the operation, are

inexplicably missing from an otherwise complete set of 78 cables sent by CIA officials during the operation."

- P. 53 - "The shipment of HAWKs to Iran was bad policy, badly planned and badly executed. In contradiction of its frequently emphasized public policy concerning the Iran-Iraq War and nations that support terrorism the United States had approved the sale of arms to Iran. The United States had agreed to a sequential release of hostages following successive deliveries of weapons; thereafter, this departure from policy became the norm. This precedent, established in November 1985, gave the Iranians reason to believe that the United States would retreat in the future from its subsequent demand for the release of hostages prior to any weapons shipments."

THE WHITE HOUSE

WASHINGTON

October 29, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of the Report -- "Arms Sales to Iran (First Channel)"

This section of the Report is 88 pages long and arrived for declassification on October 20. The salient points are noted below:

- P. 2 - "The President's decision to sign the finding on Friday, January 17, 1986 marked the beginning of U.S. control over the Iran arms sale initiative."
- P. 4 - A CIA official recalls that at a White House meeting on January 18, Poindexter said "that this was a very sensitive undertaking . . . and that the President felt very strongly that Congress would not be notified until a later date. I took that later date to mean after the hostages were released . . . that after the delivery of the first shipment of TOWs the hostages would be released, meaning all of the American hostages in Lebanon. So we were looking at this . . . as a fairly short-term thing."
- P. 9 - "By inadvertently using the wrong stock number for the TOW, the Army underpriced the missile and created a price differential broad enough to permit a significant surplus of funds for the Enterprise."
- P. 11 - "Army officials involved in these pricing decisions have denied any intent to lower the price of TOWs, and the Committees have found no evidence to the contrary." However, the Army bypassed its usual method of pricing and transferring weapons. "The emphasis on keeping the transaction secret, even from those involved in the process, led to a significant pricing error, one that North exploited to the advantage of the Enterprise."
- P. 13 - At a London meeting with Ghorbanifar on January 22, 1986, according to North, Ghorbanifar took him into the bathroom and "suggested several incentives to make that February [TOW] transaction work, and the attractive incentive for me was the one he made that residuals could flow to support the Nicaraguan resistance. He made it point blank and he made it by my understanding with the full knowledge and acquiescence and support, if not the original

idea of the Israeli intelligence services, the Israeli Government"

- P. 15 - "Poindexter stated that the diversion was merely an implementation of the President's policy and a decision Poindexter had authority to make without consulting the President. Nevertheless, Poindexter admitted knowing the public revelation of the diversion's approval by him would result in his leaving the Administration, although he said that he 'probably underestimated' the effect public knowledge of the operation would eventually have on the Administration. Poindexter stated that he made the diversion decision on his own without consulting the President, in order to give the President 'deniability.' He acknowledged, however, that he had never acted that way before and that he had a reputation for keeping his superiors informed."
- P. 25 - "Following the Frankfurt meeting, the Second Iranian Official asked Hakim to advise President Reagan that 'money was no problem' if certain weapons would be sold through him to Iran. Hakim attributed this offer of a bribe for the President of the United States to the Iranian's ignorance that the accepted custom of 'baksheesh,' or kickbacks, in Iran did not apply in the United States. Hakim said that he and Secord found the offer of 'baksheesh' to President Reagan to be quite amusing, but Hakim could not recall conveying the message to any Government official because Hakim never took the offer seriously."
- P. 32 - "North said that the purpose of the residuals was 'to sustain the Iranian operation, to support the Nicaraguan resistance, to continue other activities which the Israelis very clearly wanted, and so did we, and to pay for the replacement for the original Israeli TOWs shipped in 1985. The January 17 Finding, however, made no mention of support to the Contras or of any other intelligence activities of the covert action."
- P. 33 - The decision on how to apply the residuals was stated by North: ". . . residuals from those transactions would be applied to support the Nicaraguan resistance with the authority I got from my superiors, Admiral Poindexter, with the concurrence of William J. Casey and, I thought at the time, the President of the United States."
- P. 40 - In a report prepared for Casey after the Paris meeting, Cave addressed several points raised by Ghorbanifar during the meeting including Ghorbanifar's suggestion to divert profits from the sale of arms to Iran to aid the Contras: "He also proposed that we use profits from these deals and others to fund support to other operations. We could do the same with Nicaragua." Charles Allen of the CIA read Cave's memorandum, but dismissed the statement. "Yet, this was not

the first time that Allen had learned that Ghorbanifar was attempting to use North's interest in the Contras to 'sweeten the pot' for the Americans. During a meeting between Allen and Ghorbanifar in January 1986, Ghorbanifar had mentioned the possibility of using monies generated from various projects to aid 'Ollie's boys in Central America.'

- P. 49 - After noting that the last page of the diversion memorandum prepared by North contained a recommendation that the President approve the plan (presumably including the \$12 million diversion), the Report notes that North transmitted a PROF note on April 7 to McFarlane "stating that North had prepared the memorandum at Poindexter's request for 'our boss.'"
- P. 51 - North recalled that he wrote five or six diversion memoranda and he "sent each one up the line, and that on the three where I had approval to proceed, I thought I had received authority from the President." "North stressed that, unlike other memoranda he had submitted for Presidential approval, he never saw a memorandum about diversion reflecting the President's initials in the 'Approval space.'"
- P. 51 - Poindexter testified "that North first discussed with him the idea of using the proceeds from the arms sales in late January or early February 1986." Poindexter cannot remember ever receiving a written memorandum calling for the President's approval and never directed North to prepare such a memorandum. "Poindexter admitted leading North to believe that the President had approved the plan, but he denied ever discussing it with the President."
- P. 60 - "Although it is clear that U.S. officials were increasingly concerned with the Iranian government's inability to release the hostages, there is no indication that this concern was communicated to the President."
- P. 69 - Despite the fact that seven highly-placed CIA officials had access to intelligence information showing huge markups in the price of spare parts sold to Iran, all denied suspicion of a diversion of funds until much later.
- P. 71 - The Report discusses the May 16, 1986 NSPG meeting in detail. "To develop 'bridge funding' for the Contras, Poindexter asked Shultz to prepare a list of countries for the President to consider for solicitation." "Poindexter said he did not tell the President of the sudden availability of 'bridge funds' [received from the deposit into Lake Resources' account from the diverted arms proceeds]. Generally, according to Poindexter, when opportunities arose for him to discuss the diversion with

President Reagan, Poindexter avoided doing so in order to permit the President to be able to deny knowledge of the issue. Poindexter claimed that he never volunteered to the President that diverted funds were available to 'bridge' the Contra financial requirements."

- P. 76 - Iran requested the sale of a number of electron tubes for HAWK radars. The Army had limited supplies of this part and its shipment to Iran may have resulted in an impact on U.S. war readiness.
- P. 77 - "While freedom for American hostages had not materialized, a funding mechanism to support various clandestine programs was flourishing. By the time McFarlane and North were preparing for their journey to Tehran, part of the profits obtained from the sale to Iran of both the TOW missiles and the HAWK spare parts had been diverted to support the Nicaraguan resistance movement. The remainder of the profits were stored in secret Swiss bank accounts to support 'off-the-shelf' clandestine operations."
- P. 81 - In a footnote, the Report cites a North to McFarlane PROF message following the February 24, 1986 meeting in Frankfurt. In it, North described Hakim as an American citizen "who runs the European operation for our Nicaraguan resistance support activity."