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THE WHITE HOUSE

WASHINGTON

November 3, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL 

SUBJECT: Declassification of Report: "The Enterprise Assumes Control of Contra Support"

This section of the Report is 107 pages long and arrived for declassification on October 28. The salient points are noted below:

- P. 2 - "Lt. Col. North asked [around the summer of 1985] Gen. Secord and his associates to assume new responsibilities that under the Boland Amendment the U.S. Government could not undertake. Secord agreed to continue to handle all future weapons procurement for the Contras and to acquire and operate a small fleet of planes to make air drops of weapons, ammunition and other supplies to the Contras in both northern and southern Nicaragua. North arranged the funding for Secord to carry out these activities, directing third-country and private contributions to Secord that previously went to Calero. These funds were later augmented by the diversion from the Iranian arms sales that North, with Poindexter's approval, initiated."
- P. 3 - "The Enterprise, though nominally private, functioned as a secret arm of the NSC staff in conducting the covert program in Nicaragua. While Secord controlled the operational decisions of the Enterprise, North remained in overall charge of the Contra-support program. He set the priorities and enlisted the support of an ambassador, CIA officials, and military personnel to carry out the air resupply operation. He dealt with crises as they arose, sometimes on a daily basis. In carrying on these tasks, North had the unqualified support of Admiral Poindexter, who had replaced Robert McFarlane as National Security Adviser in December 1985."
- P. 4 - ". . . the NSC staff had secretly achieved what Congress had openly disapproved in the Boland Amendment -- an extensive program of military support for the Contras. The Boland Amendment operated as a restraint on disclosure, not on action, as the NSC staff placed policy ends above the law."

- P. 15 - "North's notebooks reflect that on September 10, 1985, he met with Col. James Steele, a U.S. Military Group Commander in Central America and Donald Gregg, Vice President Bush's National Security Adviser. Among the discussion topics North listed was a 'Calero/Bermudez visit to [the Airbase] to estab[lish] log[istical] support/main[enance],' as well as other possible locations for the resupply base. Gregg, however, testified that he did not know of the resupply operation prior to the summer of 1986."
- P. 24 - "When Poindexter returned from his one-day trip to Central America, he briefed the President on the morning of December 13, including informing the President on efforts to secure the land necessary for the airstrip. Poindexter testified, and his notes reflect, that Poindexter 'did talk to him [the President] about the private airstrip.'"
- P. 30 - "In March 1986, a meeting arranged for a Costa Rican official with President Reagan at the White House occurred. The meeting was simply a photo opportunity, attended as well by North and Castillo.

After the Oval Office visit, North asked the official to meet with Secord that afternoon to work out some issues concerning the airstrip. At the meeting, the official asked Secord for a letter, which the official dictated, to the effect that the Costa Rican Civil Guard maintained control of the airstrip, have access to it for training purposes, and that ecological and environmental considerations apply."

- P. 44 - "The Administration continued to seek an appropriation for the CIA to resume its program of covert assistance to the Contras. In early May, Poindexter said the President told him 'If we can't move the Contra package before June 9, I want to figure out a way to take action unilaterally to provide assistance.' Poindexter wrote his deputy, Don Fortier, 'The President is ready to confront the Congress on the Constitutional question of who controls foreign policy. . . . George [Shultz] agrees with the President that we have to find some way and we will not pull out.'

North, who received a copy of Poindexter's PROF note, responded immediately with a suggestion: The Contras should capture some territory inside Nicaragua and set up a provisional government. The President would respond by recognizing the Contras as the true government and provide support. Asked by Poindexter whether he had talked to Casey about his plan, North replied, 'Yes, in general terms. He is supportive, as is Elliott [Abrams]. It is, to say the least, a high risk option -- but it may be the only way we can ever get this thing to work.'"

P. 47 - "On May 16, 1986, the President and his advisers discussed the issue of obtaining funds from third countries. In a memorandum to the President for the NSPG meeting, North suggested three ways to 'bridge the gap' in funding: (1) a reprogramming of funds from DOD to the CIA (\$15 million in humanitarian aid); (2) a Presidential appeal for private donations by U.S. citizens; and (3) a 'direct and very private Presidential overture to certain Heads of State.' The last source of funds would, as North put it, eliminate the need 'to endure further domestic partisan political debate.'

Director Casey opened the meeting and explained the Contras' needs. The good news, he told the President, was that the Contras had infiltrated more troops into Nicaragua than ever before, and the troops were now being resupplied by air. The 'bad news' was that the resistance was operating under the assumption that it would receive new funding at the end of May. Only \$2 million remained from the humanitarian assistance appropriation.

