

Part I

Iran/contra: The Underlying Facts

The Contras

Independent Counsel's investigation produced a vast record of U.S. Government involvement with the Nicaraguan contras during a prohibition on military aid from October 1984 to October 1986. The Office of Independent Counsel (OIC) focused its inquiry on possible criminal activity—ranging from violations of the Boland Amendment prohibition on aid to conspiracy to violate the tax laws—in Administration efforts to assist the military and paramilitary operations of the contras. The investigation also centered on what officials knew about that assistance and what they offered when questioned about it. No effort was made to create a complete historical record of U.S. activities in the region, or even of American ties to the contras.

Independent Counsel's look at the "contra" side of Iran/contra quickly focused on critical episodes for American policy in Central America. A discussion of some of these episodes is useful for understanding the prosecutions brought or declined by Independent Counsel.

The Reagan Administration's Contra Policy

President Reagan was an early and vigorous opponent of the Sandinista regime that seized power in Nicaragua in 1979. As a presidential candidate, Reagan advocated cutting all aid to the Nicaraguan government; as President, Reagan stepped up American activities against the Sandinistas and embraced their opponents, known as the Nicaraguan Democratic Resistance or "contras."

Reagan's posture towards the Sandinista government was highly controversial. The opponents of the Administration's anti-Sandinista

policies convinced a majority of the Democratic-controlled U.S. House of Representatives to view the contras with extreme skepticism. Their efforts resulted in passage in late 1982 of an amendment introduced by Representative Edward P. Boland to the Fiscal Year 1983 Defense Appropriations bill. This first of a series of "Boland Amendments" prohibited the Central Intelligence Agency (CIA), the principal conduit of covert American support to the contras, from spending any money "for the purpose of overthrowing the government of Nicaragua."¹

Controversy over contra policy continued past enactment of the first Boland Amendment. The Reagan Administration pushed hard for more money for the contras, while House Democrats threatened to cut off such support altogether. In early December 1983, a compromise was reached: Contra funding for FY 1984 was capped at \$24 million—an amount significantly lower than what the Administration had wanted—with the possibility that the Administration could approach the Congress for supplemental funds later.

The December 1983 cap on contra aid guaranteed a crisis in the Administration's contra program the following year. As early as February 1984, Reagan's national security adviser, Robert C. McFarlane, had suggested to other Administration officials that one way to fund the contras would be to encourage other countries to contribute support. CIA Director William J. Casey agreed with the idea, and recommended several countries that had been or could be approached. By May 1984, McFarlane had convinced one of these countries, Saudi

¹ Defense Appropriations Act for FY 1983, § 793, Pub.L. 97-377 (1982).

Arabia, to contribute \$1 million per month to the contra cause. McFarlane instructed his trusted assistant on the National Security Council (NSC) staff, Lt. Col. Oliver L. North, to arrange for a covert bank account to move the Saudi funds into contra hands.²

The Saudi contributions came just as it was clear that Congress would not increase direct American support for the contras. Disclosures in April 1984 that the CIA had secretly mined Nicaraguan harbors had wrecked the Administration's chances to persuade the Congress to lift its \$24 million contra-aid cap. According to McFarlane, an undaunted President Reagan instructed McFarlane—who in turn told North—that the NSC staff had to keep the contras alive “body and soul.”³

The NSC staff's efforts to assist the contras in the wake of Congress's withdrawal of funding took many forms. Initially it meant extending its earlier initiative to increase third-country contributions to the contras. Casey and McFarlane broached the subject of such funding at a June 25, 1984, meeting of the National Security Planning Group (NSPG), consisting of the President, Vice President Bush, Casey, McFarlane, Secretary of State George Shultz, Secretary of Defense Caspar Weinberger, United Nations Ambassador Jeane Kirkpatrick, Chairman of the Joint Chiefs of Staff Gen. John Vessey, and presidential adviser Edwin Meese III. Shultz warned that any approach to a third country could be viewed as an “impeachable offense,” and convinced the group that it needed a legal opinion from Attorney General William French Smith. McFarlane agreed and told the group not to approach any foreign country until the opinion was delivered. McFarlane said nothing about what he already had obtained from the Saudis.⁴

² A broader discussion of these events is found in the McFarlane chapter of this report.

³ For broader discussions of these topics, see McFarlane and Reagan chapters.

⁴ NSPG Minutes, 6/25/84, ALU 007863-76. The following day, Casey met with the attorney general and legal advisers from the CIA and Justice Department to press for an opinion. The attorney general expressed the view that discussions with third countries would be permissible as long as it was made clear that the countries would spend their own funds, and not later be reimbursed by the United States. (Memorandum from Sporkin to the Record, 6/26/84, ALV 035917.)

The Funding Cut-Off

North's role in assisting the contras grew as Congress inched closer toward cutting all assistance to the contras. By early August, the House of Representatives had passed the toughest restrictions on contra aid yet, restrictions that became law in October 1984. This iteration of the Boland Amendment provided in pertinent part:

During fiscal year 1985, no funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual.

To comply with the law, both the CIA and the Defense Department withdrew large numbers of personnel from Central America—leaving a void that North was to fill.

Anticipating Boland, and hoping to mend fences with critics in the Congress, CIA Director Casey reorganized the leadership of the CIA's Operations Directorate that had been responsible for the contra war. Out was the flamboyant chief of the Latin American Division of the Operations Directorate, Duane R. “Dewey” Clarridge; in came Alan D. Fiers, Jr., who was made chief of the Central American Task Force (CATF) within the Latin American Division. It did not take Fiers long, however, to learn who had taken the reins on contra activities: North. “[W]ork with him,” Clarridge reportedly told Fiers. As the CIA's deputy director for operations, Clair E. George, told Fiers in early November 1984, Casey had promised the President that he would take care of the contras. Any denial of operational activity by North would be just for show.⁵

With the bulk of their funds now coming via the NSC staff instead of the CIA, the contras increasingly turned to the NSC for advice and assistance. The point man for this assistance was North. McFarlane enjoined North from getting involved in direct fund-raising for

⁵ Fiers, *George Trial Testimony*, 10/28/92, pp. 1254-69; George, *George Trial Testimony*, 11/16/92, pp. 50-52.

the contras, but approved of North's increasing contacts with them, warning North only to exercise "absolute stealth" in his meetings. North became familiar not only with the contra leadership, but with the CIA's assets and resources in Central America—all with the apparent approval and encouragement of CIA Director Casey. According to North, with CIA money down to a trickle by the summer of 1984, Casey was all too willing to "hand off" the CIA's contra operations to North.⁶

North also turned to Americans outside the Government to assist him with the contras. In the summer of 1984, on Casey's recommendation, North reached out to retired U.S. Air Force Maj. Gen. Richard V. Secord and asked him to help contra leader Adolfo Calero buy arms with his new Saudi money. Secord soon became an arms broker for the contras. North also convinced an employee of Gray & Company, Robert Owen, to meet regularly with Calero and other contra leaders to learn of their needs, deliver valuable intelligence to them, and supply them with money raised by North.⁷

By early 1985, North and his operatives were working several angles on behalf of the contras. North obtained tactical and other intelligence from the CIA and passed it to contra military commanders. Secord was probing the international arms markets for the contras and purchasing weapons for them. North also made it known that he was the "man to see" about money for the contras. When one congressman questioned the propriety of the CIA funding contra leaders, who in turn were lobbying Congress for increased contra aid, North proposed to Fiers and Deputy Assistant Secretary of State Craig Johnstone that he line up private funding. Fiers rejected the idea on grounds that it would cause Congress only to question the new source of funds.⁸

North was able to claim that he had private funds because he was lending a hand to various large- and small-scale efforts to raise money for the contras. Having learned from CIA Oper-

ations Director George, for example, that the South Koreans were interested in contributing funds to the contras, North arranged for contra solicitor retired Army Maj. Gen. John K. Singlaub to meet with South Korean officials in the United States. Saudi Arabia, whose contributions North earlier had arranged to transfer to the contras, doubled its monthly contribution in February 1985. Beginning in April 1985, North aided the efforts of two private fundraisers, Carl Channell and Richard R. Miller, by arranging for speakers to potential contributors, presenting his own briefings, and encouraging use of the White House as a stage prop for Channell and Miller's pitch—including arranging private chats and photo opportunities with the President.⁹

North also worked with McFarlane on efforts to use foreign aid as leverage with a number of Central American countries—particularly Honduras, the site of most of the contra encampments—to get them to support the contras more strongly. In February 1985, the President approved a McFarlane-North plan to assure the Honduran government of expedited economic, military, and intelligence support if it agreed to allow contra bases to remain in Honduras and permit weapons to be shipped to them. Vice President Bush traveled to Honduras the next month, underscoring with Honduran President Roberto Suazo the need for contra support and signaling what the United States would be willing to do in return. The Hondurans caught on to the linkage quickly. When President Reagan called Suazo in April 1985 to implore him to release a shipment of contra ammunition, Suazo reminded President Reagan that a high-level Honduran delegation shortly would be in Washington to discuss a \$15 million aid package.¹⁰

A Southern Front

By the spring of 1985 it became clear that Congress would not rescue the contras any time soon. The House defeated a \$14 million supplemental aid package in March, leaving the contras to rely on North and his associates. Calero found himself surrounded not only with

⁶North, *North Trial Testimony*, 4/6/89, pp. 6781-82, 6826; Cannistraro, *North Trial Testimony*, 4/3/89, pp. 6405, 6409-10.

⁷North, *North Trial Testimony*, 4/6/89, pp. 6815-17. For further discussion of these events, see *Flow of Funds* chapter.

⁸Memorandum from Fiers to DC/LA, C/LA, SA/ODDO, and ADDO/DDO, Re: Status Report on Honduran Discussions, 2/12/85, DO 94090-95. For full treatments of North's early 1985 activities, see *Flow of Funds* and *Fiers* chapters.

⁹For further discussion of these events, see *Flow of Funds* and *George* chapters.

¹⁰For a full discussion of the early 1985 overtures to Honduras and other Central American nations, see *McFarlane* chapter.

recommended arms brokers like Secord—who by June 1985 had arranged several large arms shipments—but also willing broker/contribution solicitors like Singlaub. There also were arms merchants like Ron Martin, a Miami-based dealer who had been accused of consorting with drug-runners. While the NSC staff helped Saudi Arabian and other funds reach the contras, Calero had been deciding how most of the money would be spent. By May 1985, North realized that he and Secord were facing increasing competition for Calero's attention—and that contra arms purchases were getting out of their control.¹¹

While he and Secord were grappling with disorganized contra procurement, North and other members of the Restricted Interagency Group on Central America (the RIG) had concluded that the contras had to step up pressure on the Sandinista regime. The RIG's chief strategic decision, reached in the summer of 1985, was to open a "southern front" in the Nicaraguan war. Up to then, the bulk of the contra forces—and the focus of American efforts to influence and support them—lay along Nicaragua's northern border with Honduras. The concentration of these forces made them an easy target for the Sandinistas and tested the tolerance of the Honduran government.

