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✓ *Jack Anderson and Dale Van Atta* ✓

Sideshow at the CIA

The Reagan administration persists in its support of the Nicaraguan contras' foredoomed effort to overthrow the Sandinista regime, while ignoring the CIA's pathetically botched effort to help the anti-Soviet freedom fighters in Afghanistan.

Our investigation of the agency's cavalier irresponsibility suggests that the Afghan military supply program is regarded at Langley as merely the latest chapter in a 150-year-old sideshow dubbed "The Great Game." That was the name first applied to the British-Russian struggle for control of Central Asia by a British captain in 1842. In fact, the determined, indigenous guerrilla movement in Afghanistan offers the best opportunity in decades to thwart Soviet expansionism and possibly force a humiliating Kremlin withdrawal.

A recent visit to the fabled Khyber Pass by Dale Van Atta offered evidence that times haven't changed much in that isolated corner of the Earth. The Khyber remains the most important passage between the plains of the Indian subcontinent and the uplands of Central Asia.

From a border outpost overlooking the Khyber, Van Atta saw the gaily decorated buses and trucks that shuttle trade goods—including drugs—along the winding road cut into the rock cliffs. Occasional stone tablets and cairns pay tribute to British regiments and battalions that fought and died in long-forgotten skirmishes of the Great Game.

A reminder of the Great Game's geopolitical significance is the papier-mâché "playboard"—a large outdoor relief map of the area with hilltops and villages labeled in English. It was produced for a recent visit by Jimmy Carter. The same border vantage point, incidentally, was where Carter's national security adviser, Zbigniew Brzezinski, had himself photographed aiming a gun at the Soviet-controlled Afghan village in the distance.

It was during the Carter administration, following the Soviet invasion of December 1979, that the CIA laid down a foolish rule for its revival of the Great Game. The rule decreed that American aid to the Afghan rebels must be kept

secret. The CIA must at all costs preserve "plausible deniability" of its role.

The first corollary of this rule was that no American personnel would be linked to the arms supply. The disastrous effects of this lack of American control have been wholesale waste and corruption at every stage in the weapons pipeline, with the result that the freedom fighters actually receive, by our estimate, no more than 40 percent of the military supplies Congress has paid for.

The second corollary was that no American weapons could be provided to the *mujaheddin*—a ridiculous mandate that forced the CIA to buy inefficient and/or antique Soviet-made weapons from Egypt, Israel and China.

The CIA insisted in secret testimony to Congress that the Pakistanis would not allow U.S. arms to be shipped to the Afghan rebels, because it would embarrass the Islamabad government.

This argument was known, in CIA shorthand, as the "Eveready Line," because CIA briefers insisted that "the Pakistanis don't even want Eveready batteries going to the *mujaheddin*."

The official most ready with the Eveready Line was John McMahon, No. 2 man at the CIA until early last year. He was contradicted in closed testimony by Vernon Walters, a former CIA bigwig who is now ambassador to the United Nations, and Fred Iklé, defense undersecretary for policy.

Both Walters and Iklé had discussed the matter directly with the Pakistanis, who said they were perfectly willing to accept U.S. arms for the Afghans. The Pakistanis told Rep. Charles Wilson (D-Tex.) the same thing. But McMahon continued to lead CIA resistance to the dispatch of U.S. arms to the Afghans.

McMahon's resignation from the CIA in March 1986 was partly the result of a lobbying campaign by the Federation for American Afghan Action, which generated 10,000 letters to President Reagan objecting to McMahon's policy.

Unfortunately, others at the CIA have taken up where McMahon left off. For reasons yet unexplained, they refuse to play the Great Game to win.

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Few will concede need for counterintelligence

By Bill Gertz
THE WASHINGTON TIMES

Lack of government cooperation in countering spies and preventing serious breaches in internal security remains one of the most divisive issues facing the administration today, according to current and former U.S. intelligence officials.

"In counterintelligence, the administration is totally and completely fragmented," one official said. "That's because in any bureaucracy, counterintelligence looks at failures, and nobody wants that."

Several intelligence officials, speaking on condition of anonymity, agreed that cooperation among U.S. diplomatic and intelligence agencies on sharing "positive intelligence" — satellite photos, agent information and analyses — has been one of the major strengths of the administration.

But counterintelligence failures in the past 10 years have occurred in every agency of government charged with protecting U.S. secrets, they said.

Security breakdowns have plagued the U.S. government since the 1970s, when wholesale reductions were made in the capacity of American intelligence agencies to ferret out spies, according to the officials.

The problem has been highlighted by the recent Moscow embassy scandal involving two U.S. Marine security guards charged with allowing Soviet agents inside secret sections of the building, including communications, defense and intelligence areas.

At the State Department, many Foreign Service officers believe the "diplomatic culture" leads diplomats to regard security as incompatible with traditional diplomacy, one White House official said.

"But the fact is you can't conduct successful diplomacy without security," the official said. "How can we carry out arms control negotiations if the Soviets are reading our cables and bugging our embassy?"

The official credited the decades of successful diplomacy carried out by former Soviet Ambassador to Washington Anatoly Dobrynin, now a senior Communist Party official, to the tight security maintained by the Soviet Embassy in Washington.

By comparison, Arthur Hartman, former U.S. ambassador to the Soviet Union, assailed by the officials as a major opponent of White House security policies until he left Moscow earlier this year, told one White House aide in 1983: "I don't care if the KGB is listening."

Another example of State Department opposition to NSC counterespionage programs happened during the November expulsion of the 80 Soviet spies, described by U.S. officials

as the most senior Soviet intelligence officers stationed abroad.

Officials said the expelled Soviet agents covered a wide spectrum, including operatives active in disinformation, electronic eavesdropping, military intelligence and theft of high technology.

However, according to one official, the State Department deleted the names of several Soviet spies on the FBI's original expulsion list, and replaced them with others, in order to allow certain agents to remain in the United States as a gesture of good will.

Secretary of State George Shultz told reporters during negotiations in New York with Soviet Foreign Minister Eduard Shevardnadze that some of the spies had been "useful" to the Soviet foreign minister.

Security officials noted that breakdowns were not limited to the State Department. Every U.S. government agency charged with using and protecting national security information suffered a major intelligence failure because of the modest counterspy program over the past 10 years, they said.

Other recent cases include security breaches in the one of the most secret councils of the CIA — the Soviet operations directorate — by Edward Lee Howard, the first agency employee to defect to Moscow.

The John Walker espionage ring that sold secret Navy communications codes to the Soviets for decades has been described as one

of the worst security failures in history. A National Security Agency signals intelligence failure, caused by former NSA employee Ronald Pelton, convicted of spying for the Soviets last year, led to the compromise of a secret electronic eavesdropping operation against Moscow in Asia.

According to intelligence officials, few corrective measures have been taken as a result of the spy scandals.

Analyses about how the penetrations occurred and how future cases can be averted are limited to internal agency studies. The officials said bureaucratic divisions prevent any single government agency from taking a comprehensive look at security failures or the damage caused by them.

"There has never been a damage assessment beyond what the bureaucracies call 'the point of failure' (of an espionage leak)," said one White House official. "The failures are not pursued. NSA won't tell CIA what it's doing and the CIA won't tell the FBI what it's doing. The result is that the lowest common denominator is used to assign blame for intelligence failures."

George Carver, a former CIA official, believes such recent problems as the Moscow embassy case grew out of intergovernment conflicts dating to the early 1970s, when security officials clashed with government officials more concerned about civil liberties than hostile spying.

As a result, he said, CIA counterintelligence was "dismantled" during the late 1970s by officials opposed to tough security and counterespionage programs.

While the Reagan administration has talked tough about pushing counterintelligence reforms, senior policymakers so far have been unable to muster the will and resources needed to restore effective counterspy functions, he said.

"It's a lot easier to break an egg than to put it back together," Mr. Carver said in a recent interview.

"The dominant culture in the State Department says you basically achieve ends by accommodation," Mr. Carver said. "People outside the Foreign Service clan, like the FBI or the CIA, are regarded as interlopers who have to be repelled."

As for espionage, many at the State Department regard it as "a fact of life," Mr. Carver said.

Other officials go further, asserting that since both sides spy on each other, counterintelligence may be harmful to collection activities.

Defense Secretary Caspar Weinberger rejected this view in a recent speech. "This argument ignores the enormous difference between the nature of each side's intelligence activities, which reflect the fundamental differences that separate our two systems," he said.

"For example, given our democratic government of checks and balances, our intelligence activities could never approach the scale of the 'anything goes' Soviet operation, and properly so," Mr. Weinberger said.

Officials said Reagan administration infighting over counterespionage policy peaked in 1982, when a presidential directive was signed ordering a governmentwide review of counterintelligence programs.

The directive triggered a confrontation between then-National Security Adviser William Clark and Adm. Bobby Ray Inman, deputy CIA director at the time, who opposed the directive so strongly that he resigned rather than carry out the review, officials said.

Adm. Inman later was hired by the State Department to conduct a study which found major deficiencies in U.S. embassy security against terrorist and espionage threats.

John McMahon, Adm. Inman's successor, also clashed with the National Security Council over counterintelligence programs, according to the officials. The officials said Mr. McMahon, who resigned last year, resisted and eventually blocked a White House plan to strengthen CIA capabilities against Soviet spying abroad.

FBI chief faults Iran-contra deal

By Aaron Epstein
 Inquirer Washington Bureau

WASHINGTON — In little-noticed parts of his courteous, nonconfrontational Senate testimony last week, FBI Director William H. Webster questioned the legality of critical aspects of the Reagan administration's secret operations in Iran and Central America.

He challenged the administration's failure to authorize the first arms sale to Iran in writing, its attempt to approve CIA involvement retroactively, and its carefully orchestrated effort to keep Congress from learning what was going on.

Webster, who was a respected federal judge in St. Louis before moving to his FBI post more than nine years ago, made three important legal points about the Iran-contra scandal during a Senate Intelligence Committee hearing Wednesday on his nomination as CIA director.

First, he indirectly challenged the view of his boss, Attorney General Edwin Meese 3d, that President Reagan acted properly by authorizing orally — and not in writing — the first secret shipment of TOW missiles to Iran in August and September 1985.

Under the law, such secret operations must be authorized by the president in a form called a "finding."

The Senate committee reported in January that former national security adviser Robert C. McFarlane had recalled discussing the legality of oral findings at a meeting with Meese on Nov. 21, 1986.

"Meese told him [McFarlane] that he believed an oral, informal presidential decision or determination to be no less valid that a

In congressional testimony, Webster doubted the legality of three key aspects of the administration's operations.

written finding," the committee reported in January.

At Wednesday's hearing, Webster was asked by Sen. Sam Nunn (D., Ga.) whether such presidential authorizations, or findings, might be made orally.

They should be in writing, Webster replied, so there would be a formal explanation of presidential action. And even if there were no time to put the authorization in writing beforehand, it should be put in writing within a short time, Webster said.

Second, there was a legal question of whether the President could authorize secret CIA operations that had already taken place. The question came up in early December 1985, when John McMahon, the number-two official at the CIA, learned that the agency had aided a weapons shipment to Iran one month earlier.

McMahon wrote at the time that he "went through the overhead, pointing out that there was no way we could become involved in any implementation of this mission without a finding."

So McMahon told Stanley Sporkin, then CIA counsel, to draft a finding aimed at authorizing the CIA's activities "retroactively." Sporkin did so. CIA Director William J. Casey sent

the draft to the White House. But the President's special review board, headed by former Sen. John Tower, reported in February that Reagan "appears not to have signed this finding" — which, if true, may make the CIA operation illegal.

Asked by Nunn whether he agreed with Sporkin that findings could cover past activities, Webster replied firmly that Congress did not intend to allow that. Retroactive authorization was "damage control, nothing less," Webster said.

In a third dissent to the handling of the Iran-contra affair, Webster suggested that the administration had ignored its legal responsibility to inform the House and Senate Intelligence Committees about covert operations abroad, either beforehand or "in a timely fashion." The purpose of the law was to allow the committees to take action to modify or halt operations it considered ill-advised or wrong.

Throughout the Iran-contra affair, the President, Casey and other top presidential advisers chose not to notify Congress about the Iran arms deals at all.

Sen. David L. Boren (D., Okla.), chairman of the Senate Intelligence Committee, wanted to know what Webster would have done had he been in Casey's position.

Webster replied that if he were assured that the Intelligence Committees could keep the operations secret, "I would have insisted on notification [of Congress], or I would not have been able to stay.

"Any project that cannot survive congressional notification is suspect from the beginning," Webster said.

On Language

J BY WILLIAM SAFIRE

Bravo Zulu!

CHAIN THAT YOUNG man to a computer," said John Tower, "and feed him baloney sandwiches." Thus did the chairman of the Reagan-appointed board to investigate Iran-contra arms dealings assign the task of writing "Appendix B" to Nicholas Rostow, a staff member borrowed from the State Department who had academic training in diplomatic history.

The result was the most stunning reverse appendectomy in government report-writing in years. (A reverse appendectomy puts an inflamed appendix *in*.) Mr. Rostow's riveting narrative, piecing together the sometimes contradictory evidence in a dramatic fashion, was not the portion of the report printed in most newspapers, but is the guts of the paperback book — The Tower Commission Report — that became an overnight best seller.

Lexicographers and linguists found that section to be of special interest because its selections from interoffice computer memos revealed, in raw form, the arcane lingo of the military bureaucrats on the National Security Council staff. We have at last available for scholarly analysis the down-home patois of our home-grown patsies.

"Bravo Zulu on Jenco's release," wrote former national security adviser Robert C. McFarlane to Vice Adm. John M. Poindexter, after an arms shipment obtained the release of an American held

hostage in Lebanon. Colonel McFarlane used that same expression, *Bravo Zulu*, at the end of a message to Lieut. Col. Oliver L. North, a fellow Naval Academy ring-knocker. Some reporters immediately suspected South African involvement in the dealings.

In Navy signal code, *Bravo* stands for *B* and *Zulu* for *Z*. Merriam-Webster dates the use of these terms from the North Atlantic Treaty Organization phonetic alphabet back to circa 1962 and 1952, respectively. When the two signals are put together as *B-Z*, or spoken or written out as *Bravo Zulu*, the message means "job well done."

Why? Why do the letters *B-Z* not mean "I'm busy, Titanic, try another ship"? Nobody I reached at the Naval Academy or the Naval Institute at Annapolis had the answer, though commendably nobody there refused to answer on constitutional grounds. Somewhat defensively, one old-salt librarian suggested the letters *B-Z* were used by signal communicators to mean "well done" for the same reason CB operators use *10-4* for "great" or "so long" — that is, for no reason at all.

Five unusual verb phrases also studded the appendix: *stand down*, *promise paper*, *went through the overhead*, *be teed up* and *stay off the skyline*. This has caused terrible headaches at the K.G.B. decoding station in Dzerzhinsky Square. In the spirit of in-

ternational amity, these explanations:

"I was advised to do nothing and basically to *stand down*," testified Howard Teicher, then the National Security Council's Middle Eastern specialist. That same expression, using the past participle of *stand*, was repeated to me in this connection by Secretary of State George P. Shultz: "They told me the whole thing was 'stood down.'"

The earliest use of *stand down* dates back to 1681, as a clause in a trial transcript directing a witness to leave the box after giving evidence: "You say well, stand down." In the 19th century, the infinitive phrase *to stand down* gained a nautical sense of "to sail with the wind or tide." In the 1890's, it became a sports term meaning "to withdraw from a race or game." In World War I, it became the opposite of the order *stand to*, an ellipsis for "stand to one's arms," or come on duty.

"*Stand down* is the order countermanding *stand to*," wrote Edward Samuel Farrow in his 1918 Dictionary of Military Terms. This sense of coming off military duty was transferred to "closing down an operation" by military men working in the diplomatic area during the past decade.

"If pressed for action you can credibly *promise paper* within the next few days," wrote the late Donald R. Fortier, deputy to Colonel McFarlane. This is the first appearance anywhere of this

locution. Closest is the 1976 comment in *The Economist* of London that "the Tory government, facing defeat, had to promise a white paper on the subject to quell the mutineers." In the sense used in the N.S.C. memo, *paper* is a memorandum or other documentation to back up a position; the infinitive phrase to *promise paper*, I assume from the context, means "to promise a report in writing" to a senior who is worried about all these words flying around on the phone.

When informed of the Central Intelligence Agency's involvement in an early shipment of arms to Iran, then Deputy Director John N. McMahon wrote a self-protecting memo for his file saying that he "went through the overhead pointing out that there was no way we could become involved without a finding."

Overhead, in this context, seems to be an intensified term for *roof*; the overhead has long meant "sky, firmament," and someone who goes through it is far angrier than the fiddler who stops after penetrating the roof. This sense may be influenced by computerese, which defines a *high-overhead function* as "one that places heavy demands on a computer," using *overhead* in an extended sense of "cost of doing business." (Observe the double meaning in "Larry Tisch has gone through the overhead.")

Now to *be teed up*. Was President Reagan informed by his aides of the risk inherent in a secret operation that, if it leaked, would be interpreted as a swap of arms for hostages? "The President was told," Donald T. Regan, then the White House chief of staff, told the Tower Commission, "but by no means was it really teed up for him of what the downside risk would be here as far as American public opinion was concerned."