P. 48 - "Later in the discussion, Secretary Shultz returned to the subject of money: 'If we don't get money for the freedom fighters, they will be out of business.' Noting the unlikelihood of an immediate Congressional appropriation, and the improbability that the intelligence committees could be persuaded to reprogram funds, Shultz suggested that 'It would be better to go to other countries and get it [funding] there.' North added that the Intelligence Authorization Act of 1986 permitted the 'State Department to approach other governments for non-military aid.'

No one at the meeting discussed the fact that a Middle Eastern country had already given \$32 million to the Contras, including a \$24 million donation committed to the President personally. Nor was it mentioned that several Far Eastern countries had been approached for donations had given \$2 million only 6 months earlier. Instead, Shultz was instructed to prepare for review by the President a list of countries that could be solicited."

P. 49 - "Poindexter testified that he understood the \$6 million to which North referred was coming from the Iranian arms sales, but he did not tell the President the \$6 million was available. North testified that as he was leaving the NSPG meeting he mentioned to Poindexter that Iran was supplying \$6 million for the Contras but that he did not know whether he was overheard.

North wrote Poindexter that he did not know whether all those present at the NSPG meeting, such as Chief of Staff Donald Regan, knew of 'my private U.S. operation.' On the other hand, North noted to Poindexter, 'the President

obviously knows why he has been meeting with several select people to thank them for their 'support for Democracy' in CentAm.'

North also realized that disclosure of a significant sum of money earmarked for Contra support, but only made possible by arms sales to Iran, could prove politically embarrassing.

The more money there is (and we will have a considerable amount in a few more days) the more visible the program becomes (airplanes, pilots, weapons, deliveries, etc.) and the more inquisitive will become people like Kerry, Barnes, Harkins, et al. While I care not a whit what they may say about me, it could well become a political embarrassment for the President and you."

- P. 50 - "Poindexter approved North's recommendation to seek the \$15 million reprogramming and responded to his concerns: 'Go ahead and work up the paper needed for the \$15M reprogramming. . . . I understand your concerns and agree. I just didn't want you to bring it up at NSPG. I guessed at what you were going to say. Don Regan knows very little of your operation and that is just as well.'"
- P. 53 - "Asked by the official what Brunei would receive in return, Abrams responded, 'Well, . . . the President will know of this, and you will have the gratitude of the Secretary and of the President for helping us out in this jam.' The official persisted, asking, 'What concrete do we get out of this?' Abrams responded, 'You don't get anything concrete out of it.' Abrams then handed the account number North had given him which he had copied onto a slip of paper to the Brunei official."
- P. 54 - "Rodriguez met with Vice President Bush in Washington on May 1. He had arranged the meeting through the Vice President's National Security Adviser, Donald Gregg. The appointment scheduling memo for the meeting states: 'To brief the Vice President on the status of the war in [a Central American country] and resupply of the Contras.' Members of the Vice President's staff gave conflicting testimony over how this description was printed on his schedule. Sam Watson, the Vice President's Deputy National Security Adviser, testified that the memo was inaccurate, and that he did not provide the description. Phyllis Byrne, the secretary who typed the memo, testified that Watson had given her the description.

In the Old Executive Office Building on his way to the Vice President's office, Rodriguez stopped by to tell North he was leaving the operation. Rodriguez said North asked him

to remain in Central America, but he ignored the request. Escorted by Gregg and Watson, Rodriguez then met with the Vice President.

Before Rodriguez could tell the Vice President that he was leaving Central America, North arrived and told the Vice President about the good job Rodriguez was doing. Embarrassed to tell the Vice President he was going to leave, Rodriguez left the meeting without discussing his resignation, and eventually returned to Central America. Rodriguez testified that 'at no point in any of this conversation did I ever mention doing anything that was remotely connected to Nicaragua and the contras.' Moreover, former Senator Nicholas Brady, who was also present at the meeting, testified that the resupply operation was not discussed."