North, Fiers, and others in the RIG concluded by mid-1985 that one way to relieve contra forces in the north and to escalate the war would be to inspire opposition forces along Nicaragua's southern border to go on the offensive. Up to then, the anti-Sandinista groups in the south were splintered. A flamboyant but mercurial leader named Eden Pastora had attempted to rally them in 1984, but the CIA had since concluded that Pastora was not inclined to drive his forces into the heart of Nicaragua. The RIG decided by the summer of 1985 that it had to get opposition forces out of Costa Rica and into Nicaragua, where they could do some good for the contra cause.¹²

A Full-Service Enterprise

North took bold steps in late June 1985 to solve the problems he perceived with contra weapons

procurement, while laying the foundation for a system that could supply both the northern and southern fronts. North convened a meeting on June 28, 1985, in Miami with Secord; Thomas Clines, a former CIA officer who by then was acting as Secord's overseas arms buyer; Raphael Quintero, another former CIA officer who had been acting as Secord's "man on the scene" in Honduras, El Salvador, and Costa Rica; Calero; and contra military commander Enrique Bermudez. The men met through the night, during which North announced that he would suspend his cash payments to Calero: Henceforth, Secord would arrange for all weapons purchases and deliveries. North also stressed to Calero and Bermudez, whose ties were closest to contra forces in the north, that they had to work with him and Secord—including sharing precious supplies—to build a viable southern front.¹³

Secord later described the June 1985 Miami meeting as a "watershed" event for him and his involvement with the contras. North convinced Secord to take charge of a covert air-delivery system, one that would mirror earlier CIA efforts to arm the contras. Thus, in addition to his activities as an arms purchaser and supplier, Secord began hiring airplane crews, acquiring or leasing aircraft, arranging for warehouses in Central America, and gaining landing rights in the region.¹⁴

While Secord proceeded with setting up a full-service "Enterprise," North continued to work within the RIG and elsewhere to implement his enhanced contra operation. These stepped-up efforts coincided with a significant reorganization of the State Department's Central American officers, which saw Elliott Abrams become assistant secretary for inter-American affairs; William Walker take over as Abrams' deputy; and the reassignments of Edwin G. Corr and Lewis A. Tambs as U.S. ambassadors to El Salvador and Costa Rica, respectively.

Both Corr and Tambs were informed of the RIG's decision to "open" the southern front, a decision that was a particularly critical one for Tambs. Costa Rican cooperation was deemed essential to the southern front, including

¹¹ For a full discussion of these topics, see CIA Subject #1 and Flow of Funds chapters.

¹² For a full discussion of this decision, see Abrams, Fiers, and Fernandez chapters.

¹³ For a full discussion of this meeting, see CIA Subject #1 and Flow of Funds chapters.

¹⁴ For a full discussion, see Flow of Funds chapter.

establishment of an airstrip in northern Costa Rica that would facilitate supply drops to contra forces. Tambs was charged with convincing the Costa Rican government to agree with the new American effort, while the chief of the CIA's station in San Jose, Joseph Fernandez, was responsible for working out many of the operational aspects of the RIG's plan. By August 1985, the Costa Ricans had approved the effort—a decision that coincided with promises of covert payments to a project headed by the Costa Rican president—and Tambs and Fernandez were working on sites for the airstrip.¹⁵

The Nicaraguan Humanitarian Assistance Office (NHAO)

Barred by Boland from directly or indirectly supporting the contras' military and paramilitary activities, the CIA endeavored to do all it could in Central America in the way of non-paramilitary activities, both in direct support of the contras and in an effort to undermine the Sandinista regime. When faced with a roadblock in Congress, Casey and Fiers would turn to the designated contra trouble-shooter, North. Congress explicitly had cut funding to a specific non-paramilitary project against the Sandinistas, for example, in July 1985. Notwithstanding grudging promises to the congressional intelligence committees that they would comply with the ban, Casey and Fiers turned to North for substitute funding. They also encouraged other CIA assets to divert funds to the project, an arrangement that continued for at least nine months before being halted.¹⁶

Notwithstanding Congress's decision to withdraw funds from certain CIA projects, the Administration overall was slowly convincing members of Congress to resume direct aid to the contras. In August 1985, Congress approved \$27 million in humanitarian aid to the contras, with the proviso that the State Department—not the CIA or the Defense Department—administer the aid. President Reagan quickly established the Nicaraguan Humanitarian Assistance Office (NHAO) within the State Depart-

ment and ordered NHAO to get supplies moving south.

Passage of NHAO aid gave the U.S. Government, acting principally through the CIA, new leverage in dealing with the contras—particularly those on the southern front. The process of gearing up NHAO's logistical and intelligence-gathering activities—a daunting task for a department that had little experience in logistics or air deliveries—would also give North the opportunity to insert people into NHAO who had been working covertly with him and Secord on contra resupply.

“Bud McFarlane Just Perjured Himself for Me. God Bless Him.”

North's efforts to assist the contras did not escape the attention of others in the Administration, or the press. By August 1985, more and more accounts had appeared in the media alleging that North had been giving military advice to the contras and had been behind logistical support for them. On August 16, Representative Michael Barnes, chairman of the House Foreign Affairs Committee's Subcommittee on Western Hemisphere Affairs, wrote to McFarlane asking whether the NSC staff had provided “tactical influence” on contra military operations, were “facilitating contacts for prospective financial donors,” or were involved in “otherwise organizing and coordinating rebel efforts.”¹⁷ The chairman of the House Permanent Select Committee on Intelligence (HPSCI), Representative Lee H. Hamilton, dispatched a similar letter to McFarlane shortly after the Barnes inquiry.

Before responding to Barnes and Hamilton's letters, McFarlane ordered a search of the NSC's records for memoranda that bore on contra activities. The search, limited by NSC staff to Freedom of Information Act standards, resulted in identification of several “problem documents,” memoranda written by North that suggested there was truth to the allegations of North's tactical support and fund-raising activities. McFarlane and North agreed that the documents could be so interpreted and pondered whether they should be altered. Ultimately, McFarlane decided not to bring the documents to Congress's attention, and instead decided to lie about North's activities in a series of letters

¹⁵For a full discussion of these events, see Corr, Fernandez, Fiers, Abrams, and Classified CIA Investigation A chapters.

¹⁶For a full discussion of this initiative, see Classified CIA Investigation B chapter.

¹⁷Letter from Barnes to McFarlane, 8/16/85, AKW 001510-11.

to Barnes and Hamilton in September-October 1985. North soon told Fiers, "Bud McFarlane just perjured himself for me—God bless him."¹⁸

NHAO By Day, Private Benefactors By Night

Press allegations and questions from Congress did not hamper North in expanding resupply operations. In September 1985, on the recommendation of Col. James Steele, the commander of the U.S. Military Group in El Salvador, North wrote to Felix Rodriguez, an ex-CIA operative who had gone to El Salvador to fight communist guerrillas, and asked Rodriguez to help him win approval from the Salvadoran Air Force to use its air base at Ilopango for contra-resupply activities. Rodriguez successfully persuaded Salvadoran Air Force General Juan Rafael Bustillo to grant North and his people entry to the base—guaranteeing North a strategic position from which to launch air operations to both the north and the south.

Trouble with the Honduran government in October 1985 gave North the chance to infiltrate NHAO and, in the words of Fiers, "piggyback" the activities of his Enterprise onto the fledgling humanitarian program. As early as September 1985, North urged the director of NHAO, Ambassador Robert Duemling, to hire North's contra courier Owen as an "on the scene" Central American specialist for NHAO. Duemling ignored the advice. On October 10, however, the first air delivery to Central America by NHAO arrived in Honduras, carrying a television news crew. Attempting to hide their support for the contras, the Hondurans banned further U.S. flights—a move that, for the moment, prevented NHAO aid from reaching contra troops.

North seized on the Honduran fiasco to convince the RIG that Owen would not have let it happen. The RIG prevailed on an embarrassed

Duemling to hire Owen shortly thereafter, giving North a key operative within NHAO and providing Owen with a cover for his trips to Central America for North.

The Honduran ban created an additional problem for NHAO that worked to North's advantage: how to get aid into Honduras. In separate trips, North, Fiers, and newly appointed National Security Adviser John Poindexter traveled to Tegucigalpa to talk to the Hondurans, to no avail. It was not until late December 1985 that the Hondurans agreed to allow NHAO flights to resume, on the condition that they not come directly from the United States. North proposed to the RIG that Ilopango air base—the same airport North had envisioned as a point for private resupply—be used to "trans-ship" NHAO supplies from the United States to El Salvador, and then on to Honduras. Government officials including North and Fiers traveled to the region in late December to gain Honduran and Salvadoran approval for the plan, with the help in El Salvador of North's man, Rodriguez.

By early 1986, large pieces of NHAO and what was known in official circles as the "private benefactors" operation were virtually indistinguishable. Owen was reporting on contra needs for both. Rodriguez was coordinating shipments at Ilopango for both entities. Butler buildings erected at Ilopango by NHAO were being used to store equipment for both entities. And both entities were using the flying services of Richard Gadd, a retired U.S. Air Force lieutenant colonel who had been working with Secord on air-delivery operations since August 1985. The stage was set for Gadd's air crews to be, in Fiers' words, "NHAO by day, private benefactors by night," marking a rare occasion that a U.S. Government program unwittingly provided cover to a private covert operation.¹⁹

Leaning Forward

The new year brought hope to many in the Administration that Congress was not far from lifting the Boland restrictions altogether and allowing direct support for contra military activities to resume. Congress had allowed NHAO to consult with the CIA on setting up a secure

¹⁸Fiers, FBI 302, 7/19/91, p. 17; Fiers, FBI 302, 7/30/91, p. 20; Fiers, *George Trial Testimony*, 7/28/92, p. 1133. Others in the Government in the summer of 1985—and later—avoided answering questions about North's involvement by deferring to McFarlane. See, for example, Letter from Casey to Hamilton, 8/28/85, E.R. 11618 (referring inquiries to McFarlane and telling HPSCI that Casey was not "in a position to answer in any authoritative way" questions about NSC support to the contras); Abrams chapter.

For further discussion of all of these events, see McFarlane, North, Poindexter, and Thompson chapters.

¹⁹For a more extensive discussion of the merging of these operations, see the Fiers and Gregg chapters.

delivery system and had loosened Boland in late 1985 to permit the CIA to provide communications support and training to the contras. President Reagan instructed his advisers to propose an ambitious \$100 million contra-aid program. Some in the Administration hoped that aid would be on its way as early as April 1986.