The infinitive phrase to *tee up* is from golf, more recently from football: "to place a ball on a tee, a device for setting it in place above the ground, to be hit or kicked." In the passive voice used by Mr. Regan, the phrase means "be spelled out, as if to a child or someone unfamiliar with the language; be explained so that understanding is easy."

This is not to be confused with *to tee off*, which in golf means "to begin," and by extension, "to hit the ball or problem a long way on the first shot." However, the passive *to be teed off* does not mean "to have begun," but "to be very angry." If you are

asked to use both phrases in a single sentence, try: "When President Reagan discovered the risk had not been properly *teed up*, he was *teed off*."

The nervous investor reading Donald Regan's teed-up sentence will be attracted by the former Merrill Lynch chairman's use of *downside risk*. This is a phrase probably first used in *The Wall Street Journal* on Sept. 10, 1953, according to Sol Steinmetz of Barnhart Books. The paper warned, "There is a downside risk in common stocks at this juncture. . . ." *Downside*, first spotted in 1946, is based on the flip side of *upside*, which appeared in the 14th century's *upside down*.

One of the great grabbers of the Prof system (an I.B.M. acronym for Professional Office System, turned into a verb as in "Prof it to me") is the McFarlanism to *stay off the skyline*. In a memo from Oliver North to John Poindexter, the Marine Colonel reported to the Admiral that the Israeli contact, Amiram Nir, was being told not to make his presence known: "Nir has been told to *stay off the skyline* on this issue."

Use a computer to catch a computer: a fast check of Nexis, the computerized library of the past decade's media output, reveals only one other use of this phrase by anyone in the reported world. Bud McFarlane told Richard Halloran, a reporter for *The New York Times*, in September of 1985 that the recently released Rev. Benjamin F. Weir had been asked not to make major public appearances lest the other hostage-takers in Lebanon intensify their competition. "That had been discussed with Mr. Weir, Mr. McFarlane said," wrote Halloran, "and he had agreed to '*stay off the skyline*' until the chances for the release of the others could be clarified."

More drama permeates this phrase than the synonymous "remain out of sight" or "lie low" or even "keep a low profile." *Stay off the skyline* is not merely alliterative, but evokes a poetic image of publicity breaking over the spires of a great city. "Instead of the literal skyline, the outline of tall objects against the sky," suggests Sol Steinmetz, "it's possible that this expression refers to a 'skyline chart,' showing relative sizes on a graph."

In a coming article, more mining of this mother lode: *C.I.A. annuitant, disgruntlement, buy onto, wiring diagram, pallet, grosso modo*. Until then, *stay off the skyline*. (Bravo Zulu, Bud!) ■

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Bush Is Mystery Man of Iran Affair

Little Is Known of His Role During Reagan's Gravest Crisis

By David Hoffman
Washington Post Staff Writer

At a crucial White House meeting about the secret Iran initiative on Dec. 7, 1985, President Reagan and his top advisers debated whether to continue sending missiles to Iran and discussed the prospect for release of U.S. hostages in Lebanon.

Vice President Bush did not attend the meeting. He was at the Army-Navy football game in Philadelphia.

Almost eight months later, while touring the Middle East, Bush was told by Amiran Nir, a counterterrorism adviser to then-Israeli Prime Minister Shimon Peres, that the United States was dealing with radical factions in Iran and selling missiles while seeking freedom for the U.S. hostages.

Bush had only one known reaction to this. He directed that a memo about the meeting be sent to the National Security Council.

These two events illustrate one of the most enduring puzzles of the Iran-contra affair: What happened to George Bush? In all the reports and documents that have been made public so far, Bush comes across as a mystery man. More than any other major figure in the administration, little is known about what he said and what he did during the gravest crisis of the Reagan presidency.

Bush was absent from many key meetings, apparently because others in the White House sought to exclude him. At the same time, he attended some of the most vital deliberations, but there is little or no evidence that he was an active participant. While Secretary of Defense Caspar W. Weinberger and Secretary of State George P. Shultz voiced objections to the Iran

scheme, Bush often remained silent, according to statements by others who were there.

Former secretary of state Edmund S. Muskie, a member of the Tower commission board that investigated the affair, said:

"As far as the vice president is concerned, in the story that we developed, largely with the help of people's recollections, the vice president is noteworthy more for his absence than his involvement in this whole unfolding tragedy—and it is a tragedy."

Bush's role has come under increasing scrutiny because he is preparing to launch a campaign for the presidency. Bush hopes to base his campaign on the legacy of the Reagan years and his own long experience in high-ranking government positions, including director of central intelligence. His political advisers have privately described Bush's experience as a "stature advantage" over his rivals.

But the picture of Bush in the reports made public so far is not that of an experienced policymaker who foresaw the pitfalls and flashpoints of the Iran initiative. Rather, Bush appears to have quietly supported many of Reagan's decisions to go ahead with the sale of weapons to Iran. By these accounts, Bush did not attempt to cool the president's ardor for winning release of the American hostages in Lebanon. Nor did Bush spot the dangers in the president's tendency to delegate large amounts of authority to subordinates.

Nowhere in the evidence so far is there a single point at which Bush attempted to stop the Iran effort, as did former national security adviser Robert C. McFarlane.

Bush has said he had reservations about "certain aspects" of the Iran initiative. According to the Tower board report, Bush expressed concern about how the United States was "in the grip of the Israelis" during the effort. One well-informed source said this had been a concern Bush expressed from the early stages.

There is no record that Bush had other "reservations" about the Iran arms sales at the time they were going on. After the initiative became public, he expressed concern about the way it was handled outside of normal White House procedures, and he has said it was wrong to trade arms for hostages. Like Reagan, Bush was reluctant to acknowledge that the administration had made such a trade.

The full story of the Iran-contra affair is not yet known, and the congressional investigations as well as the independent counsel's probe may eventually add new details about Bush's role in the Iran initiative.

Bush has created much of the mystery about his role, as he has about his other activities during the Reagan years. The vice president has long made it a practice not to disclose the advice he gives the president, and he has refused to say what he told Reagan in their private conversations about the Iran effort.

"What I do have is the ability to walk into the Oval Office without asking anybody about it and give him my view," Bush said at a news conference last week in Florida. "He knows that I'm not going to go out and say, 'Well, I disagreed with the president on this, or I told him he ought to do this, but he wouldn't do it.' So when he agrees, he knows I'm going to be supportive, and when he disagrees, he knows I'm going to be supportive. I don't think the vice president ought to be adding

Reagan, however, opened the door slightly on Bush's advice last week. Approved For Release 2005/12/14 : CIA-RDP91-00901R000600190002-3 At the end of the session, a reporter asked if

Bush had objected to the Iran initiative. Reagan paused and said firmly, "No." On Friday he revised his account, telling a spokesman that Bush had expressed reservations, while supporting the policy.

Aside from his advice to the president, questions have also been raised about activities of the vice president's national security adviser, Donald P. Gregg, in helping a secret resupply operation for the Nicaraguan contras at a time when Congress had not resumed aid to them.

Gregg played a key role in placing a friend and former CIA operative, Felix Rodriguez, as an adviser to the El Salvadoran air force at the Ilopango military base, where the contra resupply missions were originating. Gregg initially said he had not talked with Rodriguez about the contra resupply effort, only about the leftist insurgency in El Salvador.

But Gregg later acknowledged he had convened two meetings in his office last August on financial problems in the resupply missions, spurred by concerns raised by Rodriguez about the effort.

Bush has said he was not informed of Gregg's actions, and he has staunchly defended Gregg, saying his aide "forgot" about the meetings rather than lied about them to reporters. When asked if he was disturbed that he had not been told of the Gregg meeting, Bush said, "Not in the least bit troubled."

However, other associates of the vice president say they believe Gregg's activities have been politically damaging to Bush, and some were particularly disturbed when Bush defended Gregg recently on the CBS News program "60 Minutes." Asked about the difference between forgetting and lying, Bush said, "Well, maybe it's the same. I don't know. But I don't see it as a major federal case, frankly."

Throughout the Reagan years, Bush has sought to have a more detailed grasp of complex foreign policy and national security issues than the president. Every day, the vice president is given a special intelligence briefing from the CIA, which is more extensive than Reagan's.

The evidence developed so far shows that the Iran initiative was developed outside the formal decision-making process set up to handle foreign policy for the president. The focus of this process is supposed to be the eight-member National Security Council, which is made up of the president and vice president, secretaries of state and defense, director of central intelligence, attorney general, White House chief of staff and Treasury secretary. The paper work and debate are supposed to flow through the council, giving the president exposure to the views of all his advisers.

However, as the Tower board documented, the staff of the NSC ran the Iran initiative, and decided to exclude some principal members of the council from key meetings and paperwork. For example, then-national security adviser John M. Poindexter said in a computer message before McFarlane went to Iran that "I don't want a meeting with RR, Shultz and Weinberger." At other times, Bush was excluded, and Treasury Secretary James A. Baker III appears to have been left out of almost all the discussions.

No explanation has been given for why some officials were excluded. Bush would have had the authority to demand to be included in any meetings, aides say. But, they add, he may also have not been told about them.

"You can make the case he didn't engage the issue," said an official familiar with Bush's handling of the Iran episode, "but you can also argue that it wasn't laid before him in a way that allowed him to be engaged."

Last December, the then-chairman of the Senate Select Committee on Intelligence, J. Durenberger (R-Minn.), gave Bush a private briefing on the panel's findings. According to one source, Bush was surprised at the amount of information he had not known about. Afterward, Bush asked a staff member whether he had been "systematically" excluded by others in the White House.

Bush learned of the Iran initiative from his daily contacts with Reagan at about the time it was launched in 1985, sources said. The president's schedule showed that Bush attended at least one of the key meetings in early August 1986, at which the wisdom of the initiative was debated, but Bush's views are not recorded.

By December, after the first shipments to Iran through Israel and the release of the Rev. Benjamin Weir, McFarlane was urging that the initiative be closed down, and an important White House meeting was scheduled for Dec. 7, before McFarlane went to London.

Shultz, Weinberger, McFarlane, Poindexter, chief of staff Donald T. Regan and CIA Deputy Director John N. McMahon attended the 10 a.m. session in the White House residence, but the vice president was taking a train to the Army-Navy football game in Philadelphia. Officials said there is no evidence on whether Bush was invited to the White House meeting.

On Dec. 10, McFarlane reported to the president on the London meeting, which did not go well. Weinberger, Poindexter, Regan and CIA Director William J. Casey were present. But Bush was in Delaware at a breakfast with governors and did not attend.

When the initiative was revived in January, Bush was present at a series of critical meetings at which Reagan agreed to sell additional TOW antitank missiles directly to Iran. Shultz recalled to the Tower board that Bush supported the idea at a Jan. 7 session, while he and Weinberger were opposed to it. Ten days later, on Jan. 17, Bush was present at a morning meeting at which Reagan approved the secret intelligence "finding" on the missile sale to Iran.

However, Bush has told associates the issue was only briefly discussed that morning; he never saw the background memo that Poindexter used to brief the president; he never saw Reagan actually sign the finding and that he did not know the finding existed until after the story became public in November, more than 10 months later.

Although he knew the United States had sent missiles to Iran, Bush continued to articulate the official policy against dealing with terrorists. On March 6, he issued the public report of his terrorism task force, which said the U.S. government will "make no concessions to terrorists. It will not pay ransoms, release prisoners, change its policies or agree to other acts that might encourage additional terrorism."

After this report, McFarlane went to Iran on a plane carrying U.S. weapons, a secret mission that Bush heard about, one source said, because of McFarlane's calls back to Poindexter at the White House. On July 29, Bush was given a review of the initiative by Nir, the Israeli adviser, who discussed the shipment of arms and the release of hostages. Bush's reaction to the briefing by Nir is not known, other than his instruction to his chief of staff, Craig L. Fuller, to send a memo on the session to Lt. Col. Oliver L. North at the NSC.

Bush has suggested he did not know at the time that the United States was exchanging weapons for hostages. Asked in the "60 Minutes" interview if he should have spoken up more strongly in the early meetings, he said, "No. But I wish, with clairvoyant hindsight, that I had known that we were trading arms for hostages, as the report concluded, and then I would have weighed in very heavily with the president to that effect."

Staff researcher Michelle Hall contributed to this report.

Ten Myths About the Reagan Debacle

By William Safire

WE ARE AT THE INTERMISSION FOLLOWING Act I of a three-act drama entitled "The Iranian Arms Affair." Not a catchy title — not Irangate, or Iranscam, or Iranamok — just a simple label for a wild and worrisome plot.

In the first act, the opening shocks of November were followed by Presidential confusion, illness and convalescence, and the triumph of the most protective First Lady since Edith Bolling Wilson over the most arrogant chief of staff since Sherman Adams. The attempted suicide of former national security adviser Robert C. McFarlane changed the perception of that character from a tinhorn Kissinger to a bureaucratic Icarus whose judgment melted when he flew too high. The plot thickened with the unexpected rush of damning detail and severe judgments from the commission appointed by the President to avoid the slow water torture of Watergate. The curtain came down on the Chief Executive changing his palace guard and trying his best to change the subject, making a short and effective speech to prove he was aware that he had made a terrible mistake.

Act II will be the television phase, a maxi-series of broadcast hearings followed by the dramatic hush that precedes denouements, indictments, serialized confessions and show trials. Scandal will become folk epic. Starting next month or soon thereafter, live daytime television and late-night recaps will focus the nation's eyes on characters who are not just real but vivid: the icy Poindexter and the handsome, mock-heroic North; the devious Ledeen as Cassius and the upright Shultz as Billy Budd; the deflated Regan, slippery Cave, mercurial Nir and duplicitous Ghorbanifar; the tricky Hakim, blow-torching Secord and shredding Fawn Hall; and introducing the good guys — Senators Rudman and Inouye, Representative Hamilton and lawyers Walsh and Liman. (The reader who needs first names or titles would do well to invest in a program.)

The third act, scheduled for autumn, will be a national improvisation; not even the scenario has been written, much less the script. We can assume it will be permeated by partisans bewailing the weakening of the Presidency as they lacerate the President, and by tut-tutting about the misuse of executive power by legislators aggrandizing the anti-imperial Congress. We can hope it includes not the President's penitence as much as his understanding, not just the satisfaction of an audience cheering for the lions but the reaffirmation of faith in government.

In the course of the action, however, we can already see the myths forming. Conventional wisdom teeth are chewing over the emerging facts and, unless the easy conclusions are challenged early, will masticate them into the pleasing pulp of received truth. Such mythmaking threatens to obscure the comeuppance of misplaced compassion and the lessons of executive self-deceit.

MYTH

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The President is so far out of touch as to be out to lunch.

This view holds that Mr. Reagan's vaunted "laid-back management style" actually meant that he had no idea what was going on around him. It envisions him sinking, pajama-clad, into his anecdotage, abdicating his authority, rendering himself as ineffective in big-picture detachment as Jimmy Carter and Lyndon Johnson were in their immersion in detail.

Contributing to this myth is the President's presumably accurate insistence that he knew nothing about an illegal diversion of Iranian profits to the contras or wherever. And it was awkward for a proud man to have to admit, after several contradictory statements, not knowing if he made the decision to allow the Israelis to make the first shipment of United States arms before or after the weapons were sent: "I don't remember — period."

However, the President did make that decision — reaffirming it time and again, despite forceful objections by two Cabinet officers. Those who attack him for ignorance and a hands-off management style are, in a sense, too kind: in the teeth of public protestations to the contrary, Ronald Reagan knew all he needed to know to decide to trade arms for hostages. Selling those arms was his decision, nobody else's. And, having persuaded himself that the operation was primarily an "opening to Iran," he stayed in touch with it, cutting out of meetings Secretary Shultz and others who were on record as opposing the decision.

Howard J. Teicher, then the National Security Council's Middle Eastern specialist, who accompanied Colonels Bud McFarlane and Ollie North on the frustrating trip to Teheran, remembers the meeting in the Oval Office four hours after the trio landed at Dulles. On that sunny May morning, McFarlane briefed the President for five minutes on the failure of negotiations. Don Regan, face reddened by what seemed to be sun poisoning, who had bullied and harassed McFarlane into resigning nearly six months before, had nothing to say. The President said only it was too bad it didn't work — his exact words are in the properly recorded "memcon" that will come out in the hearings or in Teicher's book — and gave no indication he would give up on getting the hostages out.

Call that Presidential decision boneheaded, ill-advised and hypocritical — all of which it turned out to be — but do not call it unknowing. "I considered the risks of failure and the rewards of success," Ronald Reagan said in his otherwise stumbling Nov. 19 press conference, "and I decided to proceed. . . ." We know from N.S.C. memos that the President assured his aides repeatedly that he would "take the heat" if the dealings were revealed and the gamble lost. He misjudged the degree of heat.

Continued

Q&A Khashoggi says he warned against arms for hostages

Adnan Khashoggi was interviewed by Washington Times Editor-in-Chief Arnaud de Borchgrave. Following are excerpts from their discussion.

Q: The New York Times has quoted you as saying you duped U.S. officials during the Iran arms sales and FBI investigators afterward.

