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Secret Message Added Pressure to Free Hostages

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In the summer of 1984, a secret emissary arrived at the State Department carrying a videotaped message from three American hostages in Lebanon. On the tape, the three men—Jeremy Levin, William Buckley and the Rev. Benjamin Weir—pleaded for the U.S. government to help win their release by urging the government of Kuwait to free 17 Moslem terrorists imprisoned for blowing up French and U.S. embassies there.

The videotaped message, which was not publicly revealed, brought a new sense of urgency to efforts under way in the U.S. government to free the American hostages. The result was a series of extraordinary events over the next 30 months that led the Reagan administration to countermand U.S. policy by shipping arms to Iran and then divert some of the profits from those sales

to aid the Nicaraguan rebels known as contras—an intersection of events that threatens the final two years of the Reagan presidency.

Testimony before congressional committees investigating the Iran-contra scandal helped put together many pieces to this puzzle last week, especially on the question of how the arms transactions with Iran took place and who was part of what has become an ever larger cast of characters.

But if anything, the mystery over what happened to the money—including whether any of it reached the contras—has deepened since Attorney General Edwin Meese III announced Nov. 25 that some of it had been siphoned off to aid the rebels.

By the time the videotape arrived at the State Department in mid-1984, President Reagan had authorized the Central Intelligence Agency under a broad counterterrorism "finding" to begin covert activities to free Buckley, whose kidnapping on March 16 had caused CIA Director William J. Casey to approve extraordinary measures.

Buckley, the top CIA officer in Beirut and a specialist on terrorism, was described publicly as a political officer at the U.S. Embassy in the hope that his captors would not realize who he was. But intelligence experts recently said they think that the Islamic Jihad Lebanese extremists holding Buckley knew of his CIA connection, hoped his position would help them gain the release of their compatriots and, when it did not, tortured him to death.

Buckley had been captured days after Islamic Jihad had taken Levin, 52, the Beirut bureau chief for Cable News Network. In May, the group had kidnapped Weir, 60, a Presbyterian minister.

Over the next year, as administration officials sought a strategy to free the hostages, three more Americans were captured in Lebanon. The anxiety within the U.S. government over the fate of the hostages served as a magnet to attract others with their own interests. They included:

- Israeli officials who had been halted by Secretary of State George P. Shultz in 1982 from carrying on their traditional clandestine relationships with Iran that used arms sales as a lubricant.

- International arms dealers and the accompanying financial wheeler-dealers who were trying to sell black-market arms to Tehran and ready to get involved in any new governmental transaction.

- The Khomeini regime in Iran, which at the behest of the ayatollah was out to undermine Washington's neutrality and get needed U.S. parts for weapons bought during the rule of the shah.

- And American officials, including Robert C. McFarlane (then national security adviser), who were persuaded that there was a chance that secret statecraft—of the sort practiced by former secretary of state Henry A. Kissinger—could, if it succeeded, neutralize a bitter enemy and block the possible advance southward of the Soviet Union.

In pursuing what appeared to be lofty goals, the president and a few of his immediate aides secretly countermanded a publicized U.S. embargo on all arms shipments to Iran that was a basic element in Washington's international program to combat terrorism; ordered that covert sales from Pentagon stocks to Tehran be kept secret not only from Congress, but from four of the president's top National Security Council members; and either knowingly or unwittingly permitted top NSC aides to set up a Swiss banking deposit scheme that apparently resulted in the provision of assistance to the Nicaraguan rebels at a time when U.S. law barred government officials from providing or soliciting military aid.

Today, after sending Ayatollah Ruhollah Khomeini's regime more than \$25 million in American-made

arms, five Americans remain hostage in Lebanon in the hands of pro-Iranian extremists—the same number as when the new initiative began.

Above all remain questions about the president, his role, what he actually knew and understood, and how he will meet the rising public concern.

Trying Regular Channels

At first, efforts to free the hostages followed conventional paths. In 1984, the CIA, State Department and NSC staff involved in counterterrorism attempted to contact the pro-Iranian Islamic Jihad through regular channels. Other governments, acting on behalf of Reagan, were turned down by Tehran officials who said they had no control over the group holding the Americans. Some former CIA operatives, who knew and cared about Buckley, took steps on their own.

One episode, which U.S. officials discounted at the time, involved a former CIA official who met in late 1984 with Iranian exile Manucher Ghorbanifar. Described by officials yesterday as an arms salesman in the days of the shah, Ghorbanifar now is portrayed as being in close contact with Iranian Prime Minister Mir Hossein Mousavi. Ghorbanifar reportedly asked for money in return for helping gain release of the U.S. hostages. That offer, like many similar schemes, was not followed up because the administration's policy was not to pay ransom for hostages.