Confidence that official aid would soon resume encouraged Fiers and another CIA officer, James Adkins, to take steps that took each of them into dangerous territory. Fiers met with Gadd twice during February 1986 to learn more about Gadd's operations, hoping that his experience would prove helpful in re-establishing a CIA covert lethal resupply network. Adkins for his part ordered CIA pilots to ferry lethal and non-lethal supplies to contras in southern Honduras, using CIA helicopters. Though he clearly violated Boland, Adkins was encouraged by signs from Washington that Boland would not be around for long.²⁰

The immediate need for funds and fund-raising did not cease with the new year. North and Abrams continued to give briefings and provide other assistance to groups of contributors gathered by Channell and Miller. President Reagan continued to drop by some of these sessions and grant private meetings and photo opportunities. Money raised by Channell and Miller fed the Enterprise, as did funds from the Saudis and diverted proceeds from covert sales of arms to Iran. They became all the more important when the House unexpectedly defeated President Reagan's \$100 million contra-aid package in March 1986.²¹

The Cover Unravels

North's use of a NHAO cover for private-benefactor lethal-resupply operations did not fool other U.S. officials for long. As early as late January 1986, Fiers began receiving intelligence from CIA personnel in Central America that Rodriguez was asserting himself in both NHAO and private-benefactor activities. Tensions between Rodriguez and CIA personnel became apparent to not only Fiers, but to State Department personnel as well. Reports that Rodriguez was involved in the crash of a private-benefactor

aircraft on a highway in El Salvador and that he was coordinating this with North over unsecured telephone lines ultimately prompted Fiers, at the insistence of CIA Operations Director George, to tell a senior CIA officer in the region to stay far away from the matter.²²

At the same time Fiers was warning his personnel in Central America away from the private benefactors, he candidly admitted to at least one senior officer there that more flights under North's control would be coming. While Fiers did not understand in early 1986 just how complex North's network was in Central America—including its secure, National Security Agency-supplied, KL-43 communications devices linking North, Secord, Gadd, Steele, Quintero, and Fernandez—Fiers knew that it could provide lethal assistance, and that North had a key role in it. When contra forces in the north could not make a promised air drop of lethal supplies to their fellows in the south in April 1986, Fiers joined a plan secretly engineered by North and Fernandez to use the Enterprise instead. The Enterprise successfully delivered an L-100 aircraft full of materiel to the southern front on April 9, 1986, sealing a major effort by Fernandez and other CIA officers to wean pro-active, dissident commanders away from Pastora and keep them on the field of battle.²³

A Need for Bridge Financing

President Reagan gathered his NSPG for a meeting on the contras on May 16, 1986. While Director Casey reported encouraging developments in the contra war, many of those in attendance—including Secretaries Shultz and Weinberger, White House Chief of Staff Donald Regan, Casey, and Poindexter—voiced concern that all would be for naught if money was not found for the contras, and soon. Shultz suggested that the State Department approach third countries—something that Congress had permitted beginning December 1985. The President wondered aloud whether "Ollie's people" could step into the breach. Regan quickly changed the subject, but not in time to prevent Fiers and others who were attending the meeting—

²⁰For a fuller discussion of Fiers and Adkins's activities in early 1986, see their respective chapters.

²¹For a fuller discussion of these activities, see the Flow of Funds chapter.

²²For a full discussion of these topics, see Fiers, Corr, and CIA Subject #1 chapters.

²³For a full discussion of these topics, see Fiers chapter.

including North and Abrams—from understanding where the President was heading.²⁴

Ironically, between May 14–15, the Enterprise received an Iranian arms sales payment of \$15 million, giving the Enterprise a total of \$6 million for contra aid and other activities. Additional sources of funds for the contras were nonetheless in doubt. The Administration's success in convincing the House of Representatives to approve \$100 million in contra aid in late June 1986 may have signaled past contributors that funds were no longer needed, at precisely the moment that they were.²⁵

One way that North hoped to raise additional money was by liquidating the Enterprise's substantial assets. By July 1986, North was pressing CIA officials from Fiers up to buy all of the Enterprise's Central American assets, partly in hope of converting the proceeds to contra aid. North's pitch made clear to Fiers, George, Deputy Director of Central Intelligence Robert Gates, and Casey what was long apparent: that North was working hand-in-glove with the management and ownership of the private-benefactor operations in Central America.²⁶

The Trouble with Rodriguez

North's efforts to sell the Enterprise's planes and facilities did not escape the notice of one Enterprise associate, Rodriguez. For several months, Rodriguez had been both a nuisance and a key asset for the Enterprise and the RIG. As demonstrated in the February 1986 airplane mishap, and time and again since, Rodriguez was perceived as a "talker." Not only had he told people in El Salvador that he was working with North, he regularly boasted of his ties to the CIA, Vice Presidential National Security Adviser Donald P. Gregg, and through Gregg to Vice President Bush. With Rodriguez involved in activities that, had he been a Government official, would have violated the Boland Amendment, and with his bragging that all of his work—including that on behalf of the contras—was sponsored by the U.S. Govern-

ment, official Washington was repeatedly uneasy about Rodriguez. On numerous occasions, members of the RIG discussed how to silence him, with little success.²⁷

At the same time, Rodriguez was essential to NHAO and the RIG's efforts in Central America. Rodriguez was friendly with the Salvadoran military, especially Bustillo, commander of the air facilities so essential to NHAO and private-benefactor flights. No one in the RIG had an alternative to Rodriguez for keeping the Salvadoran military happy. As a result, despite his liabilities, Government officials took Rodriguez seriously. As early as April 1986, Rodriguez had become disenchanted with many of the persons involved in the Enterprise—especially Secord, Clines, and Quintero, all of whom had been touched by scandal and whom Rodriguez suspected of profiteering at the contras' expense. Rodriguez threatened to move back to Miami and abandon the operation. It took persuasion by North and Corr to keep Rodriguez in place.²⁸

Rodriguez's concerns about Enterprise profit-taking interfered, however, with North's plan to liquidate the Enterprise's assets. Saying that he was expressing Gen. Bustillo's views, Rodriguez accused the Enterprise of trying to sell off assets—particularly airplanes—that had been donated to the contras. In July 1986, Rodriguez posted armed guards around planes used by the Enterprise, thereby halting all resupply flights. Shortly thereafter, North accused Rodriguez of stealing a loaded Enterprise C-123 from a hanger in Miami and demanded that Gregg rein in Rodriguez. At Gregg's request, Rodriguez came to Washington on August 8, 1986, but instead of responding to North's charges, Rodriguez ran through his complaints about the Enterprise—including his suspicions about Clines, Secord, and Quintero; Enterprise profiteering; and Bustillo's concerns about the future of the "contras'" planes.²⁹

Four days later, Gregg convened a meeting in his office to discuss Rodriguez. Many significant figures involved with contra operations—

²⁴ Memorandum from Burghardt to McDaniel Re: Minutes of the May 16, 1986 National Security Planning Group Meeting, 6/4/86, AKW 18802-13; Fiers, Grand Jury, 8/14/91, pp. 39-40. For more detail on the 1986 foreign solicitations, see Abrams chapter.

²⁵ Aid opponents delayed final implementation of the President's package until the new fiscal year, which began in October 1986.

²⁶ For a fuller discussion of North's efforts to sell the Enterprise assets to the CIA, see Fiers, Gates, and George chapters.

²⁷ For further discussion of Rodriguez's activities, see Gregg chapter. For further description of the CIA, State Department, and NSC discussions about Rodriguez, see Fiers and Abrams chapters.

²⁸ For further discussion, see Gregg chapter.

²⁹ For a full discussion of the circumstances surrounding this meeting, see Gregg chapter.

including Ambassador Corr, Col. Steele, Fiers, Lt. Col. Robert Earl of the NSC, and Deputy Assistant Secretary of State Walker—listened with amazement as Gregg aired Rodriguez's worries, and pressed Fiers on whether the CIA was planning to take over the private benefactors' operations at Ilopango. Again the RIG discussed whether Rodriguez could be replaced. Again the conclusion was no.³⁰

More Lies

As North was trying to bridge the gap in contra aid until official funds were resumed, his activities were the subject of a second wave of media speculation and congressional inquiry. Newspaper and television accounts of North's involvement with contra resupply coincided with the House's June 1986 debate on contra aid. Earlier, Representative Ron Coleman introduced a Resolution of Inquiry directing the President to provide information and documents to the House about NSC staff contacts with (1) private persons or foreign governments involved in contra resupply; (2) any contra, involving contra military activities; and (3) Robert Owen, Maj. Gen. Singlaub, and an American expatriate living in Costa Rica, John Hull.

Coleman's resolution prompted the chairmen of the House Intelligence and Foreign Affairs committees to request comments from the President. Poindexter replied on behalf of the President and knowingly repeated McFarlane's earlier lie that NSC staff "were in compliance with both the spirit and letter" of the Boland Amendments.

Not satisfied with Poindexter's response, members of the House Permanent Select Committee on Intelligence asked to meet with North. North met with 11 members of the Committee on August 6, 1986, assuring the group that he had not violated the spirit or the letter of the Boland Amendment. He also denied that he had raised funds for the contras, offered them military advice, or had contacts with Owen that were more than "casual." North's responses satisfied the Committee and effectively killed Coleman's resolution. After learning of North's

false and misleading remarks to the Committee, Poindexter replied to North, "Well done."³¹

Exposure Within, Exposure Without

While he endeavored to hide his activities from the Congress in the summer of 1986, North was becoming progressively more explicit in his discussions with other U.S. officials about what he was doing for the contras. His efforts to sell "his planes" to the CIA were only the beginning. On August 28, 1986, during a breakfast with the RIG at the offices of Assistant Secretary of Defense for International Security Affairs Richard Armitage, North ran through a list of his contra activities, including his cash payments to contra leaders and organizations, provisions of food, and money for air operations. North's question for the RIG was simple: Should he continue his efforts? Fiers told North yes.³²

The Enterprise was pushing ahead on an accelerated schedule of deliveries in August and September 1986. Crews were making more sorties into both northern and southern Nicaragua, some during daylight hours. San Jose station chief Fernandez, who was in direct contact with Quintero, ordered CIA personnel to relay drop zone and other information to contra forces on the Southern Front, as well as report news of deliveries.³³

Events besides the imminent renewal of U.S. aid and the drawing down of the Enterprise's supplies for the contras were forcing North to wrap up his Central American operations. On September 25, 1986, a Costa Rican official disclosed the existence of the Enterprise's airstrip in northern Costa Rica and publicly linked it to contra resupply and an Enterprise shell corporation, Udall Resources, Inc. North scrambled to draft false press guidance with Abrams and Fiers, and assured Poindexter that he was doing his best to "keep USG fingerprints off this"—including dissolving Udall and covering its tracks.³⁴

³¹For further details of the summer 1986 inquiries and lies, see the North and Poindexter chapters.

³²For a full discussion of the RIG's growing exposure to North's activities, see Abrams chapter.

³³For further discussion, see Fernandez chapter.

³⁴For further discussion, see Abrams chapter.

³⁰For further description of this meeting, see Fiers and Gregg chapters.