A: That is total nonsense. I offered to cooperate voluntarily with all the relevant and competent investigating bodies and agencies — from the Tower Commission to the FBI. Kenneth Bialkin, who is my lawyer, is the former president of all the major Jewish organizations in the U.S., and while he was making the necessary arrangements with the FBI, the FBI was also negotiating a hostile operation against me with Roland (Tiny) Rowland, a man I have been doing business with for many years. Don't ask me why, because it is still a mystery to me, but for some reason, Rowland, who apparently has a special relationship with U.S. intelligence agencies, used a \$2.5 million promissory note I have with him, to mount a major operation to try to neutralize me. Tiny and I had a series of deals together in Africa and elsewhere that would have earned me about \$50 million in commissions if the contracts had been signed. During this process, I asked Tiny if he would lend me \$8 million. He gave me \$4 million against my DC-9 as collateral, \$1 million against my ranch in Kenya and \$2.5 million as a personal loan, with the understanding that all this would be repaid from revenues.

Q: You mean from the Iran deal?

A: No, from the African ventures, and if these did not materialize I would reimburse him. Which is fair enough. Suddenly, overnight, Tiny turned against me after the Iran story broke. So someone, either in the CIA or FBI, must have a special relationship with him. For a \$2.5 million loan, that he had not even called in, he suddenly attaches my DC-8, my Boeing 727, my DC-9, my (\$30 million) New York (Fifth Avenue) duplex, etcetera. To spend over \$1 million in lawyers fees to collect a loan from a long-time business partner simply did not add up.

Q: The FBI was involved in this too?

A: Yes, they sent 20 FBI agents to Paris for the operation. I managed to get the DC-8 released quickly as there was no claim against it. Ditto with the 727 but, the DC-9 was kept as it carried a mortgage of \$4 million. But Bialkin, my lawyer, informed me that the FBI was going to raid the plane while it was momentarily in Tiny Rowland's hands. A French judge had issued a Court order making it possible for the 20 FBI agents, who had been sitting in hotels in Paris waiting, to move in on the DC-8, accompanied by 30 French police with automatic weapons. They searched everything from top to bottom looking for nonexistent documents. Needless to say they found nothing — except for toilet paper — and left empty-handed.

Then I got a call from the FBI fellow who was in charge of the investigation, who called from Ashraf Marwan's office (the late President Nasser's son-in-law who works for Tiny Rowland). First Ashraf explained who was about to talk to me and would I

please help him locate my papers. I told him that Bialkin was already in touch with his FBI bosses and to deal through him. Ashraf begged me to at least say a few words to him. So I said put him on the line and I said, "How can you justify spending taxpayers money to do such stupid things when you had already been offered total openness by my lawyers? And who told you that I keep files on my plane? Do you think I'm crazy? My files are all buried in the seven hills area of Saudi Arabia." I was joking about the seven hills, of course, but he apparently took it seriously.

"Well, Mr. Khashoggi," the FBI team leader replied, "we just wanted to know the truth." And I interrupted him and said, "You just want to take America down the drain by the way you behave." "No," he replied, "you're taking America down the drain." So, I interrupted again, "We're both taking America down the drain, and good for America. Goodbye."

I then called Bialkin and said, "There's a conspiracy going on. You told me you talked to the FBI and you didn't know this was going on. Nobody knew about this process. It was all cooked under the table. Again, another North-type covert operation. The special counsel, Mr. Walsh, didn't even know about the FBI operation in Paris. They took a court order from the District of Columbia, acting under orders from the Justice Department. What on earth did they expect to find? What did Tiny Rowland lead them to believe? In any event, this ludicrous fishing expedition cost the U.S. taxpayer a minimum of \$200,000 — without exaggeration." Travel, hotel, etcetera.

Q: There are a number of things I do not understand. When you say you introduced Ghorbanifar to the Israelis, wasn't he already working for both Mossad and Savak in the days of the shah — at least that's what former Ambassador Ardeshtir Zahedi told me. He worked for an Iranian shipping company that actually belonged to the Israelis.

A: Nimrodi, who was the Israeli military attache in Tehran throughout the '70s, didn't know him. I introduced them. I checked Ghorbanifar out very thoroughly. After all, I have a lot to lose. More than he has. He also is a man who has made money. He's connected businessman.

Q: Who once worked with the CIA?

A: You have to accept that there are people, like me, who are well-connected with all sorts of people all over the world, including the intelligence services of many countries. I am neither a CIA agent nor a Saudi agent, but I'm well-connected with both sides.

Q: In other words you trade information, a sort of broker of intelligence?

A: When I first met Ghorbanifar, and he told me about the possibilities of an opening for the U.S. in Iran, I went straight to King Fahd to tell him about it.

Q: You mean what Ghorbanifar told you about the three Iranian factions vying for power in the post-Khomeini period?

A: Yes, and King Fahd was afraid that it could be a dangerous trap to undermine Saudi Arabia and get it involved in the internal affairs of Iran.

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Q: A lot of people expected, Schwimmer and Kimche flew over to see McFarlane and McFarlane informed the president. Everything went very fast.

A: That is nonsense, and I can prove it. But the king was clever. He didn't want any problems with an unpredictable neighbor who could blast Saudi oil fields.

Q: Besides the Iranians have other means of communication with the Saudis?

A: They have and have used them — including the Iranian minister of information. But King Fahd advised me to share whatever I had heard with President Mubarak of Egypt and King Hussein of Jordan, who are more closely involved with Iraq, and get their reaction. When I saw Mubarak, he called in his Mubarak (secret service) chief and I sat with him. Which I did. Ghorbanifar was very persuasive and the Egyptians asked for a week to think it over. When I didn't hear back, I checked again and the Mubarak chief said, "Look, Adnan, this guy's unreliable." I asked how he'd checked this out and was told "with the CIA." I couldn't believe these stupid Egyptians would rely solely on the CIA's say-so. Why not check

with the Iraqis or other sources?

Q: What was your next move?

A: As I went to the Israelis and asked to meet with my friend Shimon Peres when he was in New York. I figured the only ones who could give me an accurate fix would be the Mossad. I explained everything to Peres and he was very excited. All I asked is that Mossad check out Ghorbanifar. If he's good, I said to Peres, then I want the Americans to be informed through Israeli channels. Peres said, "Leave it to me."

Believe it or not, 48 hours later, Schwimmer was at my door with Nimrodi and they said they wanted to meet with Ghorbanifar. We set up the meeting in London. They listened to his story, the relationships he claimed to have in Tehran, what was going on between the various Iranian factions, in short the whole story. Two days later they got back to me and said, "Your guy and his story check out."

But to prove his bona fides, they asked me to ask him to bring several of the mullahs he claimed to know well out of Iran to meet with them in Europe. The guys who were the linchpins of Ghorbanifar's plan. So Ghorbanifar brought three important mullahs to the meeting. Kimche also came from Israel, along with Schwimmer, Nimrodi and another guy from Mossad. This was in Hamburg. The Iranian mullahs thought they were all Americans. I have all the minutes of that meeting. Everything went so beautifully, it was all so crystal clear, the mullahs were so eager to cooperate with the U.S. in particular and the Western world in general, that I thought I

should indicate that at least one of them was an Israeli — and I told the mullahs, "By the way, Mr. Kimche here, is the director general of the Israeli Foreign Ministry." They did not seem shocked

One of the mullahs said, "The Western world is one pot and whoever can open that window is OK with us." Simple mullah language. And when we came out of that meeting, you should have seen the eyes of the Israelis. They were so excited, mixing Hebrew and English you could tell they thought they were already back in the days of the shah. I started getting nervous, so I wrote a long report to Bud McFarlane, the one he claimed he never read, and sent a copy to Peres, who was then still prime minister, to Mubarak, to all those I had already talked to, just to cover myself.

A few days later I called McFarlane and spoke to one of his assistants to make sure he understood that the Israelis were completely reassured by Ghorbanifar and his high-level Iranian contacts. This was

Q: With good reason since the Israelis were anxious to resume arms sales to Iran which had been interrupted under U.S. pressure.

A: But those were Israeli-made weapons, not American hardware.

Q: About \$1 billion in Israeli arms to Iran since Khomeini overthrew the shah, correct?

A: That's right. But I was never involved in these transactions myself. Anyway, McFarlane concluded the Israelis would be a good cover for the operation and told the Israelis to supply the equipment to Iran on the understanding the U.S. would replace whatever was shipped.

Q: Was Michael Ledeen involved at this point?

A: I had never met him at this point. We met later in the operation.

Q: But Ledeen says he was the pointman for the exploratory opening to Iran, that he went to see Peres to determine whether Israel could recommend a valid Iranian interlocutor and that the Israelis then produced Ghorbanifar.

A: Ledeen came in later. The initiative came from me and Ghorbanifar, who had originally contacted me, as I have already explained. I had the key guy — Ghorbanifar. The Israelis subsequently delivered Ghorbanifar to Ledeen. There was no reason why Ledeen should have known about the real origins of the whole affair. . . . But the most important thing that happened is that the Israelis asked Ghorbanifar to come to Israel, which he did.

Q: With the permission of the Iranian government?

A: There's no doubt in my mind about that. He's not that gutsy. He wouldn't take such a risk without permission. Otherwise, he might not have come out. He might have been kept as a hostage against the others. He spent five days in Israel, and they impressed the hell out of him. He was overwhelmed by Israeli capabilities. From Israel, he went straight back to Tehran to report.

Q: Directly, non-stop?

A: On a charter via Crete.

Q: Did you know what was really going on at that point?

A: On a need-to-know basis, not the whole story. I

was out of the picture as a whole for about two months after that. Suddenly, Ghorbanifar came to see me and said everything was going well, that the Americans were going to supply Iran with TOW missiles, and they asked us to help them with Buckley, the CIA hostage. There was no mention of hostages until then and the matter didn't even cross my mind until then. So I asked, "How much are the Americans going to give you?" And Ghorbanifar replied \$5 million worth of TOWs, through the Israelis. Even though he had mentioned Buckley, I still did not see it as arms for hostages.

My mind was concentrated on something else Ghorbanifar told me — part of the \$5 million was to be used to strengthen one of the pro-Western factions in the Iranian regime. This made sense to me. "But Adnan," he said to me, "they don't trust us, and we don't trust them. The Israelis will not ship unless they get money up front. And the Iranians will not pay the money in advance."

So I said if it's a test they want, let's start with \$1 million, and I'll put up the money. Ghorbanifar went back to his people, and they accepted. But the Israelis wanted the balance of \$4 million.

So I asked Schwimmer to come and see me. I told him I was willing to take a risk on \$1 million — but

now another \$4 million? "What are you guys cooking?" I asked Schwimmer. And this was the first time I heard about mutual tests of good faith involving the release of hostages, on the one hand, and to see who's who on the Iranian side with these partial ship-

ments of arms. So they planned token shipments, and I was to be the "bridge" banker.

I told Schwimmer, "I guarantee the Iranians because I know Ghorbanifar and his Iranian friends will not cheat me, but you guys might never ship." Schwimmer then gave me his word, and I said, "OK. I trust you, too." I gave them the \$4 million check. But Buckley, as we later discovered, was already dead. So they released a priest instead.

Now three months pass and I hear nothing from Schwimmer. I called Bialkin, my lawyer, Schwimmer, Nimrodi, etcetera.

Q: Because you always kept Bialkin in the picture.

A: Of course. I wanted to make sure the American Jewish side knew what was going on. But my friend Ghorbanifar had disappeared. Messages were not returned. So I went off on my boat and forgot about it. Suddenly, at Christmas time, in 1985, Ghorbanifar appeared and said, "My God, my God. Problems, many problems." He explained the Israelis had shipped the TOWs, taken the \$5 million and gotten replacements from the Americans for free. So the Israelis had pocketed \$5 million. Nothing for our friends in Iran who had been led to believe they would be getting a chunk of it as seed money for the pro-Western faction.

Q: Who in Israel took the money?

A: No way of knowing. Ghorbanifar said that the Israelis informed the Americans that "I, Ghorbanifar, took the money for myself." He was so upset he went to see Peres and showed him all the bank statements which proved that the money had gone to Nimrodi. Peres got very angry and stopped the operation. He got Schwimmer and Nimrodi out of it and appointed Nir, his adviser on terrorism. Israel then reimbursed the U.S. for the real value of those first TOWs, which was about \$3 million. Now the U.S. moved into the operation directly and North was put in charge.

So at the end of '85, North and Nir became the key players with Ghorbanifar. At the very same time, however, the CIA has a little business going on with Tehran which bypasses Ghorbanifar, and so far nobody really knows about it. Ghorbanifar tells me about all his problems because he needs bridge finance for Nir and North and the continuation of the operation. I said, "Look, I know Schwimmer and Nimrodi, but I don't know these new guys. So first somebody besides you must confirm all this to me. Secondly, what happens if you, Ghorbanifar, die, if somebody kills you?" So that's when we discussed the idea of taking out a \$22 million insurance on Ghorbanifar's life. He also arranged for me to meet with Nir, who brought me up to date on the whole concept. That made it official.

But I asked him what happens if something goes wrong, who's going to pay me? If the Iranians don't pay, etcetera, if you don't ship or the Americans don't ship, what happens? He gave me his word I was covered. So I gave him \$10 million. I then asked whose account this was and he said American government. So I assumed it was a CIA account. When you think of America in this kind of situation, you automatically think of CIA.

Q: Not Secord or North?

A: I didn't know who. I'd never even met these guys. All I knew was USG (United States Govern-

ment), period. This time, I asked Nir to mark up the price by 20 percent so we would be covered for expenses and interest on the loan. So the Iranian government paid \$12 million through Ghorbanifar. Here are copies of the checks. A month after this operation they wanted me to bridge another \$15 million. Now I got nervous. Not because I thought I might not get the money back but because I sensed we were entering a danger zone. So I called Nir and Ghorbanifar and asked them to meet me at the Churchill Hotel in London.

I said, "Gentlemen, you're playing with fire. The moment these mullahs understand how easy this has become, they will understand what they have to do to get from the Americans whatever they want. Tomorrow, they can kidnap an American from the Athens Hilton bar, from here, there and everywhere, and then they'll ask for wheat, sugar, weapons, whatever they want." They vehemently denied that there was any thought of trading anything for hostages. I said, "Nir, a child can figure this one out. You are simply whetting their appetite for more. Give them \$100 million worth of weapons but for God's sake don't ask for hostages. They'll release them later in their own time, but don't couple the two things in their mind. Decouple as much as possible." Nir then said, "I understand and I agree with you, but the Americans are in such a hurry to get these guys out before the congressional elections."

So I said, in total disbelief, "You are telling me that this whole thing hinges on American elections? This is madness. And you and the Americans and our new Iranian friends will pay a big price. Don't play this game." I then said, "I'm sorry I can't help you if arms for hostages is the name of the game. But I know a man who might help you — Tiny Rowland. He can bankroll you." Nir then checked with North about Tiny. North called the CIA and he checked out and everyone was relieved. Tiny then had us to lunch at Crockford's in London — Nir, me, Ghorbanifar — and we explained the whole history of the operation. We showed him all the checks and documents, then asked again what would happen if the Israelis didn't ship or the Iranians didn't pay — the same questions — and Nir said Israel was giving its word.

Then Ghorbanifar gave similar assurances and said that Khashoggi, me, guaranteed him too. I said yes, I could vouch for him.

Then Tiny said, "Adnan, I don't want to have any problems with you." I replied that he had nothing to worry about as I had my ranch in Kenya worth \$25 million which was collateral for \$1 million he had loaned me. So we asked Tiny for \$15 million. He then called his friends at the State Department, at the CIA, the ambassador in London. Shultz was notified while he was attending the Tokyo summit meeting, and nobody heard word one about the operation. Tiny panicked and called me a bastard and accused me of misleading him as he had checked with the highest levels of the U.S. government and it was all nonsense — and he told me to forget it.

I was at the end of my rope. So I asked Ghorbanifar and Nir whether this was the last deal, the very last one, before the expected breakthrough in Tehran, and they pledged their word it was the very last one. I borrowed from the bank the \$15 million with shares in some of my companies as collateral. Of the \$15 million, North arranged for shipments worth \$5 million. The balance of \$10 million was left in Lake Resources by North. During that period, which was when McFarlane and North went on that famous secret mission in Tehran, they had a man called Cave, the CIA man who speaks Farsi, ostensibly with the mission as an interpreter, who had a contact with Rafsanjani's son. Cave cooked his

own deal to release some hostages quickly by giving the Iranians \$500,000 worth of TOWs, quite separate from the other deals we know about.

McFarlane, to the best of my knowledge, didn't know about this parallel channel. Cave was doing that behind McFarlane's back. The invoice Cave gave them was three times cheaper than what had been arranged through Ghorbanifar. Rafsanjani then takes the invoice to Prime Minister Plussavi and says, "Your man is a crook. This is the price I got from the Americans directly, so Ghorbanifar is cheating us." So Ghorbanifar, overnight, was burned by the CIA. But Ghorbanifar was not simply a businessman helping out his government. He obviously had a power base because that very same night some 200,000 people marched through the streets of Tehran shouting, "Rafsanjani sold Iran to America." So the pro-Western "moderate" faction thought it had been sold down the river by the Americans to Rafsanjani, who represented the middle-road faction. So the pro-Western faction turned against the Americans. Whether this was sheer ineptitude on the part of the CIA, or deliberate sabotage, we may never know.