- P. 57 - "According to Rodriguez, North looked at the television and said: 'Those people want me but they cannot touch me because the old man loves my ass.' North did not recall that part of his conversation with Rodriguez."
- P. 62 - "North later complained to Gregg that Rodriguez had 'made off with an airplane,' and asked him, 'Will you call him and find out what the hell is going on?' Rodriguez told Gregg he had decided to tell Gregg 'about what had been going on.'"
- P. 63 - "On August 8, Rodriguez met with Gregg and set out his allegations about the Secord group. Gregg noted the points Rodriguez made: 'using Ed Wilson group for supplies;' 'Felix used by Ollie to get Contra plane repaired . . .'; 'a swap of weapons for \$ was arranged to get aid for Contras, Clines and General Secord tied in'; 'Hand grenades bought for \$3 - sold for \$9.' Gregg, according to Earl, expressed shock about the involvement of Clines.
- 154n, p. 92 - "Sam Watson, Gregg's deputy, was also at the meeting. His notes state: 'Felix -- Tom Clines, Secord -- Ripping off Contras -- Fraud, a crime to profit.' N46663."
- P. 63 - "On August 12, Gregg convened a meeting to discuss Rodriguez's allegations with a group of Administration officials involved in Central American policymaking: Steele; Ambassador Corr; Deputy Assistant Secretary of State Walker; the Chief of the Central American Task Force; and from the NSC, Earl and Ray Burghardt. Gregg testified that he 'went over the notes with the people who were there.' Without mentioning North's involvement, Gregg emphasized that he considered Clines not reliable but that he had faith in Rodriguez.

Gregg knew by this time that North was involved in the

operation. Rodriguez had made that clear at his Aug. 8 meeting, and Gregg's notes reflect that knowledge. Gregg testified that at no time did he pass that information on to the Vice President. Gregg did not report the meeting, because he believed it 'was a very murky business. . . . We had never discussed the Contras. We had no responsibility for it. We had no expertise in it. I wasn't at all certain what this amounted to. . . . I felt I had passed along that material to the organizations who could do something about it, and I frankly did not think it was Vice Presidential level.'"

P. 64 - "Secord responded that there was more than '1 million dollars worth of equipment' in Central America owned by the Enterprise, which had no intention of abandoning them. Secord explained that the 'threat of air piracy lawsuit has nothing to do with [the Commander]. This was comment made to VP by Ollie ref Max [Felix Rodriguez] vice [the Commander]."

P. 69 - "When Dutton returned from Central America later that month, he met with North. North asked him to arrange a one-day trip to the region so that he could personally thank the pilots and crew. North told him, 'Bob, you will never get a medal for this, but some day the President will shake your hand and thank you for it.'

Dutton had also prepared a photograph album depicting the operation: the operational bases, drop zones, aircraft, munitions, and the crew replete with assault machine guns and other assorted weapons. Dutton showed the album to North, who liked it and said he wanted to show it to 'the top boss.' North testified that he sent the album to Poindexter to show to the President, but never heard further about the album. Poindexter testified that he did not show the album to the President."

P. 73 - "In his report to Poindexter, North exaggerated his own role in the crisis. In a PROF note, North told Poindexter he had personally forestalled the crisis by calling the President of Costa Rica and threatening to cut off aid. North conceded to Poindexter that he may have overstepped the bounds of his authority: 'I recognize that I was well beyond my charter in dealing with a head of state this way and in making threats/offers that may be impossible to deliver.' Poindexter responded: 'Thanks, Ollie, you did the right thing, but let's try to keep it quiet.' North admitted in his testimony that he had not called President Arias. He claimed, instead, that the PROFS message 'was specifically cast the way it was to protect the other two parties engaged.' By North's account, he misrepresented his actions to Poindexter, his boss, in order to conceal Abrams' and Tambs' contact with a foreign head of state."

P. 77 - "Presidential Authorization and Knowledge - The President told the Tower Review Board that he did not know that the NSC staff was assisting the Contras. After the Tower Report was issued, however, the President said that private support for the Contras was 'my idea.' The President knew of the contributions from a Middle Eastern Country and, in fact, received the pledge on the largest of them. According to Poindexter, the President's policy was 'to get what support we could from third countries.'

In general, Poindexter understood that the President wanted the NSC staff to support the Contras, including encouraging private contributions. The President also knew, according to Poindexter, that North was the chief staff officer on Central America who was responsible for carrying out the President's general charter to keep the Contras alive. Poindexter regularly reported to the President on the status of the Contras, the fact that they were surviving, and 'in general terms' North's role in facilitating their survival. As a result of these briefings, Poindexter thought that the President understood that both he and North were coordinating the effort to support the Contras. Poindexter also believed the President understood that 'Col. North was instrumental in keeping the Contras supported without maybe understanding details of exactly what he was doing.'

As to the level of detail provided to the President on Contra support operation, Poindexter testified that he

'would not get into details with the President as to who was doing what. The President knew that there was a Boland Amendment, he knew there were restrictions on the government. As he has said, I think, since November of 1986, that he did not feel that the Boland Amendment applied to his personal staff and that that was his feeling all along. I knew that.

He knew the Contras were being supported, and we simply didn't get into the details of exactly who was doing what.'