The Hasenfus Shoot-Down

Unbeknownst to Enterprise crews at Ilopango, the accelerated resupply missions had alerted the Sandinistas to the private benefactors' air routes to drop sites in southern Nicaragua. Having repositioned radar and anti-aircraft units in the area, it was only a matter of time before an Enterprise plane was shot down by the Nicaraguans. Such was the case on October 5, 1986, when an Enterprise C-123K loaded with lethal supplies and carrying three Americans was brought down by Sandinista ground fire.

Of the crew, only one survived, an American named Eugene Hasenfus. The Sandinistas combed the wreckage of the flight and recovered scores of documents linking it to NHAO and numerous Americans working at Ilopango air base. While in Sandinista custody, Hasenfus said that he was working for the CIA, and that two CIA officers—including a "Max Gomez," the local alias for Rodriguez—had been in charge of food, lodging, and other services for the operation's pilots and crews. Within days, North had directed his Enterprise to clear out of Ilopango—planes and all—and had begun to destroy ledgers detailing his disbursements to the contras. The Hasenfus flight was the Enterprise's last.

The End of Boland

The crash of the Enterprise C-123K could not have come at a worse time for the Administration. The President's \$100 million contra-aid package was inching toward final approval, and opponents were quick to latch on to Hasenfus's claims that he had been part of an illegal CIA operation. Speaking to the public and Congress, Administration officials—including Fiers, George and Abrams—insisted truthfully that Hasenfus and his companions did not work for the CIA. They falsely denied knowing other facts, however: who "Max Gomez" was, who the private benefactors were, and whether any U.S. Government officials were involved.

The Administration's statements worked. Congress released the contra funds on October 17, 1986. North had kept the contras alive, "body and soul," despite the Boland cut-off, and the rest of the Administration had convinced the Congress that it had complied with the law. It took the November 1986 disclosures

of the Iran arms sales to pry the lid off North's contra activities once and for all. It took an independent counsel six years to ensure that concerted efforts to deny knowledge of North's contra activities—described in the rest of this report—met with a similar fate.

The Iran Arms Sales

What we now know as the Iran arms sales, or the Iran initiative, was actually a series of related but distinct events that began in the summer of 1985 and continued through 1986. Israel sent U.S.-supplied weapons to Iran on three occasions in 1985. These shipments took place with U.S. approval, and, in one instance, with U.S. participation. They led to the release in September 1985 of one American held hostage in Lebanon. The United States delivered missiles and missile parts to Iran on five occasions in 1986, after President Reagan signed an intelligence "Finding" authorizing such shipments. These 1986 shipments led to the release of two more U.S. hostages, though terrorists seized two additional Americans in September 1986.

The first shipment of U.S.-made weapons from Israel to Iran took place August 20, 1985. But discussion and debate within the U.S. Government as to the desirability of arms sales to Iran had been going on for months at the time of the first Israeli shipment.

The Policy Debate

In early May of 1985, Michael Ledeen, a part-time consultant to the NSC, obtained National Security Adviser Robert McFarlane's approval to meet in Israel with Prime Minister Shimon Peres to explore whether Israel would share information on Iran with the United States.

According to Ledeen, Peres expressed displeasure with Israel's intelligence on Iran and suggested that the United States and Israel should work together to improve their information about and policies toward Iran. He also mentioned a recent Iranian request to buy artillery shells from Israel. Israel would grant the request, Peres said, only if the United States had no objection. Ledeen agreed to relay the

question of the proposed weapons sale to McFarlane.³⁵

In the weeks after Ledeen's trip to Israel, the number of Americans held hostage in Lebanon grew. David Jacobsen, the director of the American University Hospital in Beirut, was kidnapped on May 28, 1985. Thomas Sutherland, the dean of agriculture at the University of Beirut, was seized on June 9, 1985. These abductions were in addition to the March 1985 kidnapping of Terry Anderson, chief Middle East correspondent for the Associated Press, and the January 1985 seizure of Father Lawrence Jenco, the senior Catholic Relief Services official in Beirut. Two other Americans kidnapped in 1984 remained in captivity as well: the Reverend Benjamin Weir and—of special interest to CIA Director Casey—CIA Beirut Station Chief William Buckley.

The hostages were not the only concern in U.S.-Iran affairs. Some U.S. Government officials feared increased Soviet influence in Iran. In a Special National Intelligence Estimate (SNIE) prepared in May 1985 at the request of Casey, the intelligence community warned of this Soviet threat and called for new approaches to improve Western relations with the government of Iran. One possible avenue, according to the SNIE, would be the elimination of restrictions on weapons sales to Iran.

Casey pushed for adoption of the SNIE as a National Security Decision Directive (NSDD), an operational paper for the national security community. In June 1985, the NSC staff prepared for McFarlane a draft NSDD responding to the ideas contained in the SNIE. The proposed presidential memorandum, entitled "U.S. Policy Toward Iran," recommended that the initial focus of any new policy should be on stimulating essential trade. According to the draft NSDD, the United States should:

[e]ncourage Western allies and friends to help Iran meet its import requirements so as to reduce the attractiveness of Soviet assistance and trade offers, while demonstrating the value of correct relations with the West. This includes provision of

selected military equipment as determined on a case-by-case basis.³⁶

McFarlane circulated the draft NSDD to Shultz, Weinberger, and Casey on June 17, 1985. Both Shultz and Weinberger wrote to McFarlane opposing the NSDD. Casey, on the other hand, wrote McFarlane on July 18, 1985, endorsing it.

On June 18, 1985, President Reagan made a public statement that would prove to be ironic in light of the arms-for-hostages shipments that were to occur over the next eighteen months:

Let me further make it plain to the assassins in Beirut and their accomplices, wherever they may be, that America will never make concessions to terrorists—to do so would only invite more terrorism—nor will we ask nor pressure any other government to do so. Once we head down that path there would be no end to it, no end to the suffering of innocent people, no end to the bloody ransom all civilized nations must pay.³⁷

Manucher Ghorbanifar

McFarlane met at the White House on July 3, 1985, with David Kimche, director general of the Israeli Foreign Ministry. McFarlane later testified that Kimche raised the possibility of a renewed political dialogue between the United States and Iran. According to Kimche, Iranians who had been in contact with Israel would show their good faith by using their influence over radical groups in Lebanon to obtain the release of American hostages. These Iranians would expect a reciprocal show of good faith from the United States—most likely in the form of military equipment.

McFarlane mentioned Kimche's proposal to President Reagan. President Reagan expressed interest and instructed McFarlane to explore it further. On July 13, 1985, Ledeen told McFarlane that Adolf "Al" Schwimmer, an adviser to Prime Minister Peres, said that Peres wanted McFarlane to know that Israel's principal Iranian contact had told Kimche and Schwimmer that he was in touch with a group

³⁵For a more detailed discussion of these events, see McFarlane chapter.

³⁶Memorandum from McFarlane to Shultz and Weinberger, 6/17/85, AKW 001713-20.

³⁷"The President's News Conference," Public Papers of the President, 6/18/85, p. 779.

of Iranians who wished to improve relations with the West and who could demonstrate good faith by arranging the release of the American hostages. In return, these Iranians needed to have 100 American-made TOW anti-tank missiles.

Schwimmer told Ledeen that the Iranian was Manucher Ghorbanifar. Ghorbanifar was an Iranian businessman who was well known to the American intelligence community as a prevaricator. The CIA had concluded, after past interaction with Ghorbanifar, that he could not be trusted to act in anyone's interest but his own. So strong were the CIA's views on Ghorbanifar that the Agency issued a "burn notice" in July 1984, effectively recommending that no U.S. agency have any dealings with him. Nevertheless, Ghorbanifar was to play a major role over the next year as the initial intermediary (the "First Channel") between Iran, the United States and Israel.

Approving Israeli Sales

In mid-July 1985, McFarlane informed Shultz, Weinberger and Casey of the Israeli proposal, including the new demand for TOW missiles. Shultz cabled to say that the United States should make a tentative showing of interest in a dialogue with Iran. Weinberger was opposed. Casey's July 18, 1985, letter supporting the draft NSDD favored the Israeli proposal.

President Reagan entered Bethesda Naval Hospital on July 13, 1985, for cancer surgery. On approximately July 18, as President Reagan was recovering from his operation, McFarlane and White House Chief of Staff Donald Regan met with him in his hospital room. McFarlane outlined Kimche and Schwimmer's proposal—including the possibility of weapons shipments to Iran. President Reagan encouraged McFarlane to continue to explore the proposed dialogue but made no commitment to include weapons shipments.

McFarlane authorized Ledeen to meet with Ghorbanifar. Ledeen did so in late July 1985, accompanied by Kimche, Schwimmer and Yaacov Nimrodi, an Israeli arms merchant and business partner of Schwimmer. Ghorbanifar described a group of Iranians interested in improving relations with the United States. He repeated the notion of Iranian assistance in freeing Amer-

ican hostages in Lebanon, in return for American TOW missiles. After the meeting, Kimche agreed to brief McFarlane.

Kimche met with McFarlane at the White House on August 2, 1985. This time the issue of arms shipments was front and center. Would the United States itself sell weapons to Iran? If not, would the United States permit Israel to sell U.S.-manufactured weapons to the Iranians? If Israel sold the weapons, would the United States sell replacements to Israel? McFarlane promised Kimche that he would respond after consultations with President Reagan and other senior officers.

In early August 1985, McFarlane briefed President Reagan on Kimche's information. Vice President Bush, Regan, Weinberger, Casey and Shultz were also briefed. Shultz and Weinberger again expressed their opposition to arms sales. The various participants in the meeting had differing perceptions of President Reagan's reaction to McFarlane's report. McFarlane concluded that President Reagan would approve sales of U.S.-supplied weapons by Israel if the weapons went to reliable anti-Khomeini Iranians.

The precise date of President Reagan's decision is unclear. It was no later than August 23, 1985. On that day, President Reagan wrote in his diary that he had received a "secret phone" call from McFarlane, that "a man high up in the Iranian govt." believed he could deliver "all or part of the 7 kidnap victims." President Reagan further noted that he "had some decisions to make about a few points—but they were easy to make—now we must wait."³⁸ According to McFarlane, the President approved a commitment to replenish Israel's supply of missiles for those sent to Iran. McFarlane conveyed President Reagan's approval to Kimche. There was no notification to Congress.³⁹

The Summer 1985 Shipments

The Israelis had already prepared for the shipment and moved quickly. On August 20, 1985, after haggling over pricing and financing arrangements, the first shipment of 96 TOW mis-

³⁸ OIC Review of Reagan Diary Excerpts, 1987.

³⁹ For full treatments of the President's approval of Israeli arms sales, see McFarlane, State and Defense Department chapters.

siles arrived in Iran. No hostages were released. Ghorbanifar claimed that the TOWs fell into the wrong hands but expressed hope that further shipments would lead to the release of the hostages.