Q: But Casey was in China at the time.

A: I know, but somebody authorized Cave to do what he did behind McFarlane's back.

Q: McMahon was acting CIA director during Casey's absence and was told by North they needed a CIA plane to ship some oil drilling equipment to Tehran.

A: Poindexter knew. North knew. McMahon approved. Whoever is responsible has a lot to answer for. It sabotaged the entire initiative. The most important thing to remember about the whole transaction is that we were not dealing with one person but with an important part of the regime that was maneuvering for position for when Khomeini dies.

Q: Your first contact with the Reagan administration was when?

A: In 1983 when I wrote a letter to the president at the time of the Reagan plan for the Middle East. Here's a copy of what I sent him. Sen. Laxalt delivered it. Bill Clark sent me a letter thanking me and telling me the president was very happy with it. It was a very nice letter.

Q: Have you met Mr. Reagan?

A: Only when President Mubarak was on a visit to Washington when I had a chance to have a few words with him.

Q: You never met Secord or North?

A: No.

Q: When did you first realize there was a North-run network that included such people as Secord and Albet Hakim?

A: When the big explosion occurred.

Q: Who sent Furmark to warn Casey something was wrong?

A: I asked Furmark to ask Casey about Lake Resources as I was getting suspicious when payments were delayed and I was minus \$10 million. Casey told Furmark that he had checked Lake Resources and there was only \$30,000 in the account — and that was before the whole thing became public knowledge. How would Casey be able to check on this unless he had access to this account? That's not possible under Swiss law. Furmark told me Casey called North in front of him — it was the first time I had personally heard North's name mentioned — and asked him what happened to the \$10 million owed Khashoggi.

And North replied it was up to the Iranians to pay him. But you didn't ship them, Casey told North in front of Furmark. Yes, we did, North replied. So North lied to Casey. Or Casey was lying to Furmark? Who knows? Furmark has known Casey for many years as a trusted business associate, so I don't think he was lying. North has a lot to answer for. Maybe he diverted the money I raised.

Q: But who gave North the idea of using the money from Iran arms sales to help the Nicaraguan resistance fighters?

A: I think it was Nimrodi — the fact that he took the goods and marked them up. Nimrodi I believe gave the idea to North. He's obviously a brilliant operator.

Q: How can you describe him as brilliant when you haven't even met him?

A: He can't be stupid, sitting in this office in the White House, running all these secret operations, in a Machiavellian way. He must have brains.

Q: From everything you know, who, in your judgment, is North protecting today? Why won't he go public? Who is Poindexter protecting?

A: North reports to Poindexter. Poindexter has cleared everything. That's clear from the Tower report. Poindexter is protecting the president.

Q: So it's inconceivable to you that the president didn't know?

A: The president was informed in a general way, while he was adjusting his tie for a photo opportunity, or getting ready to leave for Camp David, that everything was on track, that the Contras were being taken care of, and he wasn't really concentrating. They wrote him memos that he never read, because if he had he would have asked some pointed questions. Let's say I'm the president of the United States and a memo comes from Poindexter — among many others. So I ask my secretary what's this one about and she says it's on the Iranian affair. He then says, I heard it went well, file it. Jimmy Carter would have read every line.

Q: Obviously anti-Communist resistance movements in Afghanistan, Angola and Nicaragua are as important to the Saudi government as they are to the U.S. — witness all the aid the Saudis have given the mujahideen in Afghanistan and the \$2 million a month to the Contras. Was that done outside of you?

A: Outside of me. I knew nothing about it. I only heard about the Contras twice before the Irangate crisis broke. But I didn't hear it referred to as Contras but as Nicaragua. Vice President Bush was trying to raise money right and left for the Nicaraguan resistance in 1985, and my No. 2, Bob Shaheen, called me and said the vice president had invited me to lunch. I asked Bob what was the occasion, and he said Mr. Bush was raising funds for Nicaragua. So I told Bob, "Send him \$1,000." And I received a very nice letter from the vice president thanking me for my contribution. Here's a copy and it doesn't even mention how much my check was for. It could have been \$100 million if you read the letter without knowing how much I sent — which was \$1,000. This is sheer stupidity. With this kind of letter, I could bring down the government by just asking what happened to the \$100 million I gave you

(laughter). They have been very careless. You don't know whether to laugh or cry when you see these things. It's amateur night at the opera. This Bush thank-you letter is a classic example of how not to do things.

That was the first time I heard about Nicaragua. There was also a meeting in London with North, McFarlane and Ledeen, before McFarlane went to Tehran. About two weeks before. Ghorbanifar came to see me after the meeting and told me they had had a great session and so on and so forth, "and North asked me to ask you whether you could raise \$100 million for Nicaragua because you will be able to get a lot of favors from the administration." I replied, "Look, Nixon was my best friend in his administration and he couldn't help me or my business one iota. All these guys can do is offer you an embassy abroad and since I'm not going to be a U.S. ambassador, forget about it." Ghorbanifar then said, "What about your king?" I said I would never raise such an idea with King Fahd as it would merely make him suspicious that I was trying to pocket some money.

Q: Even though you heard the subject of Nicaragua contributions mentioned twice, it did not enter your mind there was any connection between your dealings with Iran and Israel, on the one hand, and Nicaragua on the other?

A: Impossible for me to guess that.

Q: But you know how anxious the administration was to bridge the Contras during a period when Congress had cut them off?

A: Yes, but you have all of America to tap for that. If you get \$10,000 from each major company, and \$1 million or \$2 million from wealthy private contributors, you'll get all you need.

Q: What happened to the sultan of Brunei's \$10 million contribution to the Contras?

A: You should ask Mohamed Fayed. He's very close to the sultan. But I have no idea where the money went.

Q: Tell me about Michael Ledeen.

A: The only time I met Ledeen was at dinner at the Belvedere restaurant with Ghorbanifar.

Q: When was that?

A: Shortly before McFarlane went to Tehran.

Q: But Ledeen was out of the Iran picture shortly before McFarlane resigned at the end of '85.

A: Ledeen came back into the picture later. He was always in touch with Ghorbanifar. Ghorbanifar introduced him to me as an assistant to the national security adviser.

Q: Not as a consultant, but as something more important?

A: I'm talking about the way Ghorbanifar introduced him. But when we sat down, Ledeen was honest and told me he was a professor at Georgetown and a consultant to the NSC. And as an expert on terrorism, he was full of interesting stories. He's highly intelligent and a very good talker. So I asked him if he'd read the document I sent to McFarlane, and he said that he had and found it most interesting.

Q: When did you first hear about Ollie North's private network of Secords, Hakims, Channells etcetera?

A: After the story broke.

Q: And Bill Casey? How long have you known him?

A: I've met Casey twice since he took over the CIA in 1981 — once about Egypt and the

endeavoring to explain how the U.S. was unnecessarily antagonizing two good friends — President Mubarak and King Hussein.

Q: Casey told me over Thanksgiving weekend last November that the CIA was not aware weapons were in the plane that the agency supplied to fly McFarlane to Tehran and that his deputy had authorized the flight after being told it would be carrying oil drilling equipment. Is that believable?

A: Of course the CIA knew what had been cooking and they must have checked the cargo.

Q: To what extent did you get USG involved in deals with the Israelis as a way perhaps to recover your own declining business fortunes?

A: I helped the U.S.

Q: But you had your own future in mind?

A: Of course if things had worked out according to plan, look at all the things that have to be rebuilt in Iran — and in Iraq — after the war ends. You're talking about anything from \$100 billion to \$300 billion. How much do you think it would cost to rebuild the second largest oil refinery in the world of Abadan? And that's just one item out of scores.

Q: You said on French TV recently that the door you opened in Iran is still open. What's the evidence?

A: I know it for a fact. I've met with three important mullahs quite recently. One of them is a key guy. Just the day before yesterday. They want an honorable peace. They came to me because they know I'm now making my own deals with the Iraqis.

Q: You also said Reagan is still a hero in Tehran. That's not the way I read the coffee beans, when they call us devil incarnate.

A: I meant after the scandal broke. Didn't you notice how complimentary Rafsanjani and Montazeri were toward Reagan in the Iranian press? You just concentrated on the cake and the key and the autographed Bible. That was not the story.

Q: No more nice things today, right?

A: Events are turning against you now.

Q: Then how can the door still be open?

A: You can still walk through the door now but if you don't it will be closed forever. Rafsanjani in the past few hours has felt compelled to say complimentary things about the U.S.S.R. — just to cover his exposed rear.

Q: You also said that if the U.S. and the U.S.S.R. wished to put an end to the Iran-Iraq war, they could do so in one minute. You didn't explain how?

A: For the first time the Soviets are scared of chaos throughout the region that would spill across their own borders and infect some of their Asian minorities. Gorbachev wants to be a hero and realizes that the days of colonial empires are over. Now's the time to call what you think is their bluff on disarmament.

Q: Pretty meaningless, no, unless linked to regional settlements, namely Central America, Southern Africa, Afghanistan.

A: They will go along with you. They will withdraw happily from Afghanistan. They've told me so.

Q: Where do you see the U.S. in the wake of the Iran fiasco?

A: People don't trust you — especially your friends. You have developed the reputation of abandoning your friends when the going

gets tough. Your European allies are going to make their own peace with Russia. Perhaps neutralism is too big a word but major change is coming and this, in turn, will bring peace in the Middle East. Gorbachev needs this to protect Russia's own oil reserves. They've asked me to arrange for 1 million barrels a day from Saudi Arabia. Why? Because they don't want to deplete their reserves. They have to supply all of Eastern Europe plus their own growing needs. They are more conscious of their coming problems than the U.S. seems to be. One of the two superpowers has to wake up

and the Soviets now seem to be answering reveille before the U.S.

Q: Furmark told the Tower Board that he introduced Ghorbanifar to Khashoggi. . . .

A: Correct.

Q: And that George Cave, who had been stationed in Tehran for the CIA before the overthrow of the shah and had been responsible for terminating the relationship with Ghorbanifar in 1983, told the Tower Board that Ghorbanifar had known Khashoggi for years.

A: A lie, totally and completely false. I've told you exactly how we met.

Q: Furmark told the board he met Ghorbanifar in January '85 and later introduced him to you.

A: Correct.

Q: Who is Albert Hakim?

A: Never met him. He's Iranian, no?

Q: Naturalized American. Ghorbanifar met only once with Secord and others. Hakim and Cave were part of the same team that sabotaged the operation to be able to deal directly with Rafsanjani. They are the ones who broke the consensus, presumably under instructions.

WASHINGTON POST
16 March 1987

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JACK ANDERSON and DALE VAN ATTA

Conservatives Had CIA 'Hit List'

Within days after Ronald Reagan's election as president in 1980, a transition team for the incoming administration compiled a secret hit list of 26 "leftists" to be purged from the Central Intelligence Agency. The conservative blacklist included Frank C. Carlucci, now the president's national security adviser.

The hush-hush plan to politicize the nation's top intelligence agency failed, primarily because William J. Casey, who had served as Reagan's campaign chairman decided not to follow through on it when he became CIA director.

The politically suspect names were contained in a transition team report on the CIA dated Nov. 22, 1980—just 17 days after Reagan's landslide victory over Jimmy Carter. The report was classified (then and now) top secret and submitted to Casey, who approved its general conclusion.

But not long after he took over at the CIA, Casey abandoned at least the recommendation to fire the 26 supposed leftists. Carlucci, who was No. 2 man in the agency, did leave—to become No. 2 man in the Pentagon at the insistence of Defense Secretary Caspar W. Weinberger. Carlucci's place at the CIA was taken by John McMahan, who had been in charge of clandestine operations—and who was also on the secret hit list.

Another person on the list, R.E. Hineman, also was promoted. In 1980, Hineman was deputy director for the National Foreign Intelligence Center. He was promoted to deputy director of the Science and Technology Division.

What had the 26 CIA people done to incur the wrath of the Reaganites?

"[These] individuals are, in the main, Carter administration proteges who advanced in grade and position during the past four years because of their willingness to support leftist-oriented perceptions and programs," the report charged. It added that there "should be immediately some key and visible staff changes at the top, both for the internal morale of the agency and in order to reverse the effect of Carter administration policies. Decent intelligence from the agency is not likely for at least six months in the new administration, almost regardless of what actions are taken, but a start must be made."

We have been able to determine the current status of most of the people on the blacklist. Four are still with the agency, but according to CIA and other intelligence sources, only two of the 19 known to have left were forced out of their jobs.

The 17 others we were able to track either resigned after lengthy service with the agency or went on to better jobs elsewhere. For example, Robert Dean, then an assistant national intelligence officer specializing on the Soviet Union, left to accept a top post in the State Department.

The flip side of the "leftist" purge didn't play any better. The secret report offered the names of 15 politically reliable people who should be given top posts in the CIA. Casey didn't hire a single one—but several did join the staff of the National Security Council.

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INSIGHT
16 March 1987

Reagan Doctrine's Darkest Days

SUMMARY: The Reagan Doctrine — the pledge to aid democratic forces throughout the Third World — is beset by enemies from the Politburo to the Pentagon. The Iran-Contra affair has been an especially damaging blow. But it is competing factions within the government, combined with an increasing congressional role in making foreign policy, that has left the doctrine impotent. The president's penchant for compromise has allowed the bureaucratic warfare to continue, dealing a potentially deadly blow to his policy.

Soviet special operations forces attack Afghan rebel camps at the Pakistani border, killing hundreds of Afghans who are resisting the Soviet occupation of their country. Nicaraguan troops cross into Honduras chasing anti-Sandinista rebels and clash with Honduran soldiers, prompting the United States to fly 200 Honduran troops to the border area in U.S. helicopters. Fidel Castro increases the number of Cuban troops in Angola, propping up a brutal Marxist regime against a well-advanced insurgency. In a radical policy shift, Castro vows to keep his troops in Angola until "apartheid is dismantled in South Africa."

If this reads like a nightmare scenario dreamed up by a low-intensity warfare expert operating in the bowels of the Pentagon, read again. Each of these virtually unnoticed events occurred in the weeks following the public revelations of the Iran-Contra affair in November. And it is no accident that each of these Soviet-backed offensives is a challenge to the Reagan Doctrine and specifically to President Reagan's pledge to aid anticommunist "freedom fighters" throughout the Third World.

As the U.S. government is engulfed in one of the deepest foreign policy crises in recent history, opponents of the Reagan Doctrine in the Soviet Politburo, in Congress and in the administration itself, who have been chipping away at the premier

pillar of Reagan foreign policy since its genesis, are moving with renewed intensity to kill it. They are taking advantage of prevailing confusion, inertia and infighting in the highest foreign policy councils of the government.

The critical findings of the presidential commission examining the role of the National Security Council have made a desperate situation worse. The commission, named after its chairman, former Sen. John G. Tower of Texas, concluded that contrary to President Reagan's denials, the United States did seek to trade arms for American hostages in its overtures to Iran. It also found evidence that some proceeds from the arms sales went to the rebels fighting the Marxist-Leninist Sandinista regime in Nicaragua. In both covert initiatives, Lt. Col. Oliver L. North, an NSC deputy, exceeded what higher-ranking White House officials had intended and approved, in the opinion of the commission.

In piecing the puzzle together, the commission relied heavily on internal NSC memos, which indicated that North had set up a subterranean foreign policy apparatus that operated outside normal government channels. The legal questions raised by these activities have been referred to independent counsel Lawrence E. Walsh, who is investigating charges of criminal wrongdoing. Two congressional committees also are conducting inquiries.

More important than specific findings of wrongdoing is the fact that this scandal, unlike Watergate, has cast a pall on U.S. foreign policy. The Tower commission's report is likely to cause bureaucratic gridlock. Says Neil Livingstone, president of the Institute on Terrorism and Subnational Conflict, "How would you like to be on the NSC and have to approach [adviser Frank C.] Carlucci with an imaginative idea?"

Or Howard Baker, for that matter. The new White House chief of staff is going to be so busy cleaning up after the departure



KEVIN T. GILBERT / INSIGHT

Muskie and Tower (right): Critical report further damaged the doctrine.



The Oval Office: Some say the doctrine's weakness stems from the president's failure to settle policy disputes himself.

ROBERT LLEWELLYN UNIPHOTO

of Donald T. Regan that new initiatives will be the furthest thing from his mind. The Reagan Doctrine has already lost Director of Central Intelligence William J. Casey, who resigned in January for health reasons.

The commission has also fueled a much larger political conflict, as President Reagan's opponents seek to gain control of the foreign policy agenda from the administration and to divulge wholesale U.S. intelligence secrets related to both the CIA and the NSC.

The Iran-Contra affair strikes particularly hard at the heart of the Reagan Doctrine, a bold and imaginative policy that includes support for the democratic center in countries under authoritarian or totalitarian rule. It was the sense of deep frustration among high-ranking Reagan Doctrine supporters in the administration at their inability to push the foreign policy bureaucracy and Congress to embrace the doctrine that led to the course of events detailed by the Tower commission.

"The opponents of the Reagan Doctrine, who pushed the administration to adopt these unorthodox approaches in the first place, are now getting their wish," says a Pentagon expert on guerrilla insurgency. "At least we were implementing the Reagan Doctrine for a time. Now, no one is."