In December 1984, a Kuwaiti airliner was hijacked to Tehran and the terrorists murdered two passengers. At the time, the hijackers demanded that the 17 prisoners be released or more Kuwaitis would be killed. The emir of Kuwait refused, and the hijacking ended when the airliner was taken by Iranian security police in what U.S. officials called a faked storming of the plane. The hijackers were taken off in a limousine, sources said, and the two murder victims turned out to be U.S. officials. The event is said to have hardened the determination of the Kuwaiti leader never to release his prisoners.

In January 1985, the Rev. Lawrence M. Jenco was taken hostage. Late in the month, another videotape was released from Islamic Jihad; this time only Buckley appeared. He said that he, Weir and Levin were well and asked "that our government take action for our release quickly." Reagan, questioned by reporters on Jan. 28, said he was relieved they were alive and added, "Believe me, this is very much on our minds."

Sources said yesterday that "Casey was fired up" after seeing how bad Buckley looked on the tape.

In February 1985, Levin escaped. Intelligence officials said they now believe that this was an effort by the kidnapers to heighten publicity for their demands. But over the next several months, three more Americans, Terry Anderson, Associated Press bureau chief in Beirut; David P. Jacobsen, director of the American University Hospital in Beirut, and Thomas Sutherland, dean of agriculture at the American University, were taken hostage. They were kept in Beirut, further frustrating U.S. officials.

In Washington, the CIA and NSC staffs were working up new proposals on Iran that would eventually provide policy support for the arms initiative. CIA analyst Graham Fuller argued in a paper in May that the Soviet Union was working in Tehran with an obvious eye on influencing a post-Khomeini government. He recommended that the government loosen Operation Staunch, which was designed to get third countries not to make arms shipments to Iran. At the NSC, Howard J. Teicher, with some input from Lt. Col. Oliver L. North, came up with a similar finding.

When Teicher's paper reached his desk, Defense Secretary Caspar W. Weinberger scribbled "absurd" across it and dismissed it.

For Teicher, the proposal was something of a repeat performance. He was at the State Department in 1981 when Secretary Alexander M. Haig Jr. gave a "wink and a nod" to Israeli Defense Minister Ariel Sharon, who proposed the transfer of some U.S. arms to Iran as a way to keep contact with moderate forces in the Iranian military. Also reported as supporting the action were Michael Ledeen, a consultant to Haig, and McFarlane, then the department's counselor. In recent testimony, sources said, McFarlane said he did not remember the action.

Haig reversed himself after other department officials protested. In the summer of 1982, he was replaced by Shultz, and the new secretary demanded that the Israeli government halt not only shipment of U.S.-made weapons to Tehran, but also Israeli-made arms that contained any American-made parts.

Hijacking of Flight 847

The June 1985 hijacking of TWA Flight 847 put new and unexpected pressure on U.S. officials desperately looking for new ways to free the six hostages held by Islamic Jihad. A rash of stories during the hijacking called attention to the plight of the other six Americans, but when the 39 airline passengers were freed and the Islamic Jihad prisoners were not, the families of the six turned bitter. In July, the families began a massive publicity campaign on behalf of their loved ones, concluding with private meetings with the president.

Behind the scenes, however, McFarlane had begun to open another front. Ledeen, who was serving as an NSC consultant, had been in contact with Israeli and Iranian officials in April and May, according to his friends. These included David Kimche, a former top Israeli intelligence official who was then director general of the foreign ministry; Yaacov Nimrodi, a former Israeli attache in Tehran who had become an arms dealer; and Ghorbanifar, the Iranian arms dealer.

Nimrodi and Ghorbanifar, sources said, had already talked of making approaches to Iranian officials with the idea of exchanging signals of "good faith." The United States would permit Israel to sell U.S.-made arms and Iran would respond by helping get American hostages released, according to Israeli sources.

In June, according to sources, Ledeen visited Israeli Prime Minister Shimon Peres and told him of McFarlane's interest in a new approach to Iran. He arranged for Kimche to visit Washington to discuss the matter with McFarlane. The Israelis had their own interests in making overtures to Tehran, including the idea of helping keep the Iran-Iraq war going, according to U.S. sources. Prolonging the drawn-out conflict would mean that the Iraqis and their allies, who were Israel's enemies, would be kept fully occupied.

McFarlane met with Kimche on July 3, according to his testimony to the House Foreign Affairs Commit-

tee. Sources said that Kimche brought with him extensive files on 1,200 "moderates" in the Tehran government. Kimche also brought up the idea that, in the future, Washington might be asked to permit Israel to resume selling U.S. arms to Iran.

