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**Recuperating in pajamas:** Reagan meets his cabinet, then OK's Israel's arms-to-Iran proposal, says McFarlane

# A Stunning Indictment

The Tower report exposes a system betrayed by the people who ran it

*Quis custodiet ipsos custodes?* (Who will guard the guardians themselves?)

—JUVENAL, "Satires," VI, 347

**T**he Tower commission's report paints a devastating picture of a government that let its guard down. The line of Latin leads off a long chronology of events in which a president paid little attention while some of his subordinates ran amok. The report has a harsh word for almost everyone involved. National-security adviser John Poindexter "failed grievously" in his duty to President Reagan, as did CIA Director William Casey, the report says. Chief of staff Donald Regan is assigned "primary responsibility for the chaos that descended on the White House" when the Iran-contra scandal broke. During an ensuing cover-up, Lt. Col. Oliver North, the chief White House swashbuckler, tried to "conceal or withhold important information," the report

charges. Throughout the affair, Vice President George Bush was conspicuous by his silence, while the secretaries of state and defense, George Shultz and Caspar Weinberger, carefully "distanced themselves" from the unfolding debacle. And Ronald Reagan allowed it all to happen. Instead of mastering the machinery of government, he permitted it to master him.

No one would have been surprised if the Tower commission had produced a bland report. The three-member board had no authority to subpoena documents, grant immunity or compel witnesses to testify, and several key figures in the scandal never answered the panel's questions. North and Poindexter, among others, declined to testify; when chairman John Tower asked President Reagan to compel their cooperation, the commander in chief refused, citing their constitutional rights. The government of Israel also failed to make key

officials available for questioning. Cancer struck down two potentially important witnesses: Casey, who developed a brain tumor, and Donald Fortier, a key National Security Council aide, who died last year. Even the voluminous testimony of former national-security adviser Robert McFarlane was interrupted by his apparent suicide attempt.

The commission also was handicapped by limits on its time and investigative resources. By its own admission, the President's Special Review Board, as the panel is formally known, was unable to make a "systematic inquiry" into the contra end of the scandal, and it never figured out exactly how much money was involved, or where it all went. "The Iran/Contra matter has been and, in some respects, still is an enigma," the panel reported. "For three months the Board sought to learn the facts, and still the whole matter cannot be fully

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explained." But despite all the gaps, the principal authors of the report—Stephen Hadley, a Washington attorney, and Nicholas Rostow, a State Department lawyer—have provided an elegantly written text that stands as a stunning indictment of a system that failed because of the people who ran it.

## Arms for Hostages

What was the purpose of the Iranian arms sales—to improve U.S. relations with a strategically vital country, or to obtain the freedom of Americans held hostage by pro-Iranian terrorists in Lebanon? When the scandal broke, the administration insisted loftily that its main objective was strategic: an opening to "moderates" in the Iranian government. The Tower commission acknowledges that for some U.S. officials, the principal objective was always geopolitical. But it concludes: "Whatever the intent, almost from the beginning the initiative became in fact a series of arms-for-hostages deals." The main motivator was Ronald Reagan himself. In an interview with the commission after his suicide attempt, McFarlane said that, upon reflection, it was "misleading, at least, and wrong, at worst, for me to overly gild the president's motives for his decision in this, to portray them as mostly directed toward political outcomes." In fact, said McFarlane, Reagan's performance day by day made it "very clear that his concerns here were for the return of the hostages."

But where did the idea of arms sales as an instrument of policy come from? Partly from Israel, according to the report. In early May 1985 McFarlane sent an emissary to Israeli Prime Minister Shimon Peres to ask for information about Iran. The envoy, Michael Ledeen, a part-time NSC consultant on terrorism, insists that the hostages were never discussed. But he told the commission that he asked for U.S. consent to sell Iran "any" of artillery pieces or ammunition. According to Ledeen, McFarlane subsequently authorized him to tell Peres: "It's OK, but just that and nothing else." (McFarlane denies having said that.) In this passage, the Tower report raises, but does not answer, an intriguing question: whether McFarlane authorized an Israeli arms sale to Iran as early as the spring of 1985.