Two themes run through the history of

the Reagan Doctrine. One is a tale of bureaucratic warfare that has wounded the doctrine from the outset. The most recent example: the internecine battle between the State Department and the Central Intelligence Agency over the political and military strategy of the Nicaraguan rebels.

"There has never been one predominant strategic thinker in this administration who could settle the competing agendas of the various bureaucracies," says Zbigniew Brzezinski, national security adviser in the Carter administration. Ultimately, of course, it was Reagan's duty to fill that vacuum, by replacing aides who did not share his views and settling high-level stalemates himself. That he was unwilling or unable to do either has now threatened the foreign policy doctrine that bears his name.

The other theme is what Lawrence S. Eagleburger, a former under secretary of state in the Reagan administration, calls "Congress's penchant for making foreign policy by committee." Ever since Congress passed the War Powers Act in 1973, making explicit its role in the commitment of U.S. troops to combat, it has been encroaching on the authority of the president to conduct foreign policy. Congress has scotched arms sales, proposed arms control negotiating positions, tied strings to foreign

aid and circumscribed covert intelligence actions, all as an expression of a desire to be informed and consulted. Says Eagleburger: "Congress has made it more and more difficult to conduct foreign policy in anything but a defensive way."

While it has yet to be established conclusively that money from U.S. arms sales to Iran was funneled to the Nicaraguan rebels, it is clear that the president at least tacitly approved of efforts by some members of his staff to implement the Reagan Doctrine secretly, particularly the effort to keep the rebels alive after Congress cut off official U.S. aid in 1984.

It all started with a June 1982 speech Reagan gave to the British Parliament, the first in a long line of official statements setting forth the ideals embodied in the Reagan Doctrine. (Two years earlier, candidate Reagan's imagination had been ignited by tales of the success of Jonas Savimbi, anticommunist rebel leader in Angola.) In that speech, Reagan spoke of cultivating "the fragile flower of democracy" to foster "democratic ideals in authoritarian regimes."

U.S. actions in implementing that doctrine ran the gamut, from the outright invasion of Grenada to liberate the Caribbean island from communism to behind-the-scenes diplomatic maneuvering in sup-



HANDY TAYLOR - SYGMA

The generally popular invasion of Grenada was a Reagan Doctrine success.

port of the democratic center in El Salvador. Those policies were successful and won bipartisan praise.

But the policy in Nicaragua was a sticking point. By late 1982 the White House had grown increasingly unhappy with the State Department's low level of enthusiasm for its Central America policy, particularly with State's efforts to negotiate the Nicaraguan rebels out of existence. According to former administration officials involved in the effort, the White House believed that some Reagan Doctrine initiatives had to be run covertly then in order to circumvent opposition from others in the administration — in this case, primarily Assistant Secretary of State for Inter-American Affairs Thomas O. Enders — and in Congress.

Responsibility for coordinating the covert initiatives fell to the National Security Council staff. In January 1983, the president signed a national security decision directive — a classified executive order — that permitted the council to coordinate inter-agency "political action strategies," the purpose of which was to counter moves by "the Soviet Union or Soviet surrogates." The directive gave the Reagan Doctrine teeth for the first time.

One of these covert actions, carried out by the CIA but conceived by former national security adviser Robert C. McFarlane, was the mining of Nicaragua's harbors in 1984. When the action was revealed, demonstrating that the U.S. covert role in Nicaragua was larger than previously believed, an outcry erupted on Capitol Hill. Six months later, Congress voted to cut off further aid to the rebels.

By the time Congress had acted, North was coordinating a wide range of covert activities from the

the raising of money from wealthy individuals and foreign governments for the Nicaraguan rebels. North set up a host of offshore companies and secret bank accounts that kept the Contra movement alive with money and equipment. Evidence also points to payments to the anticommunist rebel forces in Angola and Afghanistan.

The resulting public revelations of North's activities have not so much undone the Reagan Doctrine as unmasked its precariousness. For the most telling fact about the Reagan Doctrine is that unlike other presidential doctrines — the Truman Doctrine or the Nixon Doctrine — no Reagan administration official has actually pronounced U.S. support for democratic revolution to be a "doctrine." Thus, the level of commitment and clarity such a doctrine would entail was never forthcoming from the administration.

"I remember going to the White House and pointing out on a map what was happening, that these democratic forces were rising up," says Jack Wheeler, the executive director of the Freedom Research Foundation. "Since then, the idea of backing democratic liberation was adopted rhetorically, but there were no policy directives to back up the rhetoric."

It took Charles Krauthammer, writing in Time magazine in 1985, to explain coherently what Reagan said he had been trying to achieve and to give it a name. A year later, after the regimes of Ferdinand E. Marcos in the Philippines and Jean-Claude Duvalier in Haiti fell with a shove from the U.S. government, policy analysts, journalists and some U.S. officials began touting what they called "the other side of the Reagan Doctrine" — support for democracy everywhere, including challenging friendly dictators.

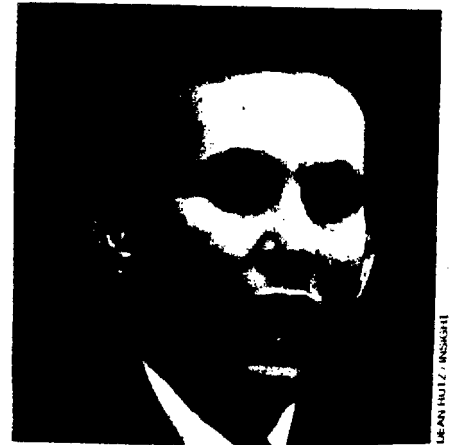
It was in fact this half of the Reagan Doctrine — pressure on friendly but despotic rulers in Haiti and the Philippines,

building in the new democracies of Latin America — that had raised hopes and elicited bipartisan kudos at this time last year. But now, some of that luster has worn off. The administration and Congress have failed to follow up and help these countries solve the intractable problems they face.

In the Philippines, President Corazon Aquino faces the same communist threat and the economic mess that Marcos left behind when he fled the nation in February 1986 on the advice of the Reagan administration. She also has confronted, and confounded, several coup attempts by Marcos loyalists. After first voting it down, Congress approved \$200 million in additional aid to the Philippines last fall, but Aquino said it was not nearly enough.

Haiti has not fared much better since the United States helped engineer the ouster of Duvalier: Unemployment remains at 60 percent and per capita annual income at \$300. "Expectations were too high last February," says Leslie Delatour, Haiti's finance minister. "We are making progress in restructuring our economy and bringing in capitalism, but resources are a problem. We need more U.S. aid."

Inadequate foreign aid is a stumbling block. All of the Latin American democracies (many of which are still green) have been hit hard by congressional cuts in the foreign aid budget, which dropped to \$13.3 billion for fiscal 1987 from \$15.4 billion in 1986. Since certain countries specially earmarked by Congress got no cut in aid (primarily Israel and Egypt), the Latin American nations bore the brunt of the cuts. In addition, neither Congress nor the administration has managed to find the funds to supply the \$300 million in economic aid approved last August for El Salvador, Costa



LEAH HULTZ - INSIGHT

Solarz, not Reagan, pushed for aid to the guerrillas in Kampuchea.

Rica, Guatemala and Honduras.

Congress finally got around to sending the Philippines some money, but it took a passionate speech by Aquino to turn the tide. That hesitation on the part of Congress was another sign that the Reagan Doctrine had failed to catch fire, even with such a popular policy as the one in the Philippines.

In addition, the administration took so many stutter steps on the way to its policy in relation to Aquino that many wonder it worked out at all. "If you look at the case of the Philippines, we acted correctly, but it was in response to events," says one former National Security Council aide. "It was no grand design. It was sort of an accident."

All of which suggests that intellectuals and analysts outside the administration were attempting to supply the administration with a strategic vision it had not adopted and, perhaps, did not even share. Brzezinski dismisses the Reagan foreign policy as "ad hoc-ism."

Resistance within the executive branch of the government to the Reagan Doctrine does not fit the traditional analysis of the competing foreign policy baronies: State Department doves, Pentagon hawks and CIA rogue elephants. According to a number of current and former administration officials, there were essentially two competing factions with adherents in each of the agencies.

The first group — most of the State Department, the military officers in the Defense Department and some key CIA officials — believed that negotiations should play the primary role in resolving the anticommunist insurrections in Afghanistan, Angola and Nicaragua. These regional arrangements would allow the communist governments to stay in power but would render them less threatening to their neighbors and to U.S. interests by eliminating their reliance on the Soviet bloc and by loosely committing them to undertake democratic reforms.

The second group — key members of the National Security Council staff, ranking Defense Department civilians, CIA chief Casey and his close aides — generally favored a policy of liberation, with an emphasis on military pressure to force the replacement of the communist regimes with democratic ones.

This second group believed that the communist regimes, if not squeezed militarily, would merely use the negotiation time to consolidate and then export their tyranny. When Assistant Secretary of State for Inter-American Affairs Elliott Abrams



TONY COBBEN PICTURE GROUP

A CIA official was blamed for keeping effective arms from the Afghan guerrillas.

took charge of Central America policy in the spring of 1985, his views on Nicaragua put him more in line with the second group, but other State Department officials remained unconvinced. On Afghanistan and Angola, the State Department stuck with the first group.

The result? "All we did was nickel and dime the resistance forces, giving some level of commitment, but not enough," says one NSC aide. "There really was no policy." This U.S. indecision fostered fear of embracing the freedom fighters on the part of such allies as Pakistan and the Central American democracies, further damaging the credibility of U.S. policy.

The responsibility for resolving these policy disputes rested with the president, says one longtime Reagan aide, but "the president's impulse was to compromise. Actually, he is not the ideologue his detractors have tried to create. But in policy-making, the desire to compromise sometimes means never taking decisive action."

The high point of the Reagan Doctrine probably came in July 1985, in a series of key votes in the House. First, Democrats ended up voting for humanitarian aid to the Nicaraguan rebel forces after a nine-month cutoff. Two days later, the House approved

a military aid package to the noncommunist forces fighting the Vietnamese occupiers of Kampuchea. The next day, it overturned the Clark Amendment, a 1976 prohibition on U.S. aid to the Angolan insurgents. And before the month was out, a symbolic payment of \$5 million in overt humanitarian aid for the rebels in Afghanistan was approved.

But a closer look at these votes shows that the impetus for aiding several of the rebel groups came not from the administration but from Congress. The aid to the Kampuchean rebels was pushed by Rep. Stephen J. Solarz, a New York Democrat, and was opposed by the State Department.

In the case of Angola, the State Department actively opposed scuttling the Clark Amendment. Secretary of State George P. Shultz sent a letter to House Minority Leader Robert H. Michel asking him to oppose the legislation because it would open the way for aid to Savimbi's UNITA rebels, contrary to the State Department's negotiating stance.

The Angolan case illustrates perfectly the two-track policy followed by an indecisive administration. The State Department's Africa bureau continues to pursue communist

government and South Africa. State's objective in the Angolan negotiations is to get South Africa to turn over Namibia to the communist South-West Africa People's Organization and cut off all support for Savimbi, in exchange for which the Angolan regime is supposed to expel 35,000 Cuban troops and Soviet bloc personnel.

As a compromise, after a personal pledge from Reagan to Savimbi during a White House meeting in January 1986, U.S. officials agreed to give about \$15 million in military aid to UNITA last year. The administration will provide about \$15 million again this year, as against a \$1

about 6,000 Afghan rebels who are battling approximately 120,000 Soviet troops. Each year, according to congressional committee sources, supporters of the rebels in Congress have doubled the administration's aid request, yet effective U.S.-made weapons, particularly Stinger missiles, were not supplied to the rebels until after the resignation last March of CIA Deputy Director John N. McMahon, who adamantly opposed the program.

"It took seven years to get what we needed," says Henry Kriegle, director of the Committee for a Free Afghanistan in Washington. "McMahon was able to block

back talks being held in Geneva among the Soviets, the Soviet-backed regime in Kabul and Pakistan but excluding the resistance forces. The aim of the talks is to exchange a Soviet withdrawal from Afghanistan for Pakistan's refusal to serve as a conduit for aid to the Afghan rebels.

As in Angola, and possibly Nicaragua, the State Department would have the United States cut off the freedom fighters when an accord is reached. Shultz, sources say, is ready to accept any regime in Kabul, so long as the Soviets pull out. But others in the administration, notably the Pentagon's Fred C. Ikle, under secretary for policy, have declared that a communist-front government in Afghanistan is unacceptable to the United States.

"All along," says Kriegle, "U.S. commitment to negotiations and interest in Soviet feelers about a withdrawal have raised concerns about sacrificing the resistance to a compromise."

The battle of the Nicaraguan rebels has attracted by far the most attention in the debate over the Reagan Doctrine, and it too has been a victim of both bureaucratic resistance and congressional recalcitrance. The main problem, in the view of many observers, has been the administration's seemingly endless revision of its aims in Nicaragua.

The Reagan Nicaragua policy had early setbacks at the hands of both internal and external opponents. In 1982, the reasons for U.S. support of the Contras had not been enunciated clearly by U.S. officials. Opponents of the program convinced the administration that aid could be obtained from Congress only if it would not be used in an effort to change the government of Nicaragua. Thus the administration's strategy was defined quite narrowly: interdicting the flow of arms from Nicaragua to El Salvador's guerrilla insurgents.

Since the policy goal was constricted, the CIA determined that the Contras did not need the heavy weapons, anti-aircraft and logistics essential to mount a winning military struggle against the Sandinistas, a Contra goal that went far beyond halting arms to El Salvador.

By 1984, the State Department was again sending mixed signals about Nicaragua policy. U.S. officials were putting pressure on Honduras and Costa Rica to sign a draft treaty that would have cut off support for the Contras in exchange for a commitment by the Sandinistas to discuss reducing their sources of foreign support and better treatment of the opposition. Langhorne A. Motley, the assistant secretary for Latin



CLAUDE URRACCA/SYGMA

While aid to the Contras is debated, Sandinista troops train near Honduras.

billion annual investment by the Soviet bloc in the Luanda government. "The \$15 million was enough to make a dent but not enough to make a policy. You still have State's policy of negotiation," says one Pentagon critic of the compromise.

Even so, Savimbi's rebels, recently armed with U.S. Stinger anti-aircraft missiles, are beginning to make some gains. They are believed to control one-third of the country. UNITA has shot down more than 40 Angolan aircraft in the past few months, convincing the Luanda regime that military victory against it is improbable.

The Afghan program has incurred a similar fate. The United States has provided covert military aid in amounts that have increased annually from \$75 million in 1983 to \$500 million last year to help

it while he was there." Administration sources say more Stingers will be provided this year, but Kriegle thinks it will likely be "too little, too late. Only three of the seven rebel groups have them, and the Soviets have begun mounting a major offensive after the failure of the [January] cease-fire."

On the political front, the Afghan resistance has had even less luck in Washington. Eighteen months ago, the tribal groups made an alliance to try to establish a government in exile. Last June, the groups' leaders came to Washington seeking diplomatic recognition, which might give them a role in negotiations over Afghanistan's future. Several Pentagon officials favored the move, as did many senators.

But the rebels were turned down because the State Department continues to



TOM HALEY / SIPA PRESS

A January pro-Marcos rally in Manila is indicative of the problems Aquino has faced. But U.S. help has been slow coming.

American affairs, was forced out in the spring of 1985 for backing this proposal and was replaced by Elliott Abrams.

Under Abrams, most administration officials closed ranks behind the Contras' political and military effort. But there have been occasional miscues. Last May, presidential envoy Philip C. Habib sent a letter to congressional Democrats which many conservatives interpreted as signaling his support for a weak peace treaty that would have ended U.S. aid to the rebels. At the time, Rep. Jack Kemp, a New York Republican, urged the president to fire Habib for his "misplaced faith in the omnipotence of diplomacy that would have us walk away from the democratic resistance for false promises of an unenforceable treaty."

Currently, both the United States and Nicaragua have warmed to a proposal advanced by President Oscar Arias Sanchez of Costa Rica. The plan would require all Central American countries to guarantee "full observance of civil rights" and "real pluralistic and democratic processes." It also would require free elections overseen by foreign teams. Abrams and other U.S. officials are not prepared to halt aid to the rebels, however, until the terms of any peace plans are enacted by the Sandinistas, not merely agreed to.

More serious disagreement has broken out within the administration over political and military strategy in Nicaragua. The three main Contra leaders, Arturo Jose

Cruz, Alfonso Robelo Callejas and Adolfo Calero Portocarrera, have been bickering and jockeying for position within the rebel organization for weeks. Cruz, a professorial former Sandinista who is popular on Capitol Hill, had threatened to resign from the United Nicaraguan Opposition, the Contras' political directorate, if Calero did not quit the organization.

Calero is the president of the Nicaraguan Democratic Front, or FDN, whose 15,000 troops are the bulk of the rebels' strength. Cruz, backed by the State Department, believed Calero was cutting the directorate out of important decisions.

Calero resigned Feb. 16 but retained the presidency of the FDN. His position is supported by the CIA managers of the covert Contra program and some members of the National Security Council staff, according to a council aide. They believe that Calero and his military commander, Enrique Bermudez, long affiliated with the CIA, have the ability to direct some Contra military successes against the Sandinistas in the coming months and that Cruz and Robelo are lackluster figureheads installed by State for the benefit of Congress.