Kimche returned the next month, having discussed the issue with "Iranian moderates." This time he made a more direct link between providing arms to the Iranians, getting hostages back in return and being able to open a broader relationship between Washington and Tehran.

McFarlane said he raised the issue with the president and Reagan decided that if the Iranians to whom the weapons went were "truly opposed to terrorism and committed to seeking change in Iranian policies," then "to help them would not represent a violation of U.S. policy." Reagan, according to McFarlane, said that Israel "could purchase replacements from the United States" if it provided "small quantities of arms" that would not alter the military balance with Iraq or "could not be used for terrorist purposes."

McFarlane's testimony under oath differs from what sources close to McFarlane said about the incident earlier. In mid-November, these sources said that Reagan and McFarlane rejected the idea of approving Israeli shipments and that they had taken place without Washington's knowledge.

White House spokesmen said after the McFarlane testimony that the president had no specific memory of such a decision.

Without U.S. approval, Israeli sales of U.S. arms would violate U.S. law and could lead to an interruption of American aid.

In September 1985, two Israeli shipments totaling 500 TOW anti-tank missiles were sent to Iran. According to one version of events, the first shipment of 100 TOWs did not result in the release of any hostages and Ghorbanifar reportedly told the Israelis that he would only get "a leg or an arm in partial compensation" until the other 400 were delivered. In another version, the Iranian Revolutionary Guards seized the first shipment at Tehran airport so a second shipment had to be routed to Iranian army units via Tabriz airport.

In either event, the Israelis persuaded McFarlane, North and others associated with the venture that the shipments would result in release of several if not all the hostages, particularly Buckley. U.S.

officials were so certain of the release that they moved an aircraft carrier off the Lebanese coast at the scheduled release time with a Delta Force unit aboard in case a rescue mission had to be staged.

On Sept. 14, hostage Weir was freed. He was quickly hustled aboard the carrier to be debriefed by military men and then was flown secretly to Norfolk for additional questioning. His freedom was not announced for four days while the president and his aides waited expectantly for the rest of the hostages to appear.

Weir gave them the first indication that Buckley had died, but he could not offer any guidance as to what would happen to the others.

On Sept. 18, Reagan announced that Weir had been freed and said later that the government was working to get the rest released.

The Israelis were embarrassed. But according to one source, Ghorbanifar said that the other hostages would be freed if Iran received Hawk antiaircraft missile battery parts to rebuild defenses at its oil facility on Kharg Island in the Persian Gulf, which had been bombed by Iraqi aircraft.

Another Deal Negotiated

Negotiations began for another shipment. In an aside to a colleague during a November conversation, North said that the president wanted the hostages home by Christmas and "it's my ass if it doesn't happen."

An Iranian list of parts for improved Hawk missile batteries was passed on to the Israelis and in late November, the shipment was sent from Tel Aviv to Iran via Lisbon. But it ran into trouble in Lisbon. McFarlane was called in Geneva, where he was attending the summit between Reagan and Soviet leader Mikhail Gorbachev. He was told that a new plane was needed. McFarlane called North in Washington, who called a colleague at the CIA and asked the agency to provide a plane. According to testimony from CIA Director Casey, North said the cargo was oil-drilling equipment.

Casey was in China but North's request was approved. By one account, John N. McMahon, Casey's deputy, gave the approval. But he later denied that. Another account said Casey sent the approval from China. When McMahon discovered the shipment contained weapons, he told an associate that it was an illegal action by the agency.

The Iranians discovered that the Israelis had sent them obsolete Hawk parts and refused to accept or pay for the shipment. No hostages were released.

According to testimony to the congressional committees, about \$14 million worth of arms went to Iran in 1985. How much the Iranians paid is not known, although they reportedly did not pay for the November Hawk systems.

In December, State Department officials who had become disturbed by the McFarlane initiative demanded a meeting with the president. Shultz, who had not been informed in advance of the Israeli shipments, wanted to make clear his opposition to continued arms sales. At the Dec. 6 meeting, McFarlane was ordered to meet with the Israeli and Iranian intermediaries, specifically Kimche, Nimrodi and Ghorbanifar, and tell them that the United States was prepared to continue discussions on improving relations with Iran—but that it would not approve additional arms shipments.

About the same time, Peres, who sources said had also become unhappy with the Israeli participants, assigned his counterterrorism specialist, Amiran Nir, to serve as liaison on the project.

That same month, McFarlane announced his resignation. He was replaced by his deputy, Vice Adm. John M. Poindexter. North, who had served as McFarlane's chief aide on the Iran arms project, became the administration's point man on the project, adding to his main task of seeking private funding for the Nicaraguan contras.