Poindexter testified that on one occasion, he briefed the President with some specificity about the Contra support program, but understood that the President did not recall the briefing:

'Now, you know, the President doesn't recall apparently a specific briefing in which I laid out in great detail all of the ways that we were going about implementing the President's policy, and I frankly don't find



that surprising. It would not, frankly, at the time have been a matter of great interest as to exactly how we were implementing the President's policy.'

Without briefing the President on the 'extraneous details' of how his policy was being implemented, however, Poindexter told President Reagan of the construction of the Santa Elena airstrip in Costa Rica. Poindexter testified that in December, 1985, after he returned from Central America, he specifically informed the President that 'private individuals' were establishing the airstrip, at the same time excluding 'the extraneous detail' that North, through Tams and Castillo, had facilitated the construction of the airstrip. Similarly, while Poindexter thought that the President was aware of North's role in supporting the Contras, 'it did not include something as specific as directing Col. North to conduct air supply operations.' Nonetheless, North testified that he believed that the President approved his efforts to resupply the war. In fact, his actions support that belief. While Poindexter testified that he did not show the photograph album detailing the operation to the President, North testified that he sent the album to the President through Poindexter and told Dutton that the President would thank Dutton for his efforts."

P. 81 - "The covert program that North had developed outside of the law, as well as the vagaries of the law itself, inevitably created conflicts of loyalties and shadings of duties among the persons whom he coopted to assist him. Felix Rodriguez was a close associate of Donald Gregg, the National Security Adviser to the Vice President, and was in Central America through Gregg's good offices. Yet North instructed Rodriguez not to tell Gregg that he was secretly working for North, and Rodriguez testified that he complied until the summer of 1986. According to North, Director Casey wanted to insulate the CIA's career employees from North's operation so that the CIA could not be charged with a violation of the Boland Amendment. CIA felt constrained to report on U.S. citizens and its traditional role, a policy which 'actively shunned information. We did not want to know how the Contras were being funded . . . we actively discouraged people from telling us things.'

The CIA's Chinese Wall turned into a Potemkin facade as North sought out and secured the assistance of CIA in Central America. Particularly after Congress amended the law to allow the CIA to exchange intelligence with the Contras, many flights undertaken by the Enterprise were reported by CIA field offices to CIA headquarters; and CIA personnel provided information necessary for the Enterprise to make accurate airdrops and avoid Sandinista fire.


North directed the Enterprise's efforts on behalf of the Contras with Poindexter's approval and in the belief that the President likewise concurred. The result was that, with the help of other U.S. Government officials, North managed to provide to the Contras what Congress would not: a full-scale program of military assistance."

THE WHITE HOUSE

WASHINGTON

November 4, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUB 

SUBJECT: Declassification of Report: "Covert Action in a Democratic Society"

This section of the Report is 52 pages long and arrived for declassification on October 30. The salient points are noted below:

P. 1 - "The Iran-Contra Affair raises fundamental questions about the secret intelligence operations of the U.S. government. Can such operations, and particularly covert action, be authorized and conducted in a manner compatible with the American system of democratic government and the rule of law? Is it possible for an open society like as the United States to conduct such secret activities effectively? And if so, by what means can these operations be controlled so as to meet the requirements of accountability in a democratic society?"

P. 2 - "The result of those inquiries was a concerted effort by the executive and legislative branches to adopt laws and procedures to control secret intelligence activities, including covert actions, and to ensure that they would be conducted only with the prior authorization of the President and timely notice to Congressional committees specially constituted to protect the secrecy necessary for effective operations.

Experience has shown that these laws and procedures are adequate to the task if respected. However, in the Iran-Contra Affair they often were disregarded. The flexibility built into the legislation and rules to allow the executive branch to deal with extraordinary situations was distorted beyond reasonable bounds. Laws intended to reflect a spirit of comity between the branches were abused when that commitment to cooperation was abandoned."

P. 3 - "The Director of the Central Intelligence Agency, William J. Casey, and other officials showed contempt for the democratic process by withholding information that Congress was seeking and by misrepresenting intelligence to support policies advocated by Casey.

Covert action is not defined in statute. However, Executive Order 12333, issued by President Reagan in 1981, refers to covert action as special activities which are defined as:

Special activities means activities conducted in support of national foreign policy objectives abroad which are planned and executed so that the role of the United States government is not apparent or acknowledged publicly, and functions in support of such activities. ..

The Executive order also provides that the authorized special activities may not include activities that are 'intended to influence United States political processes, public opinion, policies, or media.'