These officials believe that "UNO is finished," according to the aide, and that a broadened political and military directorate

will be formed soon. They would like to see Calero return as a member of the new group, and Cruz and Robelo dropped.

But State Department officials say that without Cruz and Robelo, they have little hope of persuading Congress to approve the administration's \$105 million request for the Contras in the fall. They admit that Cruz and Robelo do not have much of a following among rank and file Contras, but they charge that Calero does not either. Further, officials say that neither Calero nor Bermudez has operational control over the Contras in the field. "They don't matter. Cruz and Robelo do," says one State Department official. The real fighting power is held by the regional field commanders.

The outcome of this struggle will likely affect Contra aid prospects. So too will performance in the field. The rebels reportedly are introducing hundreds of better-equipped troops into Nicaragua each week and are meeting little resistance from the Sandinista army. The aid flow has enabled the rebels to regain the initiative.

But some rebel leaders complain that the CIA is dispatching military equipment too slowly and has refused to give them much heavy or sophisticated equipment. "And some of the equipment we have gotten is not working properly," says Calero.

Administration officials say their hesitancy in resupplying the rebels is the result of the complex funding cycle set up by Congress. The system has dispatched aid



Aid for the Angolan guerrillas was opposed by the State Department.

in three waves: \$40 million when the law was enacted last August, \$20 million in October and \$40 million this month. Until this month, the legislation specified the aid could be used only for defensive purposes — training, intelligence gathering and defensive equipment.

Indeed, it has been congressional opposition that has proved most damaging to the rebel program. The rebels are now engaged in an effort to regain the position they lost two years ago, when Congress cut off aid, Calero says. But the revelations that during that time North and other U.S. officials helped money continue to flow is not likely to sit well on Capitol Hill.

Last month, the Senate Foreign Relations Committee, now controlled by Democrats, voted along party lines to halt U.S. funds that were approved by Congress last summer but had not yet been given to the rebels. Supporters of the bill admit that even if it passes both chambers, it will not sustain a presidential veto. Still, the vote was seen as an important dress rehearsal for the battle over the administration's upcoming request.

The vote on the new aid, probably in September, will likely be close. Many Reagan Doctrine supporters hope that the Democrat-controlled Congress will continue to fund the rebels, at least through the presidential election in 1988, "if only to avoid blame for losing Nicaragua," says foreign policy analyst Joshua Muravchik.

But others are seeking a more affirma-

tive strategy from the administration. Gen. Paul Gorman, former commander of the U.S. Southern Command, and other U.S. officials, have suggested that the Defense Department be given primary operational responsibility for the Contra program. The Pentagon has resisted such a move. Some Pentagon officials are privately advocating a U.S. naval-air blockade designed to halt the flow of Soviet weaponry into Nicaragua.

One former NSC aide says the administration should begin thinking about how to achieve its Reagan Doctrine goal — the establishment of a democratic government — without the rebels, who are beset with organizational chaos and face a bleak future in Congress. A U.S. invasion, if it came while the Contras were still in the field, would require less than a week and fewer than 30,000 U.S. troops, some experts say.

Conservatives in Congress also are pressing the administration to revitalize the Reagan Doctrine by supporting the Mozambique National Resistance Movement, which is generally deemed the most successful anticommunist insurgency in the world. The 10-year-old popular uprising, which now reportedly controls 85 percent of Mozambique, has as its goal the establishment of democracy in a country suffering since 1975 under a Soviet-backed Marxist regime. The Soviet Union has spent more than a billion dollars to keep its client afloat, and troops from Cuba and

Ethiopia have helped hold off the rebels.

But the United States has repeatedly spurned the rebel group. And not only that, last year the United States gave the Mozambique regime \$70 million in aid.

Conservatives charge that the Reagan Doctrine has gone haywire in Africa. Kemp's strategy for rebuilding the doctrine is to fire Shultz. He recently called for Shultz's resignation for "violating the Reagan Doctrine" by "rolling out the red carpet" for Oliver Tambo, the leader of the radical, nondemocratic African National Congress in South Africa.

At the conservative Heritage Foundation in Washington, foreign policy analyst James T. Hackett has drawn up a list of other actions that Reagan could take without the consent of Congress to shore up his foreign policy and go on the offensive. The list includes such measures as breaking diplomatic relations with Nicaragua, Angola and Afghanistan, and recognizing the freedom fighters as governments in exile.

Whether or not the administration is up to the challenge of moving more decisively on the Reagan Doctrine, the doctrine is likely to live on, at least through the presidential race in 1988. At a recent Conservative Political Action Conference in Washington, the elusive Reagan Doctrine was voted the No. 1 priority issue in the 1988 campaign — which means that Republicans everywhere will be paying it serious lip service as the party marches toward the bloody battle of 1988.

— David Brock



Shultz's meeting with Tambo provoked a call for the secretary's resignation.

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✓ SAMUEL FRANCIS

Tough talk, but the clout is vanishing

The ancient art of euphemism is an odd business. *The Washington Post* revealed recently that when Lt. Col. Oliver North suggested in a classified memorandum in 1984 that the CIA "neutralize" foreign terrorists, CIA Deputy Director John McMahon was so upset he phoned Col. North in the dark of night to call him an "unprintable name."

Of course, the word "neutralize," barely printable itself, can mean anything from killing people to tying their shoelaces together, but evidently Mr. McMahon saw through the devious Col. North at once. Obviously, he — and *The Post* — assumed Ollie wants the CIA to start snuffing the opposition.

Yet *The Post's* vague description of Col. North's memorandum offers no reason to believe that "neutralize" meant assassination, and the specific counterterrorist ideas discussed by the colonel and his merry band included non-lethal gimmicks such as providing flawed weapons and ammunition to terrorist groups and disrupting their travel plans.

While the CIA has long since abandoned assassination as a peacetime measure, and the practice is forbidden in a standing executive order, Col. North's ideas on the need for extraordinary actions to combat terrorism are sensible — far more so than his later brainstorming for an illicit traffic with Iran in cakes, Bibles, and missiles and the alternative non-policies advocated by denizens of the perpetual governmental woodwork.

An unprecedented escalation of terrorist savagery against American targets since 1981 has produced

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no firm or effective response from the United States. A major reason for our flaccidity is the proficiency of desk pilots on the public payroll in asphyxiating any breath of firmness.

President Reagan entered office with a promise of "swift and effective retribution" against international terrorists, but it was not until 1986 that American planes wasted Tripoli in the aftermath of the Libyan-planned bombing of a West Berlin discotheque in which a U.S. soldier was killed. While the military strike was reasonably swift, it was not very effective in destroying Col. Muammar Qaddafi's capacity to carry out and support terrorist attacks.

Officials other than the president have waxed eloquent about the ferocity that should be visited upon terrorists and their state sponsors. Secretary of State George P. Shultz has more than once described terrorism as "a form of war," and in 1984 he reminded the congregation of the Park Avenue Synagogue that, "Experience has taught us over the years that one of the best deterrents to terrorism is the certainty that swift and sure measures will be taken against those who engage in it." Robert McFarlane, while national security adviser, assured us that, "We cannot and will not refrain from pre-emptive actions where conditions warrant."

But while the American public, U.S. allies, and the terrorists themselves were being entertained with these invocations of Mars, other officials were busy pre-empting any serious policy of reprisal. Mr. McMahon's midnight phone call to Col. North was one such effort to discourage pesty types who kept worrying about effective counterterrorism, but, as recent press accounts have disclosed, there were similar and smoother efforts to stifle any proclivities in the administra-

tion to using force against terrorism.

In the aftermath of the hijacking of TWA Flight 847 in June 1985, CIA Director William Casey, in concert with the National Security Council, drew up plans for a joint U.S.-Egyptian invasion of Libya with the objective of toppling Col. Qaddafi and ending once and for all his nearly 20-year career of support for international terrorism. The reaction from the State Department and the Joint Chiefs of Staff was swift and sure. Mr. Shultz described the plan as "crazy" and recalled U.S. Ambassador Nicholas A. Veliotis from Egypt to help squelch it. The JCS warned that 90,000 troops would be necessary to accomplish the goal of the mission, and the State Department came up with an alternative "contingency plan" that prescribed only "reactive and defensive measures." The Pentagon also opposed a later plan that involved military strikes against Libya after the terrorist massacres at the Rome and Vienna airports in December 1985.

The following year President Reagan authorized the establishment of an "Operations Sub-Group" under Col. North that would supervise the abduction of suspected terrorists abroad for the purpose of bringing them to trial in the United States. How the president managed to get this through the bureaucratic jungles is not known, but the OSG never accomplished very much except the usual "interfacing" among its members. The chief wet blanket in this case was apparently the FBI, which argued that the plan was illegal in international law, impractical, and, perhaps, fattening.

All of these suggested policies may have contained fatal flaws, and their critics may have been correct to argue against them. But the alacrity with which the critics stepped on them creates a suspicion of other motives. Any insinuation that the United States use force or extraordinary measures against terrorists seems certain to set the bureaucratic heart palpitating and to unleash a flash flood of memos, backstairs intrigues, and phone calls in the night to make certain that such options do not grow up to be actions.

The reasons for these Herculean efforts to prevent coercive re-

sponses and pre-emptions lie deep. In the 1970s, the CIA was badly and publicly burned for its assassination plots against Fidel Castro, Ngo Dinh Diem, Patrice Lumumba, and others. And the disastrous raid on Tehran that miscarried in the Iranian desert in 1980 traumatized many professional military officers who might otherwise incline to the use of force. The State Department, for its part, has a residual distrust of any proposal that would disrupt the routine of its diplomatic agenda and place any responsibility for international policies in other hands.

The vested interests and institutional neuroses of the permanent government will therefore seek to circumvent any proposal for a counterterrorist policy of retaliation, coercive pre-emption, or strategically effective force that might destroy the will or capacity of terrorists to carry out their *jihad*. Probably the only institution that can control these lobbyists for inaction is the presidency itself, and it was through the president, his confidants, and the NSC that the irregular overtures to Iran were made.

If Mr. Reagan had applied his misdirected energies toward more effective measures that would have wreaked some destruction on the forces of world terrorism, the fallout would have been less damaging to him and his administration.

In the event, any prospect for using the presidency to respond effectively to terrorism and to motivate bureaucrats whose idea of efficacy is to appoint a commission has been set back by the ill-considered moves that Mr. Reagan and his friends actually made.

9 March 1987



DAMNING WITH FAINT PRAISE

A remarkably blunt report on the Iran-Contra affair questions Ronald Reagan's competence and forces his once powerful chief of staff from the White House. But even with the highly regarded Howard Baker on board, it may be difficult for Reagan to repair his severely damaged Presidency

■ Just after 9 a.m. on February 26, as the rest of official Washington waited for the release of the long anticipated Tower Commission report, an aide rushed into a second-floor suite in the Old Executive Office Building and, like a halfback under hot pursuit, handed off a copy to Peter Wallison, the White House counsel. As the aide darted off, Wallison plumped down to read the report, which in its size and heft resembles nothing so much as a telephone directory for a medium-sized American city. In the next few minutes, senior staffers throughout the building were diving into their own copies of the report, and by 10 a.m. reporters and officials had begun gobbling up nearly 4,500 other copies from the White House press office. For the rest of the day, it seemed, the most common sound in the nation's capital was the susurrus of turning pages, punctuated by periodic cries of shock and disbelief.

By any standard, the contents of the blue-covered Report of the President's Special Review Board are riveting. In 304 dense but well-organized pages, the board—comprised of former Senator John Tower (R-Tex.), former Secretary of State Edmund Muskie and Lt. Gen. Brent Scowcroft, Gerald Ford's national-security adviser—provides the most comprehensive record to date of the bizarre origins of the Iran-Contra mess that has all but crippled the administration of Ronald Reagan. Until a few months ago, Reagan had been the wonder of American politics, an apparent master of popular communication who had burnished the image of the Presidency and impressed his own distinctive stamp on the American political tableau. It was a performance in office that, had the play continued, could even have landed Reagan in the Harry Truman rank of "near great" Presidents.

But now, with the damaging revelations of the Tower Commission report, chances are that history will take a less exalted view of Ronald Reagan. While it

comes to no conclusions about the possibility of criminal wrongdoing, the Tower report documents a pattern of obsessive deception by White House

aides who ran a mind-boggling series of shady operations that may have been in violation of several laws. More important for the President, the report provides the most definitive evidence yet of his disengaged and remarkably incurious style of management—inferentially raising the question of Reagan's competence to do his job without extraordinary support. Reagan "clearly didn't understand the nature of this operation, who was involved and what was happening," said Tower, who chaired the review board. When the board asked Reagan if he gave advance approval for an Israeli shipment of arms to Iran in August, 1985, the President said simply: "I don't remember—period." Tower, Muskie and Scowcroft weighed the other available evidence and came to a different conclusion: "On balance, the board believes that it is plausible to conclude that he did approve [the weapons shipments] in advance." Clearly shaken, Reagan made a brief statement thanking the board and its staff. Then he retired to a White House office to read the report and find out what it was he didn't know.

As exhaustive as the report is—and the Tower Commission surprised nearly everyone with the scope and aggressiveness of its inquiry—it still leaves many key questions unanswered. Tens of millions of dollars that changed hands in the arms sales to Iran and diversion of profits to the Nicaraguan Contras are unaccounted for. The special prosecutor ap-

pointed to sort out the details of the arms and money transfers is focusing narrowly on the mysterious money trail, as are investigators for the special House and Senate committees examining the transactions. The two panels are seeking Swiss bank records of some players in the affair, and independent counsel Lawrence Walsh has already granted immunity from prosecution to Lt. Col. Oliver North's former secretary, Fawn Hall. North and former National Security Adviser John Poindexter are refusing to testify, delaying the

inquiries

Baker bumps Reagan

In the meantime, Ronald Reagan has other things to worry about. With the resignation at the weekend of his embattled chief of staff, Donald Regan, the President faces what may be the most important speech of his Presidency when he addresses the nation this week to explain and perhaps apologize for the benighted arms deals with Iran and the breakdown in the White House staff command that allowed the diversion of money to the Contras. In an attempt to regain lost momentum, Reagan has replaced Regan with former Senate Majority Leader Howard Baker (see page 23) and is expected to announce a further White House shake-up. In some respects, Baker is an inspired choice: His courtly manner and connections to Capitol Hill should improve White House relations with Con-

gress. He is also immensely popular with the press and is a longstanding friend of an important constituent—First Lady Nancy Reagan.

Even with the reorganization, a new White House team and an aggressive public-relations plan to strengthen the President's battered leadership profile, many friends and foes believe that Reagan's moment has passed—that after the damage done by the Tower report, the consequences now preclude any significant comeback. "The agenda will not be determined by what the President wants to do," says House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), "but by what Jim Wright and Robert Byrd want to do."

The Democratic leaders of the House and Senate are already pushing their own programs, with a keen eye on 1988. Perhaps more than anything else, the Iran-Contra scandal and the troubling questions raised about Reagan's detached management style will focus the long and windy presidential contests on the issue of competence for the office. Already, candidates are staking their claims on the competence issue, claiming they have the breadth of vision and the authoritative grasp of detail necessary to be a successful President.

On a nuts-and-bolts level, the effect of the scandal has been to recast the political landscape in favor of the Democrats. Vice President George Bush remains under a lowering cloud, though he has not been directly implicated in the Iran-

Continued

Contra mess, and a new residency in the White House West Wing removes one potential challenger. As Bush slips from the lead position, Senate Minority Leader Bob Dole (R-Kans.) is making unexpected early gains. If the revelations from the scandal continue to make front-page news, however, they will hurt any candidate carrying the Republican mantle. And if there is another bombshell like the Tower report out there somewhere, the Democrats, for all their studied caution in exploiting the current mess in Washington, may finally be unable to keep from gloating. "The Democrats," says Representative Henry Hyde (R-Ill.), "are

like a funeral-home director at a \$25,000 funeral, trying to look somber and not altogether succeeding."

In the short history of the Iran-Contra affair, there have been leaks, official disclosures and high-minded denials of wrongdoing. What there has been most of, however, since the broad dimensions of the scandal were revealed by Atty. Gen. Edwin Meese in November, is confusion. The Tower report, based largely on a trove of secret computer records found near the end of its inquiry, does much to resolve the confusion over the origins of the Iranian arms deals. Although it is less helpful on the details of the cash diversions to the Contras and a possible cover-up in recent months, it does provide much startling new information about the secret funding and support provided by White House aides to the Contras in their fit-and-starts war against the Sandinista government (see page 30).

For all the complexity of detail it provides on the affair, the Tower Commission report is likely to be remembered as one of the most popular documents ever printed by the U.S. government. After the 25,000 original government-ordered copies started selling rapidly, there was still such great demand for copies that Bantam Books in New York made plans for an initial press run of 300,000 copies, to be sold at \$5.50 apiece. The clamor isn't hard to understand—the American love of a good spy thriller is well met in the account of the bizarre escapades of Oliver North.