On Jan. 7, 1986, Reagan brought together his national security team for another discussion of the Iran initiative, the release of hostages and the possibility of using arms to "lubricate" the process, as one source put it. Just what prompted the meeting is not clear.

Shultz testified last week that in this discussion, it became obvious that the president was leaning more toward resumption of arms shipments. Another source familiar with the meeting said Reagan kept asking Shultz and Weinberger, "What's wrong with shipping arms?"

Ten days later, Reagan signed an intelligence finding authorizing renewed clandestine shipment of American arms to Iran, this time from Pentagon stocks.

The details of this decision are not fully known, but it is clear that those involved viewed it as ex-

tremely controversial and tried to keep it as secret as they could.

The finding, which ignored Reagan's own national security regulations, was not shown to half the members of his national security planning group, including Shultz and the chairman of the Joint Chiefs of Staff. It also carried within it, at the suggestion of the CIA counsel, a provision ordering Casey not to report it to Congress as required by law and by a personal letter Casey had sent to the Senate Select Committee on Intelligence.

New Transfer Arrangement

Under this new arrangement, the United States would be able to set the price for any weapons shipped to Iran, a situation that permitted profits to be accrued and Iranian payments diverted to other purposes, such as the contras. The plan called for the Pentagon to transfer weapons to the CIA, which transported them to Israel. Since the United States was prohibited by law from selling weapons directly to Iran without notification of Congress, the administration needed a banker or middleman to buy the weapons from the CIA and the Pentagon. The U.S. agencies, sources said, could not take the risk that the Iranians would not pay for the weapons.

Adnan Khashoggi, a Saudi Arabian businessman, had performed that role in the Israeli shipments and apparently did so again for the phase of the operation that involved direct U.S. shipments. He reportedly got other individuals to put up most of the money.

The transfer of the funds took place in Swiss banks, and congressional aides who have studied available records said yesterday that they still could not say where it all had gone. Casey testified that his agency set up an account to receive the money owed to the Pentagon, although that money at first was deposited into a CIA account, used to purchase arms for Afghan rebels, that contained up to \$500 million in Saudi and U.S. government money.

Swiss authorities said the Justice Department asked them to block two accounts at Credit Suisse, one controlled by North and the other by North and retired major general Richard V. Secord, a key figure in the private network aiding the contras, and his business partner, Albert Hakim.

Casey said four payments totaling \$12.2 million were identified as going into the CIA account to repay the Pentagon, but he did not know the source of that money.

Meese, on Nov. 25, said that between \$10 million and \$30 million may have gone to aid the contras. But so far, little is known about who took the money out of the Swiss accounts, where it went, what it was used for or who benefited. Some officials have questioned whether any of the money actually reached the contras. North, Poindexter and Secord all have invoked their Fifth Amendment rights against self-incrimination and have refused to tell congressional investigators what they may know about this aspect of the mystery.

In February, the first shipment under the new arrangement was made, but no details leaked out. In April, McFarlane was told by Poindexter that the Iran initiative was moving forward, and in late May he was asked to go on a special mission to Tehran. McFarlane testified that he thought he was going to consummate a deal that would see all the hostages released and begin serious talks for a new relationship between Iran and Washington. He carried with him negotiating instructions from the president.

He was accompanied by North, Teicher, Nir and George Cave, a retired CIA agent who had been station chief in Tehran and spoke fluent Farsi. The plane was also carrying Hawk anti-aircraft spare parts.

When McFarlane arrived, he quickly found that the hostages had not been freed and his days of negotiation were dominated by a final Iranian demand—from a top aide to the speaker of the Iranian parliament, Ali Akbar Hashemi Rafsanjani—for more arms in return for the hostages. At the airport, North took McFarlane aside—one report says it happened in a men's room—and told him that some of the Iranian money for arms was being diverted to help the contras. McFarlane told the House committee that he believed that activity had been authorized "by higher authority" but could not say who. He said he never asked North.

Advice to Halt Initiative

When he returned to Washington, McFarlane said, he recommended to the president that the initiative again be halted. Negotiations, however, apparently continued. The Iranians did not complete-

ly pay for the arms they had received and the United States held back on a next promised shipment.

On July 26, hostage Jenco was released and, according to sources, another shipment of TOW missiles was sent. McFarlane was not quite out of things. When the ambassador-designate to Lebanon, John H. Kelly, came to see him to talk about the Beirut post, the discussion turned to arms and hostages, according to Shultz's testimony to the House committee.