P. 6 - "What makes such activities 'covert' is not their effect, but their implementation in a manner permitting 'plausible denial' a concept that [Truman order] NSC 10/2 also codified. U.S. action in support of indigenous groups were to be . . .

so planned and executed that any U.S. government responsibility for them is not evident to unauthorized persons and that if uncovered the U.S. Government can plausibly disclaim any responsibility for them."

P. 8 - "Covert action operations pose challenges for the political processes of the United States. As with other secret intelligence programs and more sensitive defense projects, appropriations and expenditures of these operations must necessarily be kept private. Thus, covert assistance to foreign governments and groups does not receive the open debate other resistance programs do.

Paramilitary covert actions are in the 'twilight area' between war, which only Congress can declare, and diplomacy, which the President must manage. This type of activity is especially troublesome as a constitutional separation of powers issue."

P. 10 - "While Congress has never provided specific authority for the CIA or any other elements of the Government to conduct covert actions, it has continued to appropriate funds for these activities.

When Secretary of Defense James Forrestal asked the Director of Central Intelligence (DCI) on 1947 whether the CIA was empowered to conduct covert activities, the Director replied that the CIA could do so if the NSC approved the activities and Congress appropriated funds to carry them out.

A CIA's legal counsel put it in similar terms:

If the President gave us a proper directive and Congress gave us the money, we had the administrative authority to carry out (covert actions)."

- P. 14 - "The investigations by the Church Committee in 1975 and 1976 failed to turn up proof that Presidents had ordered assassinations of foreign officials, but some senior officials indicated their belief that some Presidents had secretly approved such activities. Many in Congress felt that the problem was not so much that the CIA was undertaking covert action without the proper authority, but that Executive approval had been given in a deliberately ambiguous manner."
- P. 15 - "Congress responded with the Hughes-Ryan Amendment which altered the approval process of CIA covert action operations. By requiring that the President personally find and approve all covert actions as important to the national security, Congress sought to make the President responsible for all covert operations. The U.S. Government might still be able to deny publicly the responsibility for specific actions, but within the government there would be an accountable source of authority -- the President."
- P. 18 - "The law provided that the Committees were to be notified in a 'timely fashion' of any covert action for which prior notice was not given. The 1980 report on this provision by the Senate Intelligence Committee states:

The Senate Select Committee and the Executive Branch and the intelligence agencies have come to an understanding that in rare, extraordinary circumstances if the President withholds prior notice of covert operations, he is obliged to inform the two Oversight Committees in a timely fashion of the action and the reasons for withholding such prior notice.

According to the Committee report, the law was a compromise intended to codify the 'practical relationship the Executive Branch and the intelligence oversight committees had developed based on comity and mutual understanding, without confrontation' and thus to 'carry this working relationship forward into statute."

- P. 20 - "Despite occasional problems, this system [for covert action procedures] has proved workable. The Administration has notified the oversight Committees of its proposals

including those of great sensitivity in which lives might be in danger in event of disclosure. In fact, the Administration has said that both it and the Carter Administration notified the intelligence committees of all covert actions prior to implementation except the Iran arms sale operation. The President and senior intelligence officials have indicated to Congress their satisfaction with the Oversight Committees' role and with the prevailing procedures, which also protects the CIA from charges that its actions are unauthorized. Indeed, the procedures implemented by the Executive and by Congress preclude the possibility that the intelligence agencies would be blamed for activities for which elected officials might wish to deny responsibility."

- P. 22 - "The Findings process also was circumvented. Covert actions were undertaken outside the specific authorizations of Presidential Findings. At other times, covert actions were undertaken without a Presidential Finding altogether. Actions were undertaken through entities other than the CIA, including foreign governments and private parties. There were claims that the Findings could be used to override provisions of the law. The statutory requirements for prior notice to eight key congressional leaders was disregarded. Throughout, along with the legal requirement to notify the Intelligence Committees in a 'timely fashion.'"
- P. 25 - "The NSC staff then raised money for the Contras and, with Secord's assistance, created an organization outside the Government to procure arms and resupply the Contras. There was no Presidential Finding authorizing these activities. While the President has said that NSC staff encouragement of the Contras was his 'own' idea, the President had previously told the Tower Board that he was unaware that the NSC staff was directly assisting the Contras.
- P. 26 - Efforts coordinated by North to ransom hostages constituted another instance in which the legal requirements for a Finding were dispensed with. This was in contravention of the President's own directive, Executive Order 12333, which provided specifically that all covert actions be subject to Presidential findings. Not only was a Finding dispensed with, but funds to support the operation were raised from nongovernmental sources. The operation was pursued despite the objection of CIA and some DEA officials and Congress was not notified.