Certainly McFarlane was pushing for indirect arms sales. He prompted the CIA to produce an intelligence evaluation warning that the Soviet Union was in a position to exploit political chaos in Iran. On June 11 he circulated a draft of a paper setting out long-term U.S. policy toward Iran, including a proposal for increasing Western influence there by allowing U.S. allies to provide Teheran with "selected military

## True or False?



JOHN FICARA—NEWSWEEK

### Reagan in Public:

**W**e did not—repeat—did not trade weapons or anything else for hostages—nor will we."

Nov. 13, 1986  
Presidential address

**W**e did not condone, and do not condone, the shipment of arms from other countries [to Iran]."

Nov. 19, 1986  
News conference

**T**here was a third country involved in our secret project [trading arms for hostages] with Iran."

Nov. 19, 1986  
Presidential statement issued after news conference

**W**hat we did was right, and we're going to continue on this path."

Nov. 19, 1986  
News conference

**T**he goals were worthy . . . But we did not achieve what we wished, and serious mistakes were . . . made in trying to do so."

Jan. 27, 1987  
State of the Union Message

### Reagan in the Report:

**S**ometime in August [1985] he approved the [August 30] shipment of arms by Israel to Iran."

Jan. 26, 1987

**H**e concluded "that he had not approved the transfer in advance."

Feb. 11, 1987

**I** don't remember—period."

Feb. 20, 1987

equipment." Casey strongly endorsed the policy paper, but Shultz called it "perverse," and Weinberger said it was "almost too absurd to comment on." At about the same time, Shultz also complained about McFarlane's dealings with Israel. "Israel's agenda is not the same as ours," he recalls telling McFarlane. Thwarted, McFarlane had to back away from his Israeli initiative. According to Shultz, McFarlane said: "I am turning it off entirely."

Israel soon turned it on again, perhaps with some prompting from the United States. In early July David Kimche, director general of the Israeli Foreign Ministry, came to Washington and proposed that political discussions be conducted with Iran through a disreputable but well-connected Iranian middleman named Manucher Ghorbanifar. Ten days later the Israelis suggested that their contacts in Iran could arrange the release of all seven American hostages in exchange for 100 TOW anti-tank missiles from the Israeli arsenal. Reagan was receptive to the idea. He had been deeply stirred a few days before when he visited the grave of a U.S. sailor who was murdered during the drawn-out hijacking of a TWA jet to Beirut. The arms-sale proposal was brought to the president in his hospital room after his surgery for colon cancer. He discussed it with his top advisers and then said: "Yes, go ahead. Open it up." As it turned out, Israel delivered 508 TOW's to Iran in late August and mid-September, and only one hostage, the Rev. Benjamin Weir, was set free in return.

By then Ollie North was on the case. In early June he asked McFarlane to approve two projects. In one, the United States would look for "a private solution" to the hostage dilemma, apparently a reference to private financing. The other plan, says the Tower report, "involved the ransoming of two hostages," including William Buckley, the CIA station chief in Beirut, for \$2 million. According to the report, documentary evidence "suggests that the private source of these funds was Ross Perot," the Texas billionaire whose plans ran counter to the administration's expressed policy of not bargaining with terrorists for the release of hostages. According to the report, McFarlane approved both plans.

## Chaos in Foreign Policy

"The Iran initiative was handled almost casually and through informal channels, always apparently with an expectation that the process would end with the next arms-for-hostages exchange," former Secretary of State Edmund Muskie, a member of the Tower commission, said last week. "And of course it did not." As the process dragged on, informality led to chaos. Formal discussions among the president's top

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had not authorized the August shipment in advance. President Reagan himself recalled that he had been "surprised" when he heard about the Israeli shipment; he assumed that if it surprised him, he must not have known about the shipment in advance.

Then, on Feb. 20, Reagan changed his story again. In a letter to the Tower commission, he confessed: "I'm afraid that I let myself be influenced by others' recollections, not my own . . . The only honest answer is to state that try as I might, I cannot recall anything whatsoever about whether I approved an Israeli sale in advance or whether I approved replenishment of Israeli stocks around August of 1985. My answer therefore and the simple truth is, 'I don't remember—period.'" The panel itself concluded that Reagan "most likely" had approved of the Israeli shipment in advance, if only because there was no record that he had ever opposed the idea.

The president's decision to back away from Regan's version apparently was prompted by a phone call he made last month to McFarlane, who was in the hospital recovering from an overdose of Valium. McFarlane also talked to the Tower commission while he was in the hospital, recalling that Reagan had agreed to the Israeli sale almost casually. "But I did then spell it out," McFarlane insisted, "and I said: Mr. President, what's involved here is the sale by Israel of weapons and ultimately them coming to us to buy replacements. And he says: Yes, I understand that. And I said: Do you understand, of course, now that George [Shultz] and Cap [Weinberger] are very much opposed to this and they have very good reasons? And he said: Yes, I do, but I draw a difference between our dealing with people that are not terrorists and shipping arms to terrorists. And I'm willing to defend that. And he even said something like: I will be glad to take all the heat for that."