The Israelis tried to move things forward by convening a meeting in Paris on September 4 and 5. McFarlane sent Ledeen. As Ledeen put it, the "usual suspects" attended: Israelis Kimche, Schwimmer and Nimrodi, along with Ghorbanifar. During discussions that often were heated, Ghorbanifar explained that more TOWs would have to be sent—400 more—in order to gain the release of a single hostage.

Israel proceeded with an additional delivery of missiles. On September 14, 1985, an Israeli-chartered aircraft arrived in Iran carrying 408 TOWs.

McFarlane had told the Israelis that the United States wanted hostage William Buckley to be released if only one hostage were to be freed. On September 15, Reverend Benjamin Weir was released in Beirut. Ghorbanifar claimed that Buckley had been too sick to be moved. In fact, Buckley had been dead for at least two months.

The summer shipments marked Oliver North's first involvement with the Iran arms sales. During September, North asked the CIA to arrange for continuing intelligence reports on Ghorbanifar and Mohsen Kargarlu, Ghorbanifar's principal contact in the government of Iran. Charles Allen, the CIA's national intelligence officer for counter-terrorism, made the necessary arrangements. The intelligence reports were initially relayed only to McFarlane, North, Casey, and Vice Admiral Arthur S. Moreau, Jr., assistant to the chairman of the Joint Chiefs of Staff. Shultz and Weinberger did not get copies. Weinberger soon found out and was included in the distribution.⁴⁰

The November 1985 HAWK Shipment

Despite the disappointing results in September, discussions among the United States, Israel and Ghorbanifar continued. Ledeen continued to be the U.S. representative. In a late-September meeting in Paris, Ghorbanifar suggested Iran's

interest in various anti-aircraft missiles, including HAWK missiles.

Shortly after this meeting, North asked Ledeen to invite Ghorbanifar to Washington to discuss hostage issues. Ghorbanifar, Schwimmer and Nimrodi arrived on October 7, 1985. That same day, the Italian cruise ship *Achille Lauro* was hijacked by Palestinian terrorists. North was so heavily involved that he did not attend the scheduled meeting with Ghorbanifar. The meeting went ahead on October 8, 1985, without North. Ledeen, Ghorbanifar, Nimrodi and Schwimmer met in the Old Executive Office Building, with Ledeen serving as the primary spokesman for the Americans.

Ghorbanifar's basic proposal was for more trades: Israeli deliveries of U.S.-manufactured weaponry in return for the release of the Americans held in Lebanon. Ghorbanifar requested weapons that included HAWK anti-aircraft missiles, along with Sidewinder, Harpoon and advanced Phoenix missiles.

A few days afterward, Ledeen briefed McFarlane and North. Ledeen and McFarlane claim they each expressed distaste for further arms-for-hostages transactions and questioned pursuing the Israeli channel. Nevertheless, Ghorbanifar nudged the United States toward further meetings by promising to introduce Ledeen to a senior Iranian official. Ledeen obtained McFarlane's authorization to attend a meeting in Geneva in late October. On approximately October 27, 1985, Ledeen met in Geneva with the "usual suspects" and the supposed senior Iranian official, Hassan Karoubi.

Karoubi's precise rank or position within the Iranian government was uncertain. Karoubi apparently renewed with Ledeen the theme of better U.S. relations with a powerful faction of moderate Iranians, of whom Karoubi was one. But arms shipments were discussed as well. According to North's notes of Ledeen's briefing, Karoubi proposed a staggered exchange of hostages for 150 HAWK missiles, 200 Sidewinder missiles and 30–50 Phoenix missiles. Ledeen also told North that the Israelis wanted the replenishment of the TOWs that had been sent to Iran in August and September.

North and Ledeen met with McFarlane, who was highly skeptical of the existence of moderate Iranians. McFarlane, however, was willing

⁴⁰For more complete discussions of the Israeli shipments in the summer of 1985, see McFarlane, State and Defense Department chapters.

to have Israel make further deliveries of weapons to Iran—as long as arms shipments were preceded by the release of “live Americans.” Ledeen sensed that McFarlane was close to resigning and to shutting down the Iran initiative. To keep it moving forward, Ledeen maneuvered a meeting between Kimche and McFarlane in Washington. This meeting took place on November 8, 1985, with North and Ledeen present. Kimche pressed McFarlane not to abandon the efforts to contact moderate Iranians through Ghorbanifar and Israel.

Less than a week later, after a regular weekly meeting with senior CIA officials on November 14, McFarlane told Casey and John McMahan, the deputy director of central intelligence, that Israel planned to ship weapons to certain elements of the Iranian military who were willing and ready to overthrow the government of Iran. The following day, Israeli Defense Minister Yitzhak Rabin had breakfast with Casey and then met with McFarlane at the White House. Rabin asked McFarlane if the United States still approved of Israel selling arms to Iran. McFarlane replied that President Reagan continued to approve. Rabin described a contemplated shipment of HAWK missiles and raised the question of replenishment. McFarlane agreed to it and said he would assign North to follow through. Within a day or two, McFarlane advised President Reagan and Vice President Bush of the imminent Israeli delivery of HAWKs to Iran.

As with the late summer TOW shipments, Israel moved quickly once assured of American support. On Sunday, November 17, 1985—just two days after McFarlane’s meeting with Rabin—Rabin telephoned North to say that Israel was ready to go forward with a shipment of 80 HAWKs, once replenishment issues were worked out. Rabin then spoke with McFarlane, who was in Geneva at a U.S.-Soviet summit. McFarlane called North, telling him to solve Rabin’s replenishment problems. McFarlane also told North to keep the Israeli replenishment orders under \$14 million per order. Larger weapons orders, he believed, would have to be reported to Congress.

Rabin’s statements to McFarlane and North reflected a sale of 80 HAWKs. Subsequent conversations between North and Schwimmer indi-

cated that this 80-missile shipment was to be the first of a larger total delivery of as many as 500–600 HAWK missiles. Inventory checks at the Pentagon, however, showed that only 79 HAWKs were available for the immediate replenishment of Israel. North told Poindexter on Wednesday, November 20, that plans had changed. The Israelis planned to dispatch planes carrying 80 HAWKs. This was to be followed by the shipment of 40 additional HAWKs and other weapons, including more TOWs. North’s notes of his conversation show that at least some weapons were to be delivered before any hostages were freed—contrary to McFarlane’s order that “live Americans” go free before more weapons went to Iran.

On Tuesday, November 19, McFarlane asked Weinberger to check the availability of HAWKs. Weinberger referred the request to his military assistant, Gen. Colin L. Powell, who directed the Pentagon bureaucracy to prepare a negative response. The result was a memorandum that not only discussed price and availability of HAWKs, but also questioned the wisdom and legality of the proposed sale.

The proposed shipment later ran into logistical problems. The Israeli plan was to mask the origin of the delivery by flying the missiles from Israel to Europe,⁴¹ loading them onto other aircraft, and then shipping them on to Iran. But the European country’s officials were unwilling to allow this transfer to take place without word from the United States as to its purpose.

North requested Secord to travel to Europe to help arrange the necessary flight clearances. On Tuesday, November 19, North gave a letter to Secord on White House letterhead, signed by North for McFarlane. Secord arrived in Europe on Wednesday, November 20. North also discussed the situation with his friend Duane Clarridge, a senior CIA operations officer. Clarridge told North that the CIA could help gain overseas flight clearances. On the evening of November 19, North met with Clarridge and Vincent Cannistraro, a CIA operations officer temporarily assigned to the NSC, to discuss the flight clearances problem.

In Geneva, at the summit meeting between President Reagan and Soviet General Secretary

⁴¹ The name of the country is classified.

Mikhail Gorbachev, McFarlane briefed President Reagan, Shultz and Regan on the details of the upcoming HAWKs shipment. President Reagan raised no objection. Shultz disapproved but did not try to stop the transaction. Weinberger telephoned McFarlane in Geneva that the transaction without notice to Congress would be illegal. McFarlane said the President had decided to make the transfer through the Israelis.

By late in the day on Thursday, November 21, Secord had been unable to get appropriate European government officials to grant landing rights for the Israeli shipment. After one of Secord's attempts failed, the European government asked the U.S. Embassy for information about the unusual situation. The uninformed Embassy responded that the activities were not authorized by the U.S. Government.

Secord reported to North that evening. North then telephoned Clarridge, who sent high-priority cables to senior CIA officers overseas directing them to go to work and await further instructions. On Friday morning, November 22, Clarridge told these officers to contact Secord (traveling under the alias "Copp") and offer assistance. Secord mistakenly said he needed no help.

The project rapidly deteriorated during Friday. An El Al 747 leased by the Israeli military took off from Tel Aviv with 80 HAWKs on board headed for Europe. Late Friday morning, clearances were denied by the European country. Secord called the senior CIA field officer with an urgent request for assistance.

North obtained State Department permission to involve the Embassy in the quest for clearances. The U.S. charge d'affaires in the European country tried to have the European foreign minister called out of a cabinet meeting to receive a call from McFarlane. The European country stated that a formal diplomatic note from the United States explaining the circumstances would be required before clearances could be approved. McFarlane did not reach the foreign minister until late Friday night. But even this proved elusive: Senior foreign ministry officials on Saturday morning said they knew nothing of McFarlane's agreement with the foreign minister, and said that a note was still required.

Lacking flight clearances, the El Al 747 was forced to return to Israel. Schwimmer canceled the charter for two other jets that were to transport additional HAWKs. With the planes Israel had reserved no longer available, North again turned to Clarridge for help. Clarridge met late Friday afternoon with an officer from the CIA's Air Branch and told him that new charters for a bulky shipment were needed as soon as possible. The Air Branch told Clarridge that a plane belonging to a CIA proprietary airline (an airline secretly owned by the CIA) might be available. Clarridge obtained the approval of Edward Juchniewicz, the CIA's associate deputy director for operations. The CIA proprietary airplane flew to Israel to load missiles.

Clarridge's office became the nerve center of the ill-fated HAWKs shipment. North joined Clarridge there on Saturday, along with Allen and the CIA Air Branch officer. Clarridge sent cables to CIA personnel at two overseas locations seeking to obtain overflight clearances and landing rights for the CIA's proprietary aircraft. After much effort, the aircraft landed in Tehran late Sunday night, November 24.⁴²

November Post-Mortem

Only 18 HAWKs were delivered to Iran, instead of the planned 80. These 18 HAWKs were not what the Iranians wanted. The Iranians had been given the impression that the "I-HAWKs" (improved HAWKs) were capable of shooting down planes at high altitudes. They were not. To make matters worse, the missiles carried Israeli "Star of David" markings, which angered the Iranians. No hostages gained their freedom.

The HAWKs shipment caused problems at the CIA as well. The CIA's extensive involvement in the logistics of the delivery, its efforts to gain foreign clearances, and the use of the proprietary aircraft for an Israeli weapons delivery were "covert actions" that required a Presidential Finding. Further operations were put on hold while a proper Finding was drafted.