Barroom bargain

In point of fact, North is only one of a strange cast of characters. As best anyone can tell, the U.S. overture to the Iranians was first broached, even before North entered the picture, by a colorful

if somewhat dubious Iranian pinball named Manucher Ghorbanifar. Since the spring of 1982, the National Security Council staff had been recommending that the Reagan administration re-evaluate its posture toward Iran, with a view toward establishing some kind of relationship with a post-Khomeini regime. No satisfactory means were found for an opening to Teheran,

however, and it was not until November, 1984, in a bar in Hamburg, Germany, that the outlines of a solution began to emerge. It was, as they say in the spy game, an unlikely gambit.

Theodore Shackley, a 28-year veteran of the Central Intelligence Agency, had traveled from London to Hamburg with an old friend, a former general under the Shah of Iran, who was deposed in 1979,

the same year Shackley retired. In the bar, the ex-general introduced Shackley, then in business for himself, to Ghorbanifar, who expressed interest in buying American-made prostheses for Iranian soldiers wounded in the war with Iraq. When the conversation shifted to the war in Lebanon, Shackley asked Ghorbanifar if he knew anything about the U.S. hostages there, particularly William Buckley, an old friend who had been the CIA station chief in Beirut until he was kidnapped a few months earlier. As a matter of fact, Ghorbanifar said, he happened to know that all the U.S. hostages were well. And when Shackley asked if Ghorbanifar could provide further details "as a humanitarian gesture," Ghorbanifar quipped that, if Shackley was genuinely concerned, the two men could discuss a tractors-for-hostages deal. Nothing came of the discussions then, but it was the start of Ghorbanifar's long involvement in the secret U.S. weapons transactions that would end up with one White House official calling him "a devious person" and another describing him as "a crook."

That wouldn't happen until later, however. For a while, the Ghorbanifar contact was forgotten, as NSC staffers Donald Fortier and Howard Teicher suggested in June, 1985, that the U.S. should permit or encourage the transfer of Western arms to Iran. Secretary of State George Shultz and Defense Secretary Caspar Weinberger sharply objected, and the NSC staffers were ordered to "stand down" on the arms proposal. What the cabinet officials didn't know was that the Israelis were quietly offer-

ing their own arms-to-Iran proposals to the administration.

"Israel had longstanding interests in a relationship with Iran and in promoting its [own] arms-export industry," the Tower board notes circumspectly in

its own. To Israeli interests, however, did not always coincide with those of the United States. And the Israeli proposals were further complicated by the identities of those pushing the arms shipments. Two, Al Schwimmer and Yaacov Nimrodi, happened to be in the arms business, and so stood to turn a handsome profit. The third was none other than Ghorbanifar. The three men wanted the U.S.—whose antiterror policy forbade arms shipments to Iran—to approve an Israeli sale. Not only that, the men said, they wanted the U.S. to agree to sell them more arms to replace those delivered by the Israelis. "... This is roughly like inviting [Libyan Col. Muammar] Qadhafi over for a cozy lunch," Defense Secretary Weinberger fumed at the time.

The President proceeds

Despite the suspect source of the proposals and the objections by Shultz and Weinberger, the President, more and more preoccupied with the fate of the American hostages, apparently gave the O.K. for "exploratory contact." According to the testimony of Chief of Staff Regan before the Tower Commission, the President, recuperating from his cancer operation on July 13, 1985, said, "Yes, go ahead. Open it up." A little more than a month later, the Tower Commission concluded, Ronald Reagan authorized the first Israeli arms shipment to the Iranians. A second shipment took place on Sept. 14, 1985, and the following day, hostage Benjamin Weir was released. The administration's antiterror policy, a key plank in the Reagan platform in 1980, was now officially broken. And now Oliver North would assume direct control of the secret dealings for the hostages.

Over the next six months, North, relying on Ghorbanifar, retired Air Force Maj. Gen. Richard Secord, CIA field agents and others, tried and failed to secure the release of more hostages. On Nov. 30, 1985, North's boss, National Security Adviser Robert McFarlane, resigned. McFarlane was replaced by his deputy, Vice Adm. John Poindexter. And North, perhaps sensing a kindred spirit in his new boss, asked to up the ante in the arms-for-hostages sweepstakes. The Israelis, with U.S. support, would sell Iran 3,330 TOW and 50 Hawk missiles in exchange for release of all the hostages, North suggested. Poindexter agreed, but the proposal was shot down by Shultz and Weinberger in a December 7 meeting with the President. Nevertheless, Reagan was still dissatisfied. "The President noted that it would be another Christmas with hostages still in Beirut, and that he was looking powerless and inept because he was unable to do anything to get the hostages out," the Tower Commission reported, based on

Aware of the President's feelings, North continued meeting with Secord, Ghorbanifar and an Israeli named Amiran Nir. The CIA's deputy director, John McMahon, was incensed over North's use of agency personnel to expedite a previous Israeli arms shipment to Iran. In early January, 1986, the President finally overcame whatever misgivings he had and agreed to try the Israeli connection again. To satisfy McMahon, on January 17 he signed a directive, called a "finding," and for the first time, the U.S. became a direct supplier of arms to the Ayatollah Khomeini. In his diary, Ronald Reagan wrote, "I agreed to sell TOW's to Iran."

It was a momentous decision. And with typical flourish, North named the new weapons-to-Iran program "Operation Recovery." Despite North's energy and enthusiasm, however, and the shipment of 1,000 TOW's in February, the operation recovered nothing. Even after Ghorbanifar failed a CIA-administered polygraph test (according to one source, "the only thing he got right was his name"), North and the CIA continued to rely on him. Finally, in desperation, former National Security Adviser McFarlane was brought back in May,

1986, to make a special trip to Teheran, and a month later Father Lawrence Jenco, another hostage, was released, but the rest remained captive—contrary to U.S. expectations from the deal. McFarlane recommended canceling the arms-for-hostages negotiations, calling Ghorbanifar "a self-serving mischief-maker."

Instead of scrapping the deals, however, North found another channel. But evidence of the desperation of his efforts was beginning to become apparent (see page 19). In a meeting with Iranians in Frankfurt in October, 1986, according to the Tower panel's report, North told a fanciful tale about Reagan's praying "one whole weekend" over whether to recognize the Islamic revolution and said: "We also recognize [Iraqi President] Saddam Hussein must go." Reagan told the Tower Commission the stories were "absolute fiction."

Money machine

It is significant that the diversion of funds to the Contras also seems to have picked up at this time. Back in April, 1986, North had written that "the picture is dismal unless a new source of 'bridge' financing [for the Contras] can be identified." All along, the Iranians had been paying far more than the market value of the weapons. By the fall of 1986, the excess profits had reached nearly \$20 million, and the money may have seemed to North to be a lifeline to the struggling Contras. A former CIA agent named George Cave

that Ghorbanifar had proposed that "we use profits from these arms deals to fund support to the rebels in Afghanistan. We could do the same with Nicaragua." When North learned the Iranians would pay prices that would continue producing the fat profits, Ghorbanifar said, according to the Tower Commission report, "he was like a changed man."

Unfortunately, because the panel and its staff had no access to the Swiss accounts through which the money was transferred, they have no clues as to where it is. The evidence unearthed by the commission on the secret Contrasupply effort by North and others will no doubt provide plenty of leads for investigators still trying to unravel the mess, but the money will be difficult to follow and may already have disappeared. "There are too many players," says former CIA Agent Shackley, "for the money to [still] be in a Swiss bank account."

As intriguing as the money trail is, and as compelling as the saga of Ollie North may yet become, the real drama centers on Ronald Reagan and what, if

anything, he can do with the remaining two years of his Presidency. His prime-time speech this week presents what may be his last opportunity to convince the American people he is in charge of his floundering administration. If he follows the advice of congressional confidants and old friends from California, he will accept full responsibility, do a clean sweep through the upper levels of the White House staff and then tell the country what he has done. Strangely, the old Reagan magic, even despite all his problems, has not deserted him entirely. A *Los Angeles Times* poll last week showed that while more than half the people surveyed believe Reagan has lost control of his administration, more people (55 percent) approve of his performance now than in the previous poll. The warm feeling most Americans still hold for Reagan, however, is unlikely to translate into real power in Washington, where a restive Congress controlled by Democrats has already grabbed control of the agenda and signaled its intent to move on without the President. True, there are still some tricks the Gipper has up his sleeve—the power of the veto, for instance. And it is still possible he could retrieve an arms-control agreement with the Soviets. That's one hope. His only other on the domestic front is probably a policy of conciliation with the Congress, since Reagan is no longer 100 percent veto-proof. "He needs to take control of his government," says Robert Strauss, a veteran Democratic strategist. "He needs a limited, attainable, credible agenda . . . so he can say this administration is not dead."

that may be, but the vital signs of the administration are not strong, the rescue attempt this week may be too little, too late, and the momentum may already have passed to the Democrats, with a field of youthful and energetic candidates, each of whom seems determined to prove he is more competent than the others to run the country. Where Ronald Reagan counted on communications skills and careful packaging by his staff, the class of '88 will have to show it is different. Where Donald Regan fell from power because he failed to understand the dangers of "letting Reagan be Reagan," the next President will have to show he doesn't need an all-powerful chief of staff to keep him from making big mistakes. If there is any silver lining at all in the current scandal, it may be the lessons it leaves for the next holder of the Oval Office. ■

by Brian Duffy with Dennis Mullin, Kenneth T. Walsh, Gloria Berger, Andy Plattner, Charles Fenyesi, Melissa Healy and Gillian Sandford

Continued

IN TOO DEEP

Soldier of misfortune

When Ronald Reagan reluctantly fired Lt. Col. Oliver North from the National Security Council staff on November 25, he referred to the handsome Marine as "a national hero." But it now appears that, as with so much else in this strange Iran-Contra affair, the President knew very little about North or what he was doing in the name of his government. The Tower-report revelations will no doubt be of great interest to the continuing criminal inquiries, but they're likely to be equally fascinating to an army of armchair psychologists.

- In October, 1986, North traveled to Frankfurt, Germany, to meet with some Iranians. He delivered a Bible inscribed by the President and, according to the Tower Commission report, made the declaration: "We inside our government had an enormous debate, a very angry debate inside our government over whether or not my President should authorize me to say, 'We accept the Islamic revolution of Iran as a fact. . . .'" [The President] went off one whole weekend and prayed about what the answer should be, and he came back almost a year ago with that passage . . . that he wrote in front of the Bible I gave you. And he said to me, 'This is a promise that God gave to Abraham. Who am I to say that we should not do this?'" It's a dramatic story, but untrue, according to the President, who told the Tower panel it was "absolute fiction."

- In February, 1985, North learned of the existence of a Nicaraguan merchant ship, the *Monimbo*, en route from North Korea to Managua. It was suspected of carrying weapons. He recommended that the U.S. give the Contras information on the *Monimbo* and that they be "approached on the matter of seizing and sinking the ship." Of course, North said, the Contras would need help from a special-operations force from a "friendly country." When no such country could be found, North reluctantly dropped the idea.

- Between January and March of

1986, despite a congressional prohibition on U.S. military aid to the Contras, North, from his office in the White House, arranged for private parties and an officer of the Central Intelligence Agency to coordinate at least nine secret deliveries of military equipment. In the jargon of the military, these are known as "lethal drops," and the Tower panel says they were paid for by Contra "benefactors" lined up by North. "This was all lethal," a CIA



In the eye of the storm

officer said. "Benefactors only sent lethal stuff."

- In June, 1986, North was under increasing pressure, as a result of the stalled hostage talks and questions about his work on behalf of the Contras. Former National Security Adviser Robert McFarlane was worried. "I don't know what you do about it," McFarlane wrote to North's boss, the new national-security adviser, John Poindexter. "But in Ollie's interest, I would get him transferred or sent to Bethesda [Naval Hospital before] the disability review board. (Apparently, the Marine Corps has already tried to survey him once.) That would represent a major loss to the staff and the Contra effort. . . . But in the end it may be better anyway."

THE CLOAK AND DAGGER TALES

Olle North's private network

In the end, the most explosive section of the 299-page Tower Commission report may lie in a 17-page appendix titled simply, "The NSC Staff and the Contras." There, in matter-of-fact prose, the commission describes one of the most astonishing cloak-and-dagger stories in recent U.S. diplomatic history. It reveals a wide-ranging, intricate and possibly illegal operation fashioned primarily by Lt. Col. Oliver North to supervise and fund the rebels despite strict congressional bans on such governmental aid. And it details the brazen lengths to which the scheme's organizers went to shield the operation from congressional scrutiny.

Direct U.S. aid to the Contras was barred by Congress in 1984 and 1985. Yet during that time, North managed to funnel millions of dollars to the Contras through "gifts" from friendly foreign governments such as Saudi Arabia and through funds raised from private citizens by specially created "foundations." The report discloses how North channeled weapons to Contra forces in Honduras and even pinpointed their

military strikes against Managua. It describes how a secret airstrip was built in Costa Rica under direction from the NSC's offices in the White House. North dubbed the secret program "Project Democracy," and at one time its assets—including ships, warehouses and aircraft—exceeded \$4.5 million.

Documents found in North's safe detail a private Contra-support network with ties to 28 organizations and companies. North also set up his own communications system. Using 15 encryption devices supplied by the National Security Agency, he sent classified messages to the Contras, the Central Intelligence Agency and private operatives in the field. This enabled him to direct munitions drops and keep up-to-the-minute records of Contra financial needs.

A threatening phone call

North became so enamored of his authority that, at one point, he telephoned Costa Rican President Oscar Arias and threatened to cut off \$80 million in U.S. assistance unless Arias canceled a planned press conference to disclose the secret airfield. Afterward,

North confessed to his boss, National Security Adviser John Poindexter: "I recognize I was well beyond my charter in dealing with a head of state this way." Poindexter responded: "You did the right thing, but let's try to keep it quiet."

As North's activities grew, Poindexter warned him, "You are letting your operational role become too public." The national-security adviser directed North to talk to no one, including CIA Director William Casey, and to create a "cover story that I have insisted that you stop."

However, some in Congress became increasingly suspicious of North's activities. In responses to lawmakers' queries in late 1985, Robert McFarlane, then national-security adviser, flatly denied that the NSC staff played any role in the Contra fund-raising activities. In August, 1986, North himself told members of the House Intelligence Committee that he gave no military advice to the Contras. When he returned to his office, he found a message from Poindexter: "Well done."

As revealing as the appendix is, it still



leaves many unanswered questions. Most critical: How much money was raised through the diversion of profits from arms sales to Iran, and what happened to the money? According to the report, \$19.8 million from the arms sales is "unaccounted for and available for diversion." Yet the commission was unable to determine how much money was diverted to the rebels, or if North ever sought or received prior approval to shift funds to the Contras.

The other questions remaining: What happened to the money raised for the Contras through North's private network? To what extent did officials of the CIA and other agencies collaborate on North's "off the books" operation? What was North's involvement with pro-Contra political-action committees? The commission offers few clues, so it is now up to Congress and the special prosecutor to finish untangling the web spun by North. Says one investigator, "It's amazing what one man could do."

by Steven Emerson and Robert A. Manning

ECONOMIST
7 March 1987

The CIA

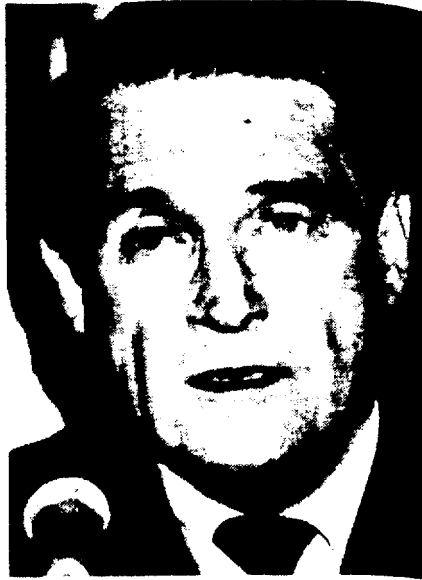
Try again

Mr Reagan reached across to the Federal Bureau of Investigation this week for his second, "safe" nominee to head the Central Intelligence Agency. The head of the FBI, Mr William Webster, a 63-year-old former federal judge, was urged on the president by his new chief of staff, Mr Howard Baker, who had also recommended the withdrawal of the previous director-designate, Mr Robert Gates. The priority for the administration is a speedy confirmation. A chorus of senatorial approval for Mr Webster, a veteran of many hours of congressional interrogation wearing his FBI hat, bodes well.

Mr Webster is credited with cleaning up the FBI after 48 years of autocratic rule by J. Edgar Hoover and scandals surrounding its misuse for political surveillance. On the day that he was asked to be director of central intelligence, he was on Capitol Hill arguing that his successor at the FBI—he was expected to leave later this year—should be non-political: a close relationship with the president, he said, would be "an impediment". He has publicly opposed the administration's plans to extend the use of lie detectors and to take pre-emptive action against terrorists.

Yet senators will find points to probe: alleged FBI involvement in a recent series of break-ins to the premises of organisations opposed to Mr Reagan's Central American policy; FBI bumbling in allowing a CIA turncoat to escape; and FBI incuriousness about the Iran-contra affair. Last autumn the FBI agreed to a 26-day suspension of its inquiry into illegal contra aid flights at the request of the attorney-general, Mr Edwin Meese. On November 21st, Mr Webster accepted Mr Meese's judgment that there was no criminality in the Iran affair and so no role for the FBI. That was the day Colonel North and his secretary shredded documents. Mr Webster and Mr Meese consulted again on November 25th, the day Mr Meese revealed the contra connection, Colonel North was fired and the colonel's secretary removed another lot of documents. The FBI did not go in to seal White House offices for another 24 hours.

