

WALL STREET JOURNAL  
22 December 1986ARTICLE APPEARED  
ON PAGE 3

## White House Recounting of Iran Affair Absolves Reagan but Raises Questions

By JOHN WALCOTT  
And ANDY PASZTOR

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—A comprehensive written account of the Iran arms affair, prepared by the White House after the scandal broke, absolves President Reagan of any responsibility for Israeli arms sales to Iran last year, or for the diversion of profits from the sales, administration officials said.

But the officials said that although White House Chief of Staff Donald Regan, Central Intelligence Agency Director William Casey and other top officials have used the chronology as a basis for much of their testimony on the affair, the document contradicts the sworn testimony of some participants, omits crucial parts of the story, and may contain errors of fact.

Some congressional investigators question the accuracy of the White House account and are looking into how it was prepared.

Meanwhile, a memo that investigators found in Lt. Col. Oliver North's files suggests that as early as 1985, the former National Security Council aide considered the idea of diverting funds from the arms sales to help the Nicaraguan insurgents, according to law enforcement officials.

The issue of when the subject first came up in memos or discussions by Lt. Col. North is significant, law enforcement officials said, because it can help explain who else in the administration may have known about the issue, and whether Israeli government officials or arms dealers also may have suspected or known about such efforts to funnel money to the insurgents, known as the Contras.

### White House Chronology

The White House chronology was produced when former National Security Adviser John Poindexter and Messrs. Casey and Regan ordered CIA officials and Lt. Col. North to write it last month, soon after an article about the Iran arms sales appeared in a Beirut magazine, administration sources said. The document was intended to prepare administration officials for briefing Congress on the arms sales.

Administration sources familiar with the chronology said it claims the U.S. government demanded the return of Hawk missiles shipped to Iran by the Israelis in November 1985 because the missiles had been shipped without Mr. Reagan's approval.

Others familiar with the transaction, however, have said the missiles were rejected by the Iranians because they were outdated models and that the incident con-

vinced U.S. officials to stop selling arms to Iran through two Israeli middlemen, Yaacov Nimrodi and Al Schwimmer.

Moreover, intelligence sources and others with knowledge of the November shipment said it was made with direct help from the White House and the CIA. When the Israeli plane carrying the missiles was detained in Lisbon, Portugal, these sources said, Israeli officials called Robert McFarlane, then President Reagan's national security adviser, at the U.S.-Soviet summit meeting in Geneva.

Mr. McFarlane, the sources said, contacted Lt. Col. North, and told him to secure CIA help in releasing the shipment and delivering it to Iran. Lt. Col. North contacted a now-retired CIA official responsible for managing covert operations. The official, after calling Mr. Casey in China, helped arrange a charter airplane and customs clearance for the Iranian-bound missiles, intelligence sources said.

The chronology also asserts that President Reagan "did not approve" Israeli sales of American-made arms to Iran in 1985. However, Mr. McFarlane has testified under oath that Mr. Reagan approved the sales in advance.

Mr. McFarlane's version received support from lawmakers yesterday. On NBC-TV's "Meet the Press," Sen. William Cohen (R., Me.) said he believes that Mr. McFarlane, whom he said he knows well, "would not act outside of channels."

Mr. Cohen, an Intelligence Committee member who was appointed to the Senate select panel investigating the affair, added that "if the president were to tell him specifically this plan is to be vetoed, he (McFarlane) would not go to the Israelis and say the green light is on."

### Direct Sales to Iran

On the same program, Sen. Sam Nunn (D., Ga.) said the president "has not gotten on top of the facts, and he may or may not have forgotten some of them."

The White House chronology also suggests that the administration reversed an earlier decision and decided to sell U.S. arms directly to Iran after a January 1986 visit from Amiram Nir, Israeli Prime Minister Shimon Peres's adviser on terrorism. According to sources, the chronology claims that Mr. Nir proposed a renewed effort to build relations with moderates in Iran after meeting with an Iranian arms dealer, Manucher Ghorbanifar, and a Saudi Arabian financier, Adnan Khashoggi.

But other administration officials said President Reagan was the driving force behind the decision. The officials said the administration's hopes that Israeli arms

sales in September and November of 1985 would help bring all the hostages home in time for Christmas were dashed, and Mr. Reagan himself delivered the disappointing news to the hostages' families in a series of emotional meetings in the White House. The meetings, the officials said, were attended by Lt. Col. North and other White House aides.

Separately, discovery of the earlier memo suggesting that funds had been diverted to the Contras prompted Justice Department officials to begin a full-scale investigation of the matter late last month. Law enforcement officials said the memo, uncovered by Assistant Attorney General William Bradford Reynolds, wasn't signed or dated.