After checking with McFarlane and Regan to make sure that President Reagan would sign a Finding, Casey sent a draft Finding to Poindexter on November 26, 1985. Poindexter

⁴²For a more complete treatment of the events of November 1985, see McFarlane, Thompson, Shultz, Defense, and Clarridge chapters.

had informed President Reagan on the morning of Monday, November 25, that the HAWKS had been delivered to Iran. On November 26, President Reagan had approved the continuation of the Israeli arms-for-hostages operation. On December 5, 1985, President Reagan signed the Finding requested by the CIA that: (1) stated the CIA's activities were part of an authorized effort to secure the release of American hostages in exchange for shipments of weapons, (2) directed that Congress not be notified, and (3) retroactively sought to approve the CIA activities already completed. Just under a year later, on November 21, 1986, Poindexter secretly destroyed the signed Finding because, he said, he felt its existence—and its plain arms-for-hostages language—would embarrass President Reagan.

The December–January Meetings

On December 4, 1985, President Reagan announced McFarlane's resignation and appointed Poindexter to replace him. Poindexter soon told Ledeen that he would no longer be used by the NSC in the initiative. North assumed primary responsibility for the project.

The debacle of the HAWKS shipment was barely a week old, yet things began moving again toward more transactions. Secord met in Paris on December 1, 1985, with Ghorbanifar, Kimche, Schwimmer and Nimrodi. Ghorbanifar registered the Iranians' anger and proposed additional exchanges of large numbers of weapons in return for the release of the American hostages. The meeting ended with an agreement that the group would meet again in London on December 6.

North sent Poindexter a computer message on December 4, 1985, outlining a broad new program of Israeli weapons sales to Iran as part of an arms-for-hostages operation—a sequential exchange of 3,300 TOWs and 50 HAWKS for the release of all U.S. hostages and one French hostage. North contemplated an exchange in five separate phases coordinated over a single 24-hour period. North expressed the view that cutting off the arms shipments so soon after angering the Iranians with the HAWKS ship-

ments risked the lives of the American hostages.⁴³

Poindexter briefed Shultz by telephone on December 5, 1985. Shultz told Poindexter that he opposed the arms-for-hostages deals that had taken place and that were contemplated. At the CIA that same day, McMahon held a meeting with Juchniewicz, Deputy Director for Intelligence Robert Gates, and others to discuss American efforts to free the hostages. Notes from this meeting indicate that these CIA officials were aware that the November shipment carried to Iran by the CIA's proprietary aircraft had contained missiles.

North flew to London on December 6, 1985, to meet with Ghorbanifar, Secord, Kimche, Schwimmer and Nimrodi. The group discussed details of the proposed Israeli sale of 3,300 TOWs and 50 HAWKS to Iran in return for the release of all hostages. But the discussion was only a preliminary one. President Reagan planned to meet with his senior advisers on Saturday, December 7, 1985, to discuss whether and how to proceed with the Iran arms sales.

The December 7 meeting in the White House residence included Reagan, Regan, Shultz, Weinberger, McMahon (in Casey's absence), Poindexter and McFarlane. Shultz and Weinberger voiced their strong opposition to the Iran arms sales on both legal and policy grounds. McMahon attacked some of the basic assumptions behind the arms sales—especially the presence of "moderates" in Iran with whom the United States could deal. Poindexter favored a continuation of past efforts through the Israelis, and told those gathered that he had a proxy to express Casey's support for going ahead with the arms sales. The result of the December 7 meeting was inconclusive. President Reagan expressed no clear decision except to send McFarlane immediately to London, where North and the other negotiators were already talking. McFarlane was to inform the intermediaries that the United States was willing to pursue political rapprochement with Iran and to negotiate the release of hostages, but that these steps should precede or be independent of any further arms sales.

⁴³ On December 5, North converted the computer message into a memorandum for Poindexter. He distributed copies to those involved in the transaction, including the Israelis.

McFarlane met in London on December 8 with Secord, North, Ghorbanifar, Kimche, Schwimmer and Nimrodi. McFarlane engaged in heated exchanges with Kimche and Ghorbanifar, both of whom favored more arms-for-hostages shipments. Like two ships passing in the night, McFarlane spoke of political goals while Ghorbanifar complained about the November HAWKS shipment and called for more arms-for-hostages transactions. McFarlane came away from the meeting extremely pessimistic about breaking out of the arms-for-hostages mold, and adverse to any further interactions with Ghorbanifar.

The next day, North wrote a memorandum to McFarlane and Poindexter that took issue with McFarlane's assessment of the arms-for-hostages operations. North's basic points were that interacting with Ghorbanifar, though not optimal, had led to the release of Weir and was the best channel the United States had into the Iranian government. As North viewed it, the downside of further arms-for-hostages transactions was a small number of weapons being sent to Iran with no results. The downside of breaking off the Israeli-sponsored channel, on the other hand, was the potential for severe harm to the hostages. North concluded that it would be a mistake to walk away from Ghorbanifar at that point.

North's December 9, 1985, memorandum mentioned one additional "option" that had not yet been discussed. He suggested that the United States, under an appropriate covert action Finding, could sell arms directly to Iran using Secord as an intermediary who could serve as a watchdog over Ghorbanifar. A form of North's proposal eventually became the working model of the direct U.S. arms sales to Iran that took place in 1986.

McFarlane briefed President Reagan on the London meeting on December 10, 1985, in the presence of Weinberger, Casey, Regan, Poindexter and North. McFarlane warned the group that Ghorbanifar was a man of no integrity whose promises and representations could not be trusted. Ghorbanifar and the Israelis were focused primarily on arms-for-hostages transactions and were unlikely to pursue an expanded political dialogue between the United States and Iran through other means. McFarlane

recommended that the United States have no further involvement in the Iran arms sales. McFarlane did, however, mention that one option was simply to let the Israelis continue shipping weapons in the hope that the United States might get some benefit.

President Reagan did not express any conclusive decision at the December 10 meeting, but several present believed that he was unwilling to abandon an operation that might lead to the release of the American hostages. President Reagan clung to McFarlane's comment that simply letting Israel go forward without any formal U.S. commitment or involvement might help American hostage-recovery efforts. President Reagan also expressed concern, first raised by McFarlane, that abruptly breaking off the arms shipments would anger the Iranians and might lead to the death of one or more hostages.

As the December 10 meeting broke up, it was clear to Casey and other observers who knew President Reagan well that he had not yet decided to put a stop to the Israeli arms shipments to Iran. President Reagan had very powerful feelings about the hostages, and a strong sense that it was his duty to do all he could to gain their release.

The NSC Iran Operation

Poindexter sensed President Reagan's willingness to continue with some sort of weapons sales to Iran. Poindexter discussed with North several steps that needed to be taken to lay the groundwork for future shipments. The first involved developing a better Finding that could serve as authority for future transactions. Next was a change in personnel, replacing Ledeen, Schwimmer and Nimrodi with North and Amiram Nir, an Israeli counter-terrorism expert and adviser to Prime Minister Peres.

North deviated from Poindexter's direction for a change in personnel. North instructed Ledeen to push the CIA to develop an intelligence relationship with Ghorbanifar. Ledeen met during December 1985 with Casey, Clarridge and Allen, advocating to each that Ghorbanifar be used in any future operations involving Iran. Casey had a favorable reaction, but knew of the CIA's "burn notice" on Ghorbanifar. In an effort to get beyond this bad history, Casey told George to reexamine

Ghorbanifar's potential as an intelligence contact.

George did as asked. CIA officers polygraphed Ghorbanifar and reported that the CIA's earlier appraisal of Ghorbanifar was correct: The man could not be trusted. Despite the debacle of the November HAWKS shipment and this negative assessment from career CIA officials, Casey still viewed Ghorbanifar as a potential link to the government of Iran and those who could influence the holders of the hostages. Casey wrote President Reagan a private letter stating that one option for pursuing the Iran arms sales was the continued use of Ghorbanifar as an intermediary.

The Israelis wasted little time. Nir came to Washington, D.C., on January 2, 1986, and met with Poindexter and North. He proposed a broad new initiative. Israel would get things rolling by sending 500 TOW missiles to Iran. Iran would then cause all American hostages in Lebanon to be released. Israel would then arrange the release of certain Hezbollah prisoners in southern Lebanon. If all went well, Israel would send 3,500 more TOWs to Iran, which would forswear further hostage-taking and terrorism. The United States would promptly replenish the missiles delivered by Israel to Iran.

Nir's proposal was well-received by Poindexter and North. There appeared to be little risk for the United States. At worst, if no hostages were released, Israel would be out 500 TOWs with no U.S. obligation to replenish them. North immediately began the process for creating a new, more sophisticated Finding to support the operations proposed by Nir. Beginning on January 3, 1986, CIA General Counsel Stanley Sporkin and North prepared a Finding authorizing the CIA to sell arms to Iranians, which contemplated no notification of Congress and recited the broad goal of improved relations with Iran. North and Sporkin met with Casey about the Finding on January 5, 1986. Over North's objection, Casey and Sporkin added language in the draft expressing the goal of hostage recovery.

Attorney General Edwin Meese III approved the procedures described in the Finding on Monday, January 6, 1986. That same day, Poindexter informed President Reagan of the new Israeli plan. Regan, Vice President Bush,

and Poindexter's deputy Donald Fortier also were present. Poindexter gave the President the draft Finding produced by North, Sporkin and Casey. Poindexter thought the Finding needed editing, but President Reagan, not realizing that he had been given a draft, signed it.

President Reagan called a National Security Council meeting for the following day, Tuesday, January 7, to consider the Nir proposal and the new Finding. President Reagan, Vice President Bush, Shultz, Weinberger, Meese, Casey, Poindexter and Regan all took part. Only Shultz and Weinberger expressed opposition. Weinberger argued that the operation violated the Arms Export Control Act (AECA). Meese responded that the President could authorize the weapons transfers from the Defense Department to the CIA, and by the CIA to Iranians. It was very clear that President Reagan wanted to go forward.

Over the next several days, North and Noel Koch, principal deputy assistant secretary of defense for international security affairs, addressed the method by which the United States could replenish TOW missiles that Israel sold to Iran. This involved pricing discussions within the Department of Defense (DoD), and pricing negotiations with the Israelis. It became clear that any U.S. shipment of TOWs to Israel that exceeded \$14 million had to be reported to Congress. Resale by Israel of weapons acquired from the United States also required prior notice to Congress and an eligible buyer. This conflicted with the Administration's decision not to notify Congress, and Iran's status as a sponsor of terrorism.

These problems led Poindexter and North back to direct sales to Iran via the Economy Act. North, Poindexter and Casey further decided that an extra layer of deniability would be provided if Secord were inserted. Several possible versions of Secord's role were considered. It was decided that the CIA would buy from DoD, and, after payment, transfer the weapons to Secord as its agent to transfer them to Iran.