## All the King's Men

By the fall of 1985, President Reagan had what he apparently wanted: an arms-for-hostages process with a geopolitical veneer. His two senior advisers, the secretaries of state and defense, both opposed the policy, vigorously at times, but neither of them had resigned or taken any other action to thwart the president's plan. The price Reagan paid for this acquiescence was that Shultz and Weinberger more or less deserted him. "Their obligation was to give the President their full support and continued advice with respect to the program or, if they could not in conscience do that, to so inform the president," says the Tower report. "Instead they simply distanced themselves from the program. They protected the record as to their own posi-

tions on this issue. They were not energetic enough in attempting to protect the President from the consequences of his personal commitment to freeing the hostages."

Other top advisers are found even more culpable. Of Regan the commission says: "More than almost any chief of staff of recent memory, he asserted personal control over the White House staff . . . He, as much as anyone, should have insisted that an orderly process be observed." Poindexter is blamed for misleading Shultz and for failing to warn Reagan about "the serious legal and political risks" caused by the diversion of Iranian arms money to the contras. "His clear obligation was to either investigate the matter or take it to the President—or both," the report says. "He did neither." McFarlane is handled gently, perhaps out of concern for his state of mind, but the panel points out that he was "not always successful" in keeping cabinet members informed. About George Bush there is a silence that can hardly be regarded as flattering. Bush is recalled as a participant in several of the major meetings, but his contributions are not recorded. His views at the time remain unknown.

Reading these indictments of the president's staff, it is hard to avoid the impression that the Tower panel tried to dilute the president's shortcomings by pointing to the failures of his subordinates. Even cabinet members are only advisers. The record assembled by the Tower commission shows how difficult it is to give advice to a man who neither pays attention to detail nor exhibits any patience with the slow workings of a properly run bureaucracy.

## Where Was the CIA?

William Casey was one of Ronald Reagan's closest advisers, a personal friend and a former campaign manager. But Casey's CIA was held in contempt by White House wheeler-dealers like Poindexter and North. "The CIA are really bunglers," Poindexter complained in one computer message. North charged that the CIA had "bouched" an attempt to rescue an American hostage in Lebanon. He also believed that Secord's private network was more efficient than the agency's. After Secord chartered a plane for the Iran operation, North wrote: "Why Dick can do something in five minutes that the CIA cannot do in two days is beyond me—but he does."

If Ollie North wanted to do things his own way, that was fine with Casey, who tried to keep the agency out of trouble. According to the Tower report, the CIA director "appears to have acquiesced in and to have encouraged North's direct operational control over the [Iran] operation." Casey also took steps to keep the CIA clear of North's contra enterprise, sta-

tioning "compliance officers" in the agency's directorate of operations to enforce congressional restrictions on CIA contacts with the rebels. But Casey knew what was going on. The Tower report says he "appears to have been informed in considerable detail about the specifics of the Iran operation." And he learned about the diversion of arms money to the contras "almost a month before the story broke," according to the report.

Casey's chosen successor, Robert Gates, was less informed, but he may have known enough to jeopardize his nomination as the CIA's next director. Gates signed off on the 1985 CIA study that called for Western arms sales to Iran. Last week Democratic Sen. Bill Bradley charged that "the CIA tailored its intelligence assessment on Iran to fit the needs of the policy makers of the White House." One of Poindexter's computer messages shows that Gates also knew about the private network that financed and supplied the contras. "I did tell Gates that I thought the private effort should be phased out," Poindexter told North last July, after Congress voted to resume U.S. aid to the contras. And on Oct. 1, according to the Tower report, a CIA official named Charles Allen warned Gates about the diversion of money from the Iranian arms sales. "I said perhaps the money has been diverted to the contras, and I said I can't prove it," Allen told the commission. "Gates was deeply disturbed by that and asked me to brief the Director."

## Blaming Israel

The Tower report is cautiously critical of Israel's role in the Iran affair. It charges that "Israel had its own interests, some in direct conflict with those of the United States, in having the United States pursue the initiative." One of those interests, the report says, was "to distance the United States from the Arab world and ultimately to establish Israel as the only real strategic partner of the United States in the region." Israel's greatest disservice to the United States may have been its choice of Manucher Ghorbanifar as the first intermediary with Iran. A businessman with intelligence connections, Ghorbanifar was described by McFarlane as "a self-serving mischief maker" and by a senior CIA official as "a guy who lies with zest." Subjected to a CIA lie-detector test in January 1986, Ghorbanifar flunked nearly all of the questions. Worst of all, the CIA concluded: "The test also indicated Ghorbanifar knew ahead of time that the hostages would not be released despite our providing missiles to the Iranians. He deliberately tried to deceive us on this issue."