### Memo Believed Written in '85

These officials say the Federal Bureau of Investigation now suspects that the memo was written sometime in 1985, before President Reagan signed a formal national security directive last January authorizing weapons sales to Iran. FBI Director William Webster has said the memo alerted investigators early on to "something that might not have been in the purview" of that presidential directive, but he has declined to elaborate.

The FBI has interviewed U.S. officials about the origin of the memo and also intends to ask certain Israelis about its contents, according to law enforcement officials. Israeli officials repeatedly have denied that they either knew or suspected that money from the arms deals was intended to flow to the Contras.

Mr. Meese, who discussed the memo in closed-door testimony before the House Intelligence Committee on Friday, told reporters afterward that Lt. Col. North assured him last month that President Reagan didn't know about any diversion of funds to the Contras.

In recent days, administration officials have acknowledged that even though there was only modest political pressure on President Reagan to free the hostages, the issue was a major concern in the president's Mideast policy.

### North Spoke of Hostage Dilemma

Lt. Col. North had publicly acknowledged the effect of the hostage issue on U.S. policy in fall 1985, at a seminar on terrorism at the State Department's Foreign Service Institute. According to sources who were present, the former NSC aide conceded that it was becoming difficult for the administration to stick to its hard-nosed policy of not paying ransom for hostages or negotiating with terrorists in the face of the emotional demands of the hostages' families.

Following the meetings with hostages' families, administration sources said, Mr. Reagan directed Mr. Regan and Vice Adm. Poindexter to redouble their efforts to free the hostages. Lt. Col. North, on instruc-

Continued

2.

tions from Mr. Poindexter and with the support of Messrs. Regan and Casey, then contacted Mr. Nir, who had provided help to Vice President Bush's task force on terrorism.

Indeed, intelligence sources said the administration's efforts to locate and free the hostages were far more extensive than was previously known. Despite the protests of some hostage families that the administration wasn't doing much for their relatives, the White House and the CIA had in place a secret campaign by late 1985 to find the hostages and to win their release, the sources said.

The CIA established a Hostage Rescue Locating Force under the national intelligence officer for counterterrorism, Charles Allen. The force attempted to infiltrate agents into terrorist groups, paid informants for data on the whereabouts of the hostages, and analyzed technical intelligence that might help locate the hostages, track their movements, and identify their captors. The force prepared highly classified weekly reports on the current whereabouts of the hostages and their apparent physical condition, intelligence sources said.

#### Extremely Frustrating Task

The task was extremely frustrating, the sources said, because the small terrorist cells in Lebanon proved extremely difficult to infiltrate and reliable information very hard to procure.

One problem the CIA encountered, administration officials said, is that some ter-

rorist groups in Lebanon demanded that new recruits participate in assassinations in order to prove their good faith. On at least one occasion, the officials said, the CIA withdrew an agent that had infiltrated a terrorist group to avoid violating the administration policy against assassinations.

Separately, congressional investigators continued delving into Mr. Meese's role in late October in ordering a temporary halt in the FBI's investigation of Miami-based Southern Air Transport, a cargo airline suspected of carrying arms to Iran and the Contras. Both the Justice Department and the FBI, according to law enforcement officials, prepared internal documents spelling out how the probe was halted and then resumed.

About a week after Mr. Meese, through one of his top aides, requested and obtained such a delay by the FBI on national security grounds, senior bureau officials asked Associate Attorney General Stephen Trott if they could resume the probe, officials familiar with the discussions said.

Congressional investigators want to determine whether Mr. Meese or his aides contacted Vice Adm. Poindexter or other NSC officials before the decision was made to resume the investigation, and what may have been discussed.

On ABC-TV's "This Week With David Brinkley" yesterday, Rep. Dante Fascell (D., Fla.), who will serve on the House select panel investigating the scandal, said the committee doesn't want to prolong the probe, but it won't rush "just to get it over with." However, Rep. Richard Cheney (R., Wyo.) said the panel should move "as rapidly as possible."

On the same program, Sen. Daniel Inouye (D., Hawaii), chairman of the Senate select panel, said that "if it takes a grant of immunity to get important questions answered, such a request would be considered at a later date."

Over the weekend, House Speaker-elect Jim Wright (D., Texas) said on John McLaughlin's "One on One" television show that rather than giving any former officials immunity, President Reagan might prompt them to testify by promising them a presidential pardon. Rep. Cheney yesterday called the suggestion "premature" and probably "a bad political move." Rep. Fascell said the idea "was not a wise course to follow."

Separately, Vice President Bush conceded that he is "no longer the front-runner" for the 1988 Republican presidential nomination, according to news reports yesterday. In an interview with reporters who accompanied him over the weekend to Iowa, Mr. Bush was asked if he felt a sense of personal failure in not knowing about the diversion of money to the Contras. He responded that "I would be perfectly glad to accept whatever my share of responsibility is."