On January 16, 1986, Poindexter met at the White House with Weinberger, Casey, Meese and Sporkin to discuss the structure of the proposed arms sales. Meese approved the sale under the Economy Act and the National Secu-

riety Act without notice to Congress prior to completion of the transactions.

The next day, Poindexter gave President Reagan a revised Finding authorizing the use of third parties to transfer the weapons. Vice President Bush, Regan and Fortier were present. President Reagan signed the Finding under the impression that it was essentially the same as the Israeli plan he discussed on January 7.

The February 1986 TOW Shipments

A series of organizational meetings followed the signing of the January 17 Finding. On January 20, Poindexter convened a meeting in the White House Situation Room to discuss the next steps and to introduce Secord to the senior officials of the CIA with whom he would be dealing. Poindexter, North, Secord, George, Sporkin, Deputy Chief of the CIA's Near Eastern Division Thomas Twetten and NSC Counsel Paul Thompson attended this meeting. The group discussed what the CIA's role would be under the Finding, and, to some extent, what Secord's role would entail. Poindexter designated North as the NSC's operational contact. George designated Twetten as North's counterpart at the CIA.

North traveled to London for a meeting on January 22, 1986, with Ghorbanifar, Nir and Secord to discuss the timing and structure of the transaction. The topics included weapons prices, delivery schedules, and the sequential shipments of arms for the release of American hostages. North returned to Washington and met on January 23 with Twetten, Koch, Secord and Allen to analyze the steps to prepare for the intra-governmental weapons sales from DoD to the CIA. They also discussed the logistics of transferring weapons from DoD inventories to Iran via Secord.

One day later, on January 24, 1986, North sent Poindexter a memorandum titled "Notional Time Line for Operation Recovery." The document laid out in detail the anticipated sequence of events, culminating in the release of the American hostages. North sent a copy of the time line to Clair George. The next day, January 25, 1986, North met at CIA Headquarters with Gates, McMahon, George, Twetten and Allen. The group reviewed the time line and discussed

providing Iran with samples of intelligence regarding Iraq.

In the days following, Twetten and other CIA officers worked closely with the U.S. Army to plan and coordinate the details of the arms shipments. Preparations continued, but when North, Twetten, Secord and Nir traveled to London on February 6, 1986, to finalize plans for the first weapons shipment, Ghorbanifar was a no-show. No meeting took place.

Nevertheless, the first shipment of 500 TOW missiles was delivered to Iran on February 18, 1986. The logistics for the transfer followed what would become a regular pattern. Ghorbanifar deposited funds, borrowed from Saudi businessman Adnan Khashoggi, into a Swiss bank account controlled by Secord. Secord transferred the price fixed by DoD to a CIA account. The CIA purchased the TOW missiles from the U.S. Army. Secord then arranged for Southern Air Transport, a Miami-based aircraft charter company, to ferry the missiles from the United States to Israel. An Israeli charter carried the weapons on the last leg to Iran. The planes that took these first 500 TOWs into Iran returned with 17 HAWKS rejected by Iran after the November 1985 shipment. Apparently, the Iranians had test-fired one.

After the 500 TOWs were delivered, North and other U.S. officials had their first face-to-face meeting with Iranian officials. This took place in Frankfurt, West Germany, on February 25, 1986. The ostensible leader of the Iranian delegation was Kangarlu, a person described by Ghorbanifar as a senior member of Speaker of Parliament Rafsanjani's staff. Ghorbanifar, North, Nir, Twetten, Secord and Secord's business partner Albert Hakim were also present.

North pushed Kangarlu for commitments on the release of hostages. Kangarlu, on the other hand, emphasized the additional types of weapons that Iran wanted from the United States. The meeting in Frankfurt ended with no significant agreements or plans.

On the return flight to the United States, Twetten complained to North about Secord and Hakim's role. Twetten felt that an intelligence professional was needed. North responded that he trusted Secord, whom North said was working with him on his contra-resupply operations in Central America. Twetten protested that the

intertwining of Secord in these two separate operations was an even stronger reason to eliminate him from the Iran transactions. Twetten reported his concerns about Secord and Hakim to George.

A few days later, on February 27, 1986, 500 additional TOWs were delivered to Iran. The delivery of 1,000 TOWs was followed by silence. No hostages were released.

The Diversion

North's disclosure to Twetten that Secord and Hakim were helping North in his Central American activities understated the extent to which the NSC's Iran and contra operations were overlapping. In late November 1985, the North/Secord Enterprise found that it had \$800,000 left over from the initial \$1 million deposited by Israel with the Enterprise to facilitate the abortive November 1985 series of HAWK missile shipments. North told Secord that the Enterprise could keep the money and apply it to the Enterprise's contra-resupply operation. Although no U.S.-generated proceeds were involved, the principle of an Iran/contra "diversion" was now in place.

The NSC's Iran operations provided North with the elements essential for implementing a diversion scheme with Secord. In his January 1986 meetings with Ghorbanifar, North learned that the Iranians were willing to pay \$10,000 a piece for TOW missiles. North structured what became the February 1986 TOW transactions so as to have the funds from Iran pass into an Enterprise account before payments were made to the CIA. North then succeeded in negotiating a price of \$3,700 per TOW from the DoD—never disclosing the true spread between that price and the price that the Iranians would pay.

The February 1986 TOW shipments netted the Enterprise millions of dollars. North realized that the Iranian arms sales were the ideal covert fund-raiser. By April 1986, North specified this side benefit of the Iran arms sales to his superiors in a memorandum titled, "Release of the American Hostages in Beirut." A copy of this memorandum, later found in November 1986 by Department of Justice attorneys, explained the details of the transaction and explicitly de-

scribed how proceeds from the Iran arms sales could be used to support the contras in Nicaragua.

A Mission to Tehran

Casey, North, Poindexter, George and Twetten met at the CIA on February 27, 1986, to assess what had taken place in Frankfurt. George and Twetten were skeptical of further negotiations, but the others decided to press on. In deference to the CIA professionals, it was agreed to include in the operation George W. Cave, a retired CIA officer with expertise on Iran. He was to serve as an adviser and a reliable translator. Cave replaced Twetten as the CIA officer directly working on the Iran arms sales.

Cave traveled to Paris on March 7 with North and Twetten for another meeting with Kangarlu. Nir and Ghorbanifar were there as well. Once again, the two sides had significantly different agendas. Kangarlu focused on weapons and intelligence on Iraq, North on hostages and a broader political dialogue between the two countries. Ghorbanifar brought to this Paris meeting a listing of 240 HAWK missile spare parts that the Iranians desperately needed. He dangled an idea raised once before that an American delegation visit Iran. Each side agreed to work on the other's demands.

Ghorbanifar grew concerned that, having put the United States and Kangarlu in direct contact, he might be left out of the transactions. He complained to Nir, who urged the United States to involve Ghorbanifar. To assuage Ghorbanifar's concerns, he was invited to Washington, D.C., in early April 1986. There, Ghorbanifar met with Cave, Allen, Twetten and North on April 3 and 4, 1986, to discuss arrangements for a trip to Iran by a U.S. delegation. Ghorbanifar promised that the hostages would be released once the American party arrived in Tehran. Poindexter selected McFarlane as the leader of any U.S. delegation.

Several international incidents, including the U.S. bombing of Libya, delayed the mission to Tehran. A U.S. Customs sting that had resulted in Ghorbanifar's arrest also set the plans back. The sting hurt Ghorbanifar's finances, and since he had to arrange bridge financing for the arms sales, they remained in suspense as

the parties waited for Ghorbanifar to raise new capital.

With no specific plans in place for a meeting in Iran, North, Cave, Nir and Ghorbanifar met on May 6 and 7 in London to work out the final details. Ghorbanifar promised that the U.S. officials would meet with the most senior officials in the Iranian government. On May 8, 1986, Cave briefed senior CIA officials, including Casey and George, and CIA personnel prepared logistical details. President Reagan was briefed on the mission on the morning of May 12, 1986.

On May 14 and 15, Ghorbanifar deposited a total of \$15 million into Secord's Swiss account. On May 22, 1986, North, in a memorandum to Poindexter, described in meticulous detail the steps to take place. All Americans held hostage in Lebanon were to be freed within three days of the Americans' arrival in Tehran.

The American delegation was McFarlane, North, Cave and NSC staff officer Howard Teicher. They traveled to Iran on aircraft arranged by Secord. They delivered one pallet of HAWK spare parts. The rest were left in Israel pending the promised release of U.S. hostages.

The U.S. party arrived in Tehran on May 25, 1986, accompanied by Nir and a CIA communications specialist. They waited for over an hour for Ghorbanifar and Kangarlu. McFarlane, North, Cave, Nir and Teicher were then taken to the top floor of the former Tehran Hilton Hotel. Their plane was taken to another spot at the airfield for unloading.

They remained in Tehran for approximately three and a half days of intermittent negotiations. Little was accomplished. The Iranians were in no position to arrange for the immediate release of all American hostages. They admitted they could only hope to facilitate the release of one or two. But even that had not been arranged.

The Iranians demanded that all of the HAWK spare parts be delivered to Iran and demanded additional weapons. The Iranians urged extending the mission as they tried to encourage the release of two hostages. A plane from Israel loaded with additional spare parts departed for Iran but was ordered to return in mid-flight to Israel, because no hostages were to be freed. The American party departed on the morning

of May 28, 1986. It was clear that Ghorbanifar had made inconsistent and untenable promises to both sides.

During the return trip while changing planes at Tel Aviv airport, North, to diminish the humiliation, told McFarlane that some of the arms sales proceeds were going to the contras. McFarlane thought to himself, "Oh, shit."

The Pricing Dispute

McFarlane briefed President Reagan, Vice President Bush, Poindexter and Regan about the Tehran mission on May 29, 1986. He did not reveal the diversion. There was no decision to end the arms sales, despite the disappointing results in Tehran. While U.S. officials waited to see what would happen, things got worse. Kangarlu called Cave on approximately June 23, 1986, and informed him that the Iranians had obtained a DoD pricing list reflecting prices for HAWK spare parts. The Iranians determined that they had paid up to six times the list price for the TOWs and HAWK spare parts they had received. Cave alerted North and Allen. Cave continued conversations with Kangarlu during June and July. North blamed Ghorbanifar.

CIA officials suspected that North had been padding the weapons prices for some time. At a meeting in Twetten's office in late April of 1986 to discuss the prices of the HAWK spare parts, North had told Cave and Twetten that he would have to add in his "mark up" to DoD's prices when determining the price Iran was to pay. At that time, Cave assumed that the "mark up" was intended to cover Secord's shipping and handling costs. The news from Kangarlu left both Cave and Allen puzzled.

The pricing impasse continued into July. North refused to talk with Nir until more hostages were released. Ghorbanifar was in agony because he had paid Secord in advance for the undelivered spare parts and the Iranians would not reimburse him. Khashoggi and his associates who had loaned the purchase price to Ghorbanifar were not fully paid.