There was also no written finding when the CIA became involved in the covert shipment of arms in November, 1985. McFarlane said, '(t)he President was all for letting the Israelis do whatever they wanted to do.' McFarlane in November, 1986, mused that U.S. participation in the initial Israeli TOW shipments could be justified on the grounds that the President had made a 'mental Finding,' and Attorney

General Edwin Meese opined that the President's concurrence was tantamount to an oral Finding and thus sufficient legal authorization for the program. The Finding sought to authorize retroactively the CIA-assisted shipment of arms. It was drafted after the shipment was made and then signed by the President on December 5, 1985, only because of the insistence of CIA Deputy Director John McMahon. This process ignored the central purpose of the Finding requirement which is to ensure that the President has authorized a covert action before it starts and that he is fully aware of it and accountable for this implementation. Further, the 'unless and until' language of the Hughes-Ryan Amendment clearly required a Finding before the CIA could proceed."

- P. 28 - "Neither the Finding relating to the Iran arms sales, nor any finding relating to assistance to the Nicaraguan Resistance authorized the diversion of funds. Poindexter testified that he believed the diversion would become politically controversial if exposed, so he decided not to tell the President in order to give him 'deniability.'"
- P. 30 - "In the Iran initiative, the Administration also used the Finding to avoid compliance with the laws regulating the export of arms . . . . In 1981, Attorney General William French Smith took the position that the limitations those statutes imposed applied only to transfers undertaken pursuant to the statutes. Moreover, the Smith opinion specifically observed that Congress had provided for an alternative form of notice to the Intelligence Oversight Committees for covert arms transfers carried out by the CIA."
- P. 31 - "When the Smith opinion was considered in the context of the Iran Finding in January 1986, the requirement of some form of Congressional notification was ignored. Without at least timely notice to the Congress, as required by section 501 of the National Security Act, there was no justification under the Smith opinion could not be used to conclude that the Iran arms transfer was in compliance with applicable statutes.

Later in 1986, after the Iran Finding was issued, the Arms Export Control Act was amended to ban all arms exports to countries that supported terrorism, unless there was a Presidential waiver and a report to Congress. Administration officials, however, continued to rely on the Finding as the controlling authority, despite the fact that Iran was a designated terrorist country."

- P. 34 - "Reference to the Smith opinion [in the Poindexter Jan. 17 cover memo], which was predicated on notice to the Intelligence Oversight Committees, gave the President misleading legal advice. Findings were intended to subject

covert action to the accountability of the constitutional system, not to supplant law."

- P. 38 - "Deputy Director Gates told the Senate Intelligence Committee: 'Agency people, from the Director on down, actively shunned information. We did not want to know how the Contras were being funded . . . we actively discouraged people from telling us things. We did not pursue lines of questioning.' When Gates first heard Charles Allen's suspicions that a diversion of funds had taken place, his 'first reaction was to tell Mr. Allen that I did not want to hear any more about it.'"
- P. 39 - "As Clair George, pointed out, once members of the intelligence agencies begin to lie to others in the Government, 'the destruction of a secret service in a democracy' must follow. He added, 'I deeply believe (even) with the complexities of the oversight process in the relationship between a free legislative body and a secret spy service, (and) that frankness is the best and only way to make it work.'"
- P. 47 - "The misuse of intelligence was a subject ancillary to the mandate given the Committees by Congress. The Committees included these examples because the serious implications they pose for decision-making. This issue of intelligence by a Director of Central Intelligence, the National Security Adviser or any Senior Intelligence official, frustrates the ability of those within the Executive branch and Congress to arrive at decisions based upon sound national policy judgements."
- P. 48 - "The Committees conclude:
- (a) Covert operations are a necessary component of our nation's foreign policy. They can supplement, not replace, diplomacy and normal instruments of foreign policy. As National Security Adviser Robert McFarlane testified, 'it is clearly unwise to rely on covert action as the core of our policy.' The government must be able to gain and sustain popular support for its foreign policy through open, public debate.
  - (b) Covert operations are compatible with democratic government if they are conducted in an accountable manner and in accordance with law. Laws mandate reporting and prior notice to Congress. Covert action findings are not a license to violate the statutes of the United States.
  - (c) As the Church Committee wrote more than a dozen years ago: 'Covert actions should be consistent with publicly defined United States foreign policy goals.' But the policies themselves cannot be secret.



(d) All government operations, including covert action operations, must be funded from appropriated monies or from funds known to the appropriate committees of the Congress

and subject to congressional control. This principle is at the heart of our constitutional system of checks and balances.