In September, concern about the hostages grew again when American reporter Nicholas Daniloff was seized in Moscow and negotiations began for his release. Two more Americans were seized in Beirut that month; a third was kidnapped in October.

Meanwhile, two Canadian financiers, who had been brought in by Khashoggi, complained to a New York energy trader with links to businessman Roy M. Furmark that they had not received their money from the deal. Furmark, a former legal client of Casey, called the CIA director to tell him about the Canadians' warnings. He also told Casey that he had been told by Ghorbanifar that some of the money may have been diverted to Central American projects. Casey passed that information on to Poindexter and told a House committee that North reassured him that nothing like that had occurred.

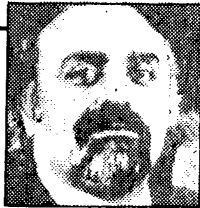
In Tehran, opponents of Rafsanjani put out leaflets saying there were secret negotiations going on with Americans, and toward the end of the month, Iranians opposed to Rafsanjani went to Beirut with the story of McFarlane's visit.

On the last weekend in October, North told Ambassador Kelly in Beirut to expect the release of three American hostages held in Lebanon by Islamic Jihad extremists, according to informed sources.

When only one hostage, Jacobsen, was released, North described it as "a mistake," and said he "firmly believed" that the Iranians with whom he had been dealing would deliver hostages Sutherland and Anderson within a day or two, according to a source familiar with the events that weekend.

"It was like Charlie Brown [in the comic strip Peanuts] who hoped each time he ran up to kick the football that Lucy wouldn't pull it away, but she always did," one administration official, who has been critical of the Iran operation from its start, said yesterday.

THE SECRET ARMS DEALS: A CAST OF CHARACTERS



MANUCHER GHORBANIFAR:

Iranian arms dealer and middleman with close contacts to Iranian Prime Minister Mir Hossein Mousavi, who acted on behalf of the regime of Ayatollah Ruhollah Khomeini in the Reagan administration's secret arms deals. In 1984 in Hamburg, West Germany, Ghorbanifar approached an American intelligence official and proposed the United States ransom the hostages in Lebanon. The United States apparently never acted on the proposal. In 1985 Saudi billionaire Adnan Khashoggi introduced Ghorbanifar to Israeli arms merchants. Ghorbanifar and the Israelis then brokered the first U.S.-approved Israeli shipments of arms to Iran in August and September 1985.



ADNAN KHASHOGGI:

The Saudi billionaire said Thursday in an interview with ABC News that he advanced \$1 million to finance the first shipment of Israeli arms to Iran and \$4 million for a second shipment made Sept. 14, 1985. Khashoggi in 1986 brought Canadian investors into the U.S.-Iran arms deals to finance later sales.



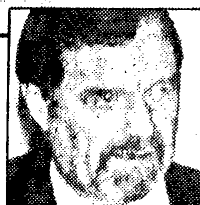
DAVID KIMCHE:

Former director general of the Israeli Foreign Ministry and a veteran of Israel's secret intelligence service, Mossad. Kimche met in July and August 1985 with Robert C. McFarlane, then the president's national security adviser, and used Israeli intelligence data to argue that there were moderates in Iran open to negotiations with the United States. Kimche proposed that Israel send U.S.-made arms to Iran to encourage Tehran's help in freeing the hostages.



WILLIAM J. CASEY:

The CIA director provided McFarlane with his own evaluation of the political climate in Iran in 1985, supporting Kimche's assertion that Iranian "moderates" were willing to begin talks with the United States. Casey was said to be desperate to find ways to free William Buckley, his Beirut station chief kidnaped March 16, 1984. Having been told by Furmark about apparent irregularities in the financing of the arms deals, Casey on Oct. 8 informed Vice Adm. John M. Poindexter, then President Reagan's national security adviser, and Poindexter's aide, Lt. Col. Oliver L. North, about the problem.



ROY M. FURMARK:

A New York businessman and one-time legal client of CIA Director William J. Casey, Furmark also was an associate of Khashoggi. Furmark contacted Casey in October with information about two Canadians who had financed shipments of arms to Iran but had not received money they were owed. Furmark told Casey the following day in Washington that he had been told some of the outstanding funds may have been diverted to Central America.



ROBERT C. MCFARLANE:

While serving as the president's national security adviser, he gave approval for Israeli arms shipments in 1985, but favored ending the program in December of that year. He resigned Dec. 4, 1985. Five months later, expecting all hostages to be freed, McFarlane secretly flew into Tehran with a shipment of U.S. arms to demonstrate American interest in improved relations. After long waits and several days of fruitless talks, he left Iran. No hostages were released.