The commission's report is unavoidably skimpy on the Israeli connection. Jerusa-

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**Fiasco:** McFarlane (seated) and other players in the May 1986 mission to Iran

lem refused to allow Israeli officials and arms dealers to testify, and when the panel submitted written questions, the Israelis stalled until Tower's deadline had passed—an outright "evasion," as Muskie saw it. "It remains unclear," the report says, "whether the initial proposal to open the Ghorbanifar channel [to Iran] was an Israeli initiative, was brought on by the avarice of arms dealers, or came as a result of an American request for assistance." Whether Israel was the catalyst for the Iran operation or merely a lubricant, the panel concluded that the Israelis should not be blamed for what happened. The report says that Washington "is responsible for its own decisions."

## The Cover-up

The Tower report concludes that once the Iran operation was revealed, President Reagan did not "intend to mislead the American public or cover up unlawful conduct . . . [T]he President does indeed want the full story to be told." But the panel charges: "Those who prepared the President's supporting documentation did not appear, at least initially, to share in [his] ultimate wishes."

Soon after the Iran story broke, Poin-dexter, McFarlane, North and two other NSC staffers started to prepare a chronology of the operation. They went through at least a dozen versions between Nov. 5 and Nov. 20. "The earliest versions were merely lists of events; the later versions,

called 'Maximum Versions,' mixed events with rationale," the report says. "At best, these chronologies suggest a sense of confusion about both the facts and what to say about them. At worst, they suggest an attempt to limit the information that got to the President, the Cabinet, and the American public."

McFarlane told the panel that "a principal objective, probably the primary objective, was to describe a sequence of events that would distance the President from the initial approval of the Iran arms sale [and] blur his association with it. The Nov. 18 chronology, which I indeed helped to prepare, was not a full and completely accurate account of those events, but rather this effort to blur and leave ambiguous the President's role." On Nov. 19 Reagan held a press conference. Among other things, he told reporters that his administration had not been involved in any arms sales to Iran before he signed his intelligence finding on Jan. 17, 1986. The news conference was not a great success. Attorney General Edwin Meese III was asked to straighten things out, and on Nov. 25 he announced that money from the arms sales may have been diverted to the contras.

## Unanswered Questions

When it issued its report, the Tower commission pointed out that at least two key questions were left unanswered by its investigation: where did the money go, and what laws were broken?

Although the report doesn't pretend to trace the money trail, it does provide some fascinating glimpses into the process. In one passage, Roy Furmark, a New York businessman who helped to finance the arms sales, describes how Saudi Arabian financier Adnan Khashoggi put up some of the money. "The Iranians would not pay for anything until they received and inspected the goods," Furmark recalled. "And of course the Israelis would not send anything until they were paid in advance. So now you had a stalemate. Khashoggi then said, well, I will trust the Iranians, I'll trust the Israelis, I'll trust the Americans, I'll put the money up . . . He puts a million dollars into an account, and then Ghorbanifar gives him what we will call a post-dated check for a million dollars in his account at Crédit Suisse [a Swiss bank]. And then after the shipment is made, the Iranians inspect the goods, and they then pay Ghorbanifar's account at Crédit Suisse. Ghorbanifar tells Khashoggi the check is [now] good, deposit it. And that is how the financing was done all throughout."

Other investigators will have to determine how much money was diverted from the Iranian arms sales to the war chest of the contras. They also will try to find out how much money North's network raised from private contributors. According to one source, the Tower report left out a document from North stating that, by the spring of 1986, his network had spent \$37 million on supplying the rebels. The report also omitted the names of countries that supplied substantial financial support to the contras. Sources said three of those countries were South Korea, Taiwan and Saudi Arabia.

The Tower commission was not asked to track down individual lawbreakers, but its report does question the legality of many administration acts. The panel says that the "legal underpinning" of the first arms shipment to Iran was "at best highly questionable," even if Reagan did approve the sale in advance. The Arms Export Control Act and the National Security Act require formal presidential "findings" before such shipments can be made. The report also questions whether the Boland amendment and other congressional restrictions on U.S. aid to the contras were violated by North's fund-raising and supply efforts. The Tower commission implies that North was the official most likely to have violated the letter and spirit of the laws. North himself has denied any wrongdoing. "I have broken no laws," the Tower report quotes him as saying. It was left to other investigators—two congressional committees and special prosecutor Lawrence Walsh—to follow up on the leads that were developed so energetically by John Tower and his colleagues.

RUSSELL WATSON with JOHN BARRY  
in Washington and bureau reports