(e) The intelligence agencies must deal in a spirit of good faith with the Congress. Both new and ongoing covert action operations must be fully reported, not cloaked by broad findings. Answers that are technically true, but misleading, are unacceptable.

(f) Congress must have the will to exercise oversight over covert operations. The intelligence committees are the surrogates for the public on covert action operations. They must monitor the intelligence agencies with that responsibility in mind.

(g) The Congress also has a responsibility to ensure that sensitive information from the Executive branch remains secure when it is shared with the Congress. A need exists for greater consensus between the Legislative and Executive branches on the sharing and protection of information.

(h) The gathering, analysis of and reporting of intelligence should be done in such a way that there can be no question that the conclusions are driven by the actual facts, rather than by what a policy advocate hopes these facts will be."

P. 50 - "History reflects that the prospects for peaceful settlement are greater if this country has adequate means for its own defense, including effective intelligence and the means to influence developments abroad."

P. 51 - "This country has been fortunate to have a military that is sensitive to the constraints built into the Constitution and to the necessity of respecting the Congress's responsibilities. 'Like the military, the intelligence services can function only with the trust and support of their countrymen.'"

THE WHITE HOUSE

WASHINGTON

November 4, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *AR*

SUBJECT: Declassification of Report: The Enterprise

This section of the Report is 97 pages long and arrived for declassification on October 30. The salient points are noted below:

P. 1 - "Almost \$48 million flowed into the Enterprise. It came from contributions directed to the Enterprise by North from Carl "Spitz" Channel and Richard Miller, third countries, and others. It came from the sales of arms to the Contras and missiles to Iran. It came from the sale of weapons to the CIA. The total would have been at least \$10 million greater had the Brunei contribution not been misdirected."

P. 2 - "In the financial records of the Enterprise, the Committees found that:

-- The plan -- which North attributed to Casey -- to create a worldwide private covert operation organizations, with significant financial resources, was being implemented through a network of offshore companies administered in Switzerland.

-- The Enterprise took in nearly \$48 million during its first 2 years. Its income-generating capacity came almost entirely from its access to U.S. Government resources and connections: the contributions directed to it by North, the missiles sold to Iran, and the brokering of arms to the Contras as arranged by North.

-- The Enterprise spent almost \$35.8 million. It used its resources to finance covert operations not reported to Congress as required by law and, in some instances, not disclosed to the President.

-- The Enterprise generated a \$16.1 million surplus from arms sales to Iran. Before its operation came to a halt, the Enterprise managed to spend at least \$3.8 million of that surplus on direct support for the Contras.

-- Secord, Hakim, and Clines took self-determined "commissions" to reward themselves for their work on arms deliveries to the Contras and the CIA. The commissions

totalled approximately \$4.4 million, with an average markup of about 38 percent over the cost of the arms -- not 20 percent as asserted by Secord.

-- Contrary to their testimony that they only took "commissions" out of the Enterprise accounts, Hakim and Secord also took more than \$2.1 million out of the Enterprise companies for personal business ventures and personal use. Some of these business ventures involved plans to sell weapons to the Contras at substantial profits.

-- \$7.8 million of the \$12.2 million surplus generated by the Enterprise remained under management in Switzerland when the Enterprise ceased its operations. Most of the money was left in the Enterprise bank accounts or in reserve accounts held for the Enterprise. However, approximately \$2.2 million was held in several separate fiduciary accounts for the benefit of the members of the Enterprise."

- P. 24 - "Hakim testified that, as a result of these kinds of demands [by North], he was not sure who was making the decision about the use of the Enterprise's funds -- North acting as an official of the U.S. Government, or he and Secord. As Hakim put it: 'whoever designed this structure, had a situation that they could have their cake and eat it too. Whichever they wanted to have, a private organization, it was private; when they didn't want it to be a private organization it wasn't.'"
- P. 47 - "In this Report, the term 'diversion' refers to that portion of the surplus from the Iran arms sale which was used to pay Contra-related expenses."
- P. 48 - "The Iran arms sales generated a \$16.1 million surplus for the Enterprise. However, the Enterprise spent only part of that money, \$3.8 million, for the Contras before its operations were stopped.

As of November 19, 1986, the day before the first money from the Iran arms transactions was deposited into the Enterprise, the Enterprise had a cash balance of approximately \$1 million. From November 20, 1985, through December 1986, the Enterprise received an additional \$2.4 million from donations to the Contras. During the same period, the Enterprise spent approximately \$7.2 million on behalf of the Contras. The shortfall -- \$3.8 million -- was diverted from the Iran arms sale surplus.

