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NSC Document Urged Easing Of Embargo

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The National Security Council circulated a top-secret document in June 1985 recommending that the United States ease its worldwide arms embargo against Iran and encourage some allies to sell selected military equipment to Tehran to cultivate closer ties with certain Iranian government factions, informed sources said yesterday.

When the proposal, which had been prompted by a CIA internal memo, reached the desk of Defense Secretary Caspar W. Weinberger, he scribbled on the document, "This is absurd," sources said.

The Central Intelligence Agency memorandum, dated May 17, 1985, was a response to growing U.S. concerns that the United States was lagging behind the Soviet Union in cultivating Iranian contacts that could be useful in the event of the overthrow or death of Ayatollah Ruhollah Khomeini, sources said.

The NSC staff then took the memorandum—which one source said was sent by CIA Director William J. Casey—and developed a broader proposal for a National Security Strategy Directive (NSSD). A draft of that plan was sent to the White House and distributed to Weinberger and Secretary of State George P. Shultz for comment, according to sources.

The proposal recommended that the United States encourage its Western allies to help Iran by establishing commercial trade, including the sale of selected military equipment on a case-by-case basis, sources said. The plan also suggested that the United States relax a worldwide arms-sale embargo against Iran, which was known in the U.S. government as Operation Staunch.

Weinberger, in a written response to then-national security adviser Robert C. McFarlane, recommended that the United States

change none of its policies toward Iran until after Khomeini was no longer in power.

The CIA memorandum made no reference to American hostages or resuming U.S. arms sales to Iran, according to sources. It is unclear whether the subsequent NSSD draft proposal was a factor in what became the covert operation approved by the White House to sell arms to Iran as part of an effort to improve relations and free U.S. hostages held by pro-Iranian terrorists in Lebanon.

It also is unclear how Shultz responded to the NSSD draft. Shultz reportedly joined Weinberger seven months later, in January 1986, in opposing President Reagan's secret diplomatic overtures to Tehran. In recent days, Shultz has become increasingly vocal in his opposition to sending arms to Iran, and sources said Weinberger has not changed his opinion since the January meeting.

Reagan said last week that plans to explore Iranian contacts began 18 months ago, about the time of the exchange of documents among the CIA, NSC, White House, Pentagon and State Department.

The NSC draft proposal was dated three days after the June 14, 1985, hijacking of a TWA flight to Beirut. The White House eventually came to recognize that Iran was a key player in obtaining the release of several of the hijacked hostages.

The CIA memorandum concentrated on the failure by the United States to identify factions within Iran who were potentially sympathetic to Western concerns, sources said. The report noted that U.S. intelligence on the internal workings of Iran was sketchy. It also indicated that the CIA believed the Soviets were strengthening their influence by establishing strong contacts with the Iranian government, according to sources.

The CIA document also was based on a belief by some analysts that the Khomeini regime was on the verge of collapse and that the United States should be in a position to "move first" if the opportunity arose, sources said.

The proposal suggested that the United States and Western allies make inroads by taking advantage

of the political situation in Iran, improving relations with certain elements there and avoiding actions that would exacerbate poor relations, according to sources.

Some administration officials involved in reviewing the proposals said that if the United States failed to develop contacts in Iran, it risked being "left out in the cold should another revolution come," sources said.

Sources said Weinberger thought the CIA assumption of an imminent revolution or change in the Iranian government was wrong, prompting him to label the suggestion as "absurd."