On July 24, 1986, American hostage Father Lawrence Jenco was released by his captors. Two days later, North, Nir, Cave and Ghorbanifar met in Frankfurt to discuss what would happen next. Nir and Ghorbanifar urged

the United States to send Iran the undelivered HAWK spare parts. Ghorbanifar and Kangarlu said that they and an American hostage would be killed if Iran received nothing in return for the Jenco release.

On July 29, 1986, in the King David Hotel in Jerusalem, Nir briefed Vice President Bush on the status of the Iran arms sales. Vice President Bush and his chief of staff, Craig Fuller, described the briefing first as a discussion of counter-terrorism and later as a general review of the hostage-rescue proposals, without mention of an Iran/contra diversion. Vice President Bush discussed the meeting with North on his return.

That same day, North relayed Ghorbanifar's warning to Poindexter in a memorandum titled "Next Steps on the American Hostages." North sought permission to send Iran the remaining HAWK spare parts. President Reagan approved North's request the next day. Secord arranged the delivery for August 3 and 4, 1986.

The Second Channel

At this point, U.S. officials began moving through two different channels to continue the Iran arms sales. North met in London with Nir and Ghorbanifar on August 8, 1986. Ghorbanifar presented a seven-step plan for the sequential exchange of additional TOW missiles for the remaining U.S. hostages. At about the same time, through a contact in London, Hakim learned that a nephew of Rafsanjani's was interested in establishing contacts with the United States. This led to a meeting in Brussels on approximately August 25, 1986, between Secord and "the Nephew." North continued to advocate the use of Ghorbanifar, but Poindexter decided on the Nephew and his contacts, who became known as "the Second Channel."

American Frank Reed was taken hostage in Beirut on September 9, 1986. The next day, Poindexter told North to pursue the Second Channel and avoid Ghorbanifar if possible. Two days later, on September 12, 1986, Joseph Cicippio was taken hostage in Beirut. Thus, after a full year of working with Ghorbanifar on the Iran arms sales, and after repeated shipments of TOWs, HAWKs and HAWK spare parts, the score seemed to be two hostages re-

leased (Weir and Jenco) and two new hostages taken (Reed and Cicippio).

The Nephew came to Washington on September 19 and 20, 1986. He engaged in protracted meetings with North, Cave and Secord. They developed a seven-step plan involving sequential arms deliveries and hostage releases. North sent minutes of the meetings to Poindexter and George. Four days later, Poindexter met with Casey, George, North and Cave. All agreed that the Second Channel should be pursued.

Ghorbanifar repeatedly complained about his financial losses. Nir warned North in early September that Ghorbanifar's money problems, and his anger over being cut out of future deals, jeopardized the operational security of the Iran arms sales.

By October 2, U.S. efforts were being conducted through the Second Channel. Nir had been excluded. North, Secord, Cave and Hakim met with the Second Channel in Frankfurt on October 6-8, 1986. North presented his seven-point plan, but he and Secord left the meeting after learning of the Hasenfus crash in Nicaragua. Hakim continued the negotiations and worked out a nine-point proposal that went beyond the plan advanced by North. It included interceding with Kuwait to release Da'wa terrorist prisoners, a position wholly contrary to that stated by President Reagan and Shultz.

By October, the story of the diversion to the contras of proceeds from the arms sales had leaked from North to Fiers and to George, and from Allen to Deputy Director for Intelligence Richard Kerr, Gates and Casey. Casey was told by Roy Furmark, a former business contact, that certain Canadian financiers who had lent funds to Ghorbanifar were unpaid and were threatening public disclosure—including Ghorbanifar's claim that significant funds had been diverted from arms sales proceeds to support the contras. Casey and Gates urged Poindexter to consult White House counsel. He said he preferred to discuss it with Paul Thompson, NSC counsel.

North continued to pursue the Second Channel. On October 28, 1986, 500 U.S. TOW missiles that had been sent to Israel in May were delivered to Iran. The United States sent replacement TOWs of a more recent vintage to Israel on November 7 and 8, 1986.

North, Cave, Secord and Hakim met with the Nephew in Mainz, West Germany, on October 29 and 30, 1986. Three days later, on November 2, 1986, hostage David Jacobsen was released.

Exposure and Cover-Up

On November 3, 1986, an article describing McFarlane's trip to Tehran appeared in *Al-Shiraa*, a Lebanese publication. Rafsanjani acknowledged the McFarlane visit the following day. On approximately November 8, North, Cave, Secord and Hakim had a final meeting with the Nephew, agreeing to put things on hold in view of the growing publicity.

The arms sales became the top news story of the day. Within the Administration, officials at the NSC and the CIA scrambled to put together an account of what had taken place. The President's most senior advisers and Cabinet officers met on November 10, 1986, to develop their strategy. Those who had opposed the sales all along, particularly Shultz, saw in the exposure of the arms sales exactly what they had predicted: a policy disaster. All the President's advisers could agree on was to say nothing, or as little as possible.⁴⁴

The White House released a press statement later that afternoon. While not confirming or denying the arms sales, the statement asserted that "no U.S. laws have been or will be violated and . . . our policy of not making concessions to terrorists remains intact." Some of the President's advisers, including White House Counsel Peter Wallison, were not as confident that laws had not been broken, particularly with respect to the 1985 arms sales. The Reagan Administration sidestepped the issue in briefings of congressional leaders two days later by denying involvement in any transfers before January 1986.

By the weekend of November 15-16, 1986, both congressional intelligence committees had called for briefings on the arms sales by Secretaries Shultz and Weinberger, CIA Director Casey, and National Security Adviser Poindexter. The efforts to prepare for these briefings exacerbated the tensions within the na-

tional security community over the arms sales. Shultz publicly stated that he was against further sales, but added that he could not speak for the Administration. Weinberger adopted a posture of continuing but silent opposition to the sales and firm support for the President. The CIA bureaucracy was scrambling to find out who had done what in the initiative, an effort that uncovered facts that proved embarrassing to the NSC and the CIA about the November 1985 HAWK shipment. North unsuccessfully tried to deny that it was he who drew the CIA into its support of the HAWK shipment.

As the congressional briefings—set for November 21, 1986—approached, Shultz and his advisers suspected that the CIA and NSC were trying to hide the facts surrounding the Government's activities in 1985, prior to the January 17, 1986, Finding which provided a legal basis for the arms sales. Shultz approached the President on November 19 and 20, 1986, in an attempt to persuade him to transfer the continuing responsibility for Iran policy back to State. Shultz pointed out mistakes in the President's public statements. President Reagan acknowledged that he had known of the November 1985 HAWKs shipment but insisted that it was not an arms-for-hostages swap.

By November 20, the Administration had agreed that Casey would brief the intelligence committees on Capitol Hill, while Poindexter would brief selected members at the White House. That afternoon, Meese and Assistant Attorney General Charles Cooper, Casey, Gates, Poindexter, Thompson and North met in Poindexter's office to discuss Casey's testimony. Legal issues involving the 1985 shipments dominated the discussion. Casey had brought a draft statement that read: "We in the CIA did not find out that our airline had hauled HAWK missiles into Iran until mid-January [1986] when we were told by the Iranians." This statement conflicted with what Casey and other CIA personnel had known in 1985 about the shipment. Nevertheless, North revised the statement to read: "No one in the USG," or U.S. Government, knew before January 1986 that weapons had been shipped.

Actions taken by State Department Legal Adviser Abraham Sofaer ultimately resulted in the

⁴⁴ Full discussions of these and other events in November 1986 are found in the North, Poindexter, Meese, Regan, State Department, Defense Department and CIA officials in November 1986 chapters.

deletion of this specific misstatement from Casey's prepared testimony.

Casey and Poindexter's presentations the next day were incorrect, misleading, and at times criminally false. Poindexter lied about U.S. involvement in and knowledge of the 1985 shipments. Casey meanwhile claimed that he did not learn of the cargo of the November 1985 HAWK shipment until January 1986, but he conceded that others in the CIA could have known earlier. Casey also gave misleading testimony about the flow of funds in the arms sales, the extent of presidential approval for them, and his knowledge of who in the NSC was running the Iran operation.

While Casey and Poindexter were giving their accounts of the initiative, Meese—who was aware of the conflicting statements and was having increasing concerns about the lawfulness of the 1985 activities—met with the President and told him that it was “absolutely necessary” that someone develop a coherent overview of the matter. The President agreed and directed Meese to report his findings at a meeting of senior advisers set for Monday, November 24, 1986.

Meese gathered his team around mid-day on November 21, 1986. He then called Poindexter to tell him he wanted to get all relevant documents from the NSC. Following Meese's call, Poindexter had Thompson gather the documents, including the only known signed copy of the December 1985 “retroactive” Finding that clearly stated that the HAWK shipment was an arms-for-hostages deal. With Thompson and North present, Poindexter destroyed the Finding. He said he feared that it would be a political embarrassment.

Document destruction at the NSC did not stop with Poindexter. North returned to his offices in the early evening of November 21 and shredded stacks of memoranda and messages. Meanwhile, Meese's staff had begun reviewing pertinent intelligence and interviewing witnesses. Meese himself handled the President's most senior advisers. Meeting with Meese on the morning of November 22, 1986, Shultz told him that the President had acknowledged only

two days earlier knowing about the November 1985 HAWK shipment.

While Meese was conducting interviews, two Justice attorneys were at the NSC reviewing documents. They discovered one that North had not shredded: a copy of his April 1986 memorandum that explained the diversion. Meese was told of the memorandum during lunch on November 22. His inquiry continued, culminating in the questioning of North on November 23, 1986. North lied about his knowledge of the cargo of the November 1985 HAWK shipment, claiming as he had in the November 20 meeting that he thought at the time that the cargo was oil-drilling equipment. He also denied knowing about any retroactive Finding that covered the shipment, although he suggested that “someone ought to step up and say it was authorized.” Meese then confronted North with the diversion memorandum. A shaken North admitted that the diversion had occurred but attributed it to the Israelis.

On November 24, 1986, Meese privately reported the diversion to President Reagan, Vice President Bush, and Regan, and questioned McFarlane and Poindexter about it. Meese reported his findings, other than the diversion, to a meeting of President Reagan and his senior advisers, including Vice President Bush, Shultz, Weinberger, Casey, Regan and Poindexter on the afternoon of November 24. Meese reviewed the 1985 activities and asserted that the 1985 arms shipments could have been illegal. Meese reported further that, contrary to what Shultz had told him, the President did not know in November 1985 that arms were being shipped to Iran. Virtually everyone at the meeting knew better, but no one corrected the Attorney General.

On the morning of November 25, 1986, Meese disclosed the diversion to the full Cabinet and Congressional leaders. At noon, President Reagan and Meese announced at a nationally televised press conference that proceeds from the Iran arms sales had been diverted to support the contras, and that Poindexter had resigned and North had been reassigned to the U.S. Marines.