- P. 48, 49 - "The diversion did not take place by accident. In fact, North helped set the price of the arms so level that a surplus would be created which could to be used for the Contras. According to Secord, North consistently instructed him to use the surpluses generated from the Iranian arms sales for the Contra project. North apparently thought that

at least \$6 million of the Iran surplus from the May transaction alone would be used for the Contras. He sent Poindexter a PROF note on May 16, saying that the Enterprise had 'more than \$6 million available for immediate disbursement.' Poindexter testified that he believed that the Enterprise was giving the Contras all of the surplus."

- P. 84 - "The CSF fiduciary agreement governing [Enterprise Fund] Reserve 1 -- the one for covert operations -- provided that should Hakim die, Secord would have direct control over it and should Secord die, North would have direct control. Should North die, the remaining portion of the Reserve would be divided equally among the estates of all three men. The instructions to CSF were irrevocable without the consent of all the beneficiaries. Hakim said that in setting up Reserve 1, he simply followed the structure of the Enterprise from top to bottom as he understood it -- with North on the top."

THE WHITE HOUSE

WASHINGTON

November 4, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of Report/House Minority:  
"The Boland Amendments"

This section of the Report is 32 pages long and arrived for declassification on October 29. The salient points are noted below:

P. 1 - "People listening to the public hearings on the Iran-Contra Affair heard many statements about the "spirit of the Boland Amendments." Everyone knows, the argument goes, that Congress wanted to cut off all U.S. aid to the Nicaraguan resistance. Congress did not anticipate that anyone on the National Security Council staff would support private and third country fundraising or give advice and help coordinate the private resupply effort. Colonel North's activities were a clear attempt, the argument concludes, to circumvent the law.

There are two basic problems with this line of reasoning. First as Justice Frankfurter said in Addison v. Holly Hill Co., 'Congress expresses its meaning by words . . . . It is no warrant for extending a statute that experience may disclose that it should have been made more comprehensive.' One of the reasons there was so much discussion of the 'spirit of the law' at the hearings is, as we shall show, that it is difficult to argue the letter of the law had been violated. In an important sense, however, this last statement concedes too much. The fact is that Congress was not animated by a single 'spirit' when it passed the Boland Amendments."

P. 4 - "Finally, for fiscal 1987, Congress resumed full funding for the resistance at a level of \$100 million. As McFarlane said to Representative Courter during testimony, 'It is absolutely out of the question to have a coherent policy with that kind of a change in the legal framework.'

Congress's ambivalence expressed itself not only from year to year, but within years as well -- including the year of the strictest Boland prohibition. If all we were talking about was a clear expression of Congressional intent in the form of a strict prohibition, that clear statement would have to govern for as long as it stayed in effect. The

fact, however, is that Congress was of more than one mind -- even within the statute that contained the strictest Boland prohibition."

- P. 7 - "The Senate supporters of Contra aid were willing to agree to the conference report, and the President's was willing to sign the bill, only because there was a general understanding that a second vote [on \$14M in Contra aid] would be forthcoming, after the 1984 elections were out of the way. Clearly, that understanding would have made no sense unless the resistance continued to exist. Thus, President Reagan's instructions to his staff to do whatever they could within the law to keep the 'body and soul' of the democratic resistance together, and the actions he took that were consistent with Congress's findings about the OAS charter, all were entirely in keeping with the full spirit -- the spirit expressed by all of the participating members of Congress -- of even the strictest Boland prohibition."
- P. 9 - "If Congress had simply wanted to prohibit all U.S. activity that might help the resistance, there were plenty of easier ways available for it to have done so. All it needed to do was look at another very well known and similar law, the Clark Amendment, that cut off support to the resistance fighters in Angola in 1976. That language read as follows:

Notwithstanding any other provision of law, no assistance of any kind may be provided for the purpose, or which would have the effect, of promoting or augmenting, directly or indirectly, the capacity of any nation, group, organization, movement or individual to conduct military or paramilitary operations in Angola.

Congress obviously knows how to write an air tight prohibition when it wants to. As in this example, it does not write about agencies or entities, but simply bars 'assistance of any kind' from any source."

- P. 11 - "The Boland Amendment was not contained in the same appropriations bill that provides funds for the NSC. The Department of Defense Appropriations Act includes all of the traditional elements of the Intelligence Community. The National Security Council, in contrast, is and traditionally has been funded together with the rest of the White House in an entirely separate appropriations bill for Treasury, Postal Service and General Government that is considered by a separate appropriations subcommittee. If Congress had intended to cover the funds made available to the NSC staff for salaries, in other words, it could easily have followed the broad language of the Clark Amendment, the Arms Export