Mr Gates, who withdrew from the running the day before Mr Webster's nomination, was merely singled by the Tower report. But senators were unhappy about his compliant collusion in the arms deal, first as the CIA's chief of intelligence analysis and later as Mr William Casey's deputy. Mr Casey, who left



Webster comes with a broom

hospital on February 28th after brain surgery, is pictured in the Tower report as Colonel North's eager and uncritical accomplice. He is rebuked for failing to spell out the risks to the president or even to have explained to him who was doing what; he also neglected to subject the Iran plan or its cast of shady characters to normal agency vetting. And his own judgments were consistently questionable, from his repeated endorsements of the project to his approval of an Iranian financier and fixer, who had failed three CIA lie-detector tests, to be the main American channel to Iran.

The Tower report describes the CIA role in the arms deals as "relatively limited". Yet a small number of CIA officials remained at Colonel North's beck and call, providing him with weapons, bank accounts, aircraft, secure communications, a Farsi interpreter and every kind of support except sensible advice. The agency became actively involved in November 1985, when it helped one of Colonel North's rogue privateers to charter an aircraft from a CIA-controlled airline to take Hawk missiles from Israel to Iran. At this point the one demi-hero of the saga, Mr John McMahon, the agency's deputy director, raised the first questions about the legality of shipping arms to a proscribed "terrorist" country. He demanded retrospective clearance for the CIA; this led to the drafting of the presidential "finding" which later became the legal reed on which the whole operation rested.

Mr McMahon continued to ask awkward questions. He succeeded, it seems, in whittling down the CIA intelligence

data which became part of the gift package to Iran. His behaviour was in marked contrast to that of Mr Gates, whose first Tower appearance is in a testimonial by Colonel North: "Bob Gates has assembled a nice amt of intel on the Soviet threat." (The McFarlane delegation to Tehran in May 1986 took along eight hours' worth of CIA briefings for the Iranians.)

Mr Gates features in three other episodes, all compromising. In May 1985, he sent the White House a CIA paper endorsing arms sales to Iran by allies. This represented a turnabout from earlier CIA appraisals and, in the Tower view, looked ominously like cooked intelligence. On October 1 1986, a CIA colleague went to Mr Gates with suspicions about the diversion of money to the contras; Mr Gates was reported to be "deeply disturbed", but not deeply enough to ensure that his boss was alerted until six days later.

Mr Gates helped compile the Casey testimony to Congress which omitted any mention of the contra connection; he claimed this week that his boss had censored his own report. He confessed that the CIA had "actively shunned information" on how the contras were being financed, although the CIA station chief in Costa Rica helped to co-ordinate arms deliveries with Colonel North. Last September Mr Gates joined Colonel North in talks with a second Iranian intermediary. The CIA provided surveillance of the visitor in Washington. This may have been illegal. As Mr Webster could have informed him, domestic surveillance is the task of the FBI.

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WASHINGTON TIMES
3 March 1987

White House scrambling to fill top CIA post

By Bill Gertz
THE WASHINGTON TIMES

The abrupt withdrawal of Robert Gates as the president's choice to head the CIA left the White House scrambling yesterday to find a replacement to run the nation's spy agency.

President Reagan's new chief of staff, Howard Baker, said the search was "an urgent item" but by the end of the day a new nominee had not been announced.

"No choice has been made by the president as of this moment," Mr. Baker said. "We hope to have a name to submit very soon indeed. Certain contacts are still under way and whether they mature into acceptance or turndown I cannot say, but we do not yet have an acceptance."

Leading the list of possible choices are former Sen. John Tower, whose three-man board last week released a report highly critical of the administration's handling of the Iran arms-sales operation.

Fellow commission member Brent Scowcroft, a former national security adviser, also has been mentioned, along with FBI Director William Webster, administration and congressional sources said.

Other prospective candidates include: retired Adm. Bobby Ray Inman, a former CIA deputy director; National Security Agency Director Lt. Gen. William Odom; former Na-

tional Security Adviser Zbigniew Brzezinski; Sen. Malcolm Wallop, Wyoming Republican and a former intelligence panel subcommittee chairman; and John McMahon, Mr. Gates' predecessor as deputy CIA director.

Mr. Gates was nominated to the CIA post Feb. 2, when William Casey resigned after undergoing surgery to remove a cancerous brain tumor. The CIA issued a statement clarifying Mr. Gates' withdrawal and asserting that "no one asked him to withdraw his nomination." Nevertheless, his action saved Mr. Reagan the embarrassment of dropping his nomination.

"The president never wavered in his support," CIA spokeswoman Kathy Pherson said. "Mr. Gates considers it imperative the nation get on

with its business. He believes that would not have been possible while the nomination was pending." She said Mr. Gates intends to remain as the agency's deputy director.

The announcement was delayed several times yesterday, fueling speculation that a replacement for Mr. Gates could not be found.

Reached by telephone yesterday, Mr. Webster said he had not been approached by White House officials about the CIA director's job.

"At this point, it is pure speculation," Mr. Webster said. "I can only say I have not been approached."

Asked whether he would accept the post if it were offered, Mr. Webster said, "I would have to think seriously about it." A former federal judge, Mr. Webster's term as FBI director expires next year.

One senior FBI official, who asked not to be identified, said it was "business as usual" for Mr. Webster throughout most of yesterday, "and you would think that if he was seriously being considered [by the White House] for the post there would have been at least two or three phone calls [from the White House], which there hasn't been.

"I don't think their arrow points over here," the official said.

Adm. Inman, now an electronic industry executive, said last night that "under no circumstances" would he accept the post and he expressed bitterness at the way Mr. Gates' nomination was handled.

"They can save themselves the phone call," he said in an interview. "The handling of the whole Gates thing just sort of caps it."

Mr. Gates, a career analyst and Soviet affairs specialist, became acting chief in December after Mr. Casey, the CIA director since 1981, became ill. Mr. Casey was released from Georgetown University hospital Saturday.

Mr. Gates was questioned by the Senate Intelligence Committee during two days of often stormy con-

firmation hearings last month. The committee grilled Mr. Gates about his role in preparing analyses on Iran as deputy CIA intelligence director, and later as the agency's No. 2 man.

The panel also questioned Mr. Gates about why he did not take action quickly to alert senior officials about the possible diversion of funds from the Iran arms sales to the Nicaraguan resistance when it first surfaced Oct. 1.

Committee Chairman David Boren, Oklahoma Democrat, and Vice Chairman William Cohen, Maine Republican, yesterday released a statement praising Mr. Gates for his decision.

"It would not be good for the country to leave a critical department like the CIA adrift with only an acting director for a prolonged period of time," the senators said. "It became clear that pursuing the nomination of Robert Gates would have only extended the period during which the CIA would be without permanent leadership."

The senators said Mr. Gates should be commended for putting the interests of the country above his own personal good, "by standing aside so a permanent director could be put in place more quickly."

Mr. Nunn told reporters he thinks there are at least a half-dozen people in and out of government who would excel as CIA director.

C.I.A.'s Links to Iran Affair Led To Questions on Ability of Gates

By JEFF GERTH

Special to The New York Times

WASHINGTON, March 2 — To many Senators who were trying to decide whether to confirm Robert M. Gates as Director of Central Intelligence, his fundamental problem was that the Iran-contra affair happened on his watch.

As was the case with President Reagan's former chief of staff, Donald T. Regan, it appears that Mr. Gates, whose nomination was withdrawn today by President Reagan, fell victim to questions about his managerial competence.

While Mr. Gates, who is Deputy Director of Central Intelligence, conceded at his confirmation hearings that the Central Intelligence Agency had made significant errors in the Iran matter, his admission apparently was not enough.

Several senators wanted to know why he had not made an effort to end the sale of arms to Iran by the United States, since analysts and others in the C.I.A. thought the policy was a bad idea and had made their views known.

Mr. Gates was head of the C.I.A.'s National Intelligence Council in 1985 when that board sent a memorandum to the White House that favored arms dealings with Iran. The Tower Commission report issued last week, while not specifically critical of Mr. Gates, questioned whether the memo came too close to crossing the line between impartial evaluation of intelligence and advocating policy.

The memo led the National Security Council to plan for dealings with Iran

for the first time, even though the document was rejected as "perverse" by Secretary of State George P. Shultz and "absurd" by Secretary of Defense Caspar W. Weinberger, according to a report on the Iran matter issued by the Senate Intelligence Committee in January.

In addition, the Tower Commission strongly and broadly criticized the C.I.A.'s role in the Iran affair under William A. Casey, who was Director of Central Intelligence at the time.

While it did not criticize Mr. Gates, he was personally involved in many of the questionable activities.

For example, the Tower Commission report said the C.I.A. should have raised more questions about the various intermediaries used to communicate with Iran. The chief intermediary, Manucher Ghorbanifar, repeatedly failed C.I.A. polygraph examinations.

Meetings With North

Mr. Gates told the Senate Intelligence Committee that he took part in some of the meetings with the second Iranian intermediary and others, including Lieut. Col. Oliver L. North, the former N.S.C. aide who managed the Iran program.

The Tower Commission also concluded that Mr. Casey knew that funds from arms sales to Iran might have been diverted to the rebels in Nicaragua, known as the contras, "almost a month before the story broke," but "did not move promptly to raise the matter with the President."

Mr. Gates participated with Mr. Casey, who resigned his intelligence post for health reasons, in many of the meetings at the C.I.A. and the White House on the question of possible diversion of the arms proceeds.

Mr. Gates did ask the C.I.A.'s general counsel to review all aspects of the Iran project. The counsel found "nothing amiss from the C.I.A. standpoint," according to the Senate report.

Several Criticisms

But the Tower report found the C.I.A. lacking in a number of areas, including failure to keep Congress adequately informed, allowing Colonel North to exercise direct operational control over the operation, and failing to review the assumptions presented by the Israelis on which the entire Iran initiative was based.

Mr. Gates's predecessor as Deputy Director of Central Intelligence, John McMahon, was an ardent, vocal opponent of the arms sales and insisted that the agency would not remain involved in the program unless President Reagan signed a secret "finding" authorizing the covert activity.

He ordered the C.I.A.'s general counsel to draft the finding, and Mr. Reagan did sign it in January 1985. Mr. McMahon remained an angry opponent of the arms sales nonetheless and ultimately left the agency last year, although it is not clear why.

WASHINGTON POST
2 March 1987

Gates to Withdraw As CIA Nominee

Reagan's Choice Facing Senate Rejection

By Lou Cannon and Bob Woodward
Washington Post Staff Writers

Robert M. Gates will withdraw as President Reagan's nominee as director of central intelligence this week, according to well-informed administration and congressional sources.

One of these sources said Gates had arrived at the decision "without much prodding" in the wake of warnings from Republican congressional leaders that his nomination was likely to be rejected by the Senate.

The Republican leaders, four of whom met with Reagan on Friday, said that the fight over Gates' confirmation on the Senate floor would focus additional attention on the Iran-contra affair at the same time that the administration is trying to make a fresh start with a new White House team headed by former senator Howard H. Baker Jr. (R-Tenn.).

Former senator Paul Laxalt (R-Nev.), a close friend of the president who was instrumental in the selection of Baker, said yesterday on ABC News' "This Week With David Brinkley" that the nomination has "the smell of Irangate" on it.

"Quickly, it must be done quickly," said one well-placed source. "Gates is a negative symbol and the situation at the CIA is critical and has to be transformed into a positive symbol."

The sources said that means finding a nominee who has professional intelligence experience, stature, unquestioned integrity and with no role in the Iran-contra affair, which is expected to be the subject of investigations for most of this year by the independent counsel and congressional committees.

Within the Central Intelligence Agency, some officials expressed urgency about Gates' withdrawal in hopes of protecting the agency from what one source said could be a "re-



ROBERT M. GATES

viewed as a "negative symbol" visitation of the Church committee," a reference to the Senate committee that investigated intelligence abuses in the 1970s.

A number of key people in the Directorate of Operations, the elite clandestine arm of the CIA, were involved in the Iran arms sales transactions or the private White House support effort to the Nicaraguan contras. The directorate can expect intensive scrutiny in the coming months.

A senior administration source said "it is crucial to have a new CIA director who can credibly investigate and clean up any remains of Iran-contra, not a director who himself is the subject of the investigations."

Gates, the agency's deputy director, took over as acting director of the CIA in December after William A. J. Casey underwent brain surgery for removal of a cancerous tumor. Subsequently, after Casey resigned and Baker rejected a presidential overture to replace him, Reagan nominated Gates. If confirmed, Gates, 43, would have become the youngest CIA director in the agency's 40-year history.

The nomination came under immediate fire from members of the Senate Select Committee on Intelligence, some of whom have sharply criticized Gates for failing to be forthcoming about all his knowledge and suspicions in the Iran-contra affair.

Criticism of Gates stems largely from his failure to ensure that Casey's Nov. 21 testimony to the Senate committee was complete. Gates had an important role in preparing that testimony, which sources said describes an operation that does not resemble what was known within the CIA at the time.

Senators are particularly distressed that Casey, Gates and the CIA did not alert them to the possible diversion of money from the Iran arms sales to aid the contras.

A senior administration official said yesterday that there was "a consensus in the White House" to avoid a fight over the nomination, although the president was not personally critical of Gates. Officials said that Gates, while wanting to be CIA director, had come to the same conclusion and would withdraw his name.

"We're not angry with Bob Gates—we're dealing with practical political realities," the senior official said, and on Saturday, White House spokesman Marlin Fitzwater said "the president stands behind the nomination." On Saturday a CIA spokesman said that reports the nomination would be withdrawn are "totally false, totally without foundation." Yesterday an agency spokesman stood behind that statement.

In the Senate committee, which is considering Gates' nomination and is expected to hear closed-door testimony from him Wednesday, a number of key Republicans this weekend said Gates would not be confirmed. One called the nomination "stillborn," and another said that "Gates could not be reconfirmed as deputy" because committee members, especially the Republicans, are so anxious to move away from the Iran-contra affair.

Sources said that no decision would be reached on the next nominee until Gates withdraws. Possible choices mentioned by administration and congressional sources include Brent Scowcroft, a retired

Air Force general, national security adviser to President Gerald R. Ford and a member of the Tower commission that has just completed its report on the Iran-contra affair; FBI Director William H. Webster ^A whose 10-year term as head of the FBI expires next year, and Casey's first two CIA deputies, John N. McMahon and Bobby R. Inman ^A both of whom are advocates of limited use of covert action. Even former senator John G. Tower (R-Tex.), who headed the commission that harshly criticized the administration last week, had been mentioned.

Sources said a Scowcroft nomination is unlikely because of prospective opposition from Defense Secretary Caspar W. Weinberger and Secretary of State George P. Shultz. Weinberger and Shultz opposed the sale of arms to Iran, but the report said they had "simply distanced themselves from the program" and did not do all they could to stop it. Weinberger, especially, was said to resent this conclusion. Scowcroft said yesterday he does not expect to be offered the job.

Said one Republican senator, "The White House now has to come up with the moral equivalent of Howard Baker for the CIA."

Staff researcher Barbara Feinman contributed to this report.

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2 March 1987

Honest voice crying in gov't wilderness

By HARRISON RAINIE

News Washington Bureau

WASHINGTON—Former Sen. John Tower voiced a widespread perception last week when he declared the Iran-Contra arms scandal "is really a story of people whose performance was perhaps somewhat short of heroic."

But there is one shining light in the dim record of the scandal. His name is John McMahon—the lone hero in the story.

As deputy director of the CIA he was the only voice in the crowd that insisted the law be followed in the administration's covert dealings with Iran, and it was pressure from McMahon that forced the administration to take steps to make the process legal.

He also argued forcefully against the policy of swapping arms for hostages and, according to congressional sources, finally resigned in protest from his job in mid-1986 when his counsel was ignored.

McMahon's actions stand in sharp contrast to those of his successor, Robert Gates, who as deputy CIA director was a willing participant in the arms sales policies and was one of the first administration officials to receive evidence that cash from the arms sales might have been illegally siphoned to help the Contras in Nicaragua.

Whistle blower

Gates was sharply criticized by members of the Senate Intelligence Committee for failing to pursue that information vigorously and for being too willing to back the harebrained covert schemes hatched in the National Security Council.

McMahon, 57, joined the CIA fresh out of Holy Cross College in Worcester, Mass., in 1951, and was named deputy director in 1982. He blew the whistle on the arms sales policy when he discovered on Dec. 7, 1985, that the CIA was involved in helping ship 18 Hawk anti-aircraft missile batteries to Iran.

McMahon had authorized CIA participation in the shipment that had taken place the previous month because White House officials lied to him by saying the shipment involved "oil drilling parts."

When he learned the truth, McMahon reportedly "went through the overhead (roof) pointing out that there was no way we could become involved in any implementation of this mission without a 'finding.'"

A "finding" is the legally required certification that the President must sign in order to begin a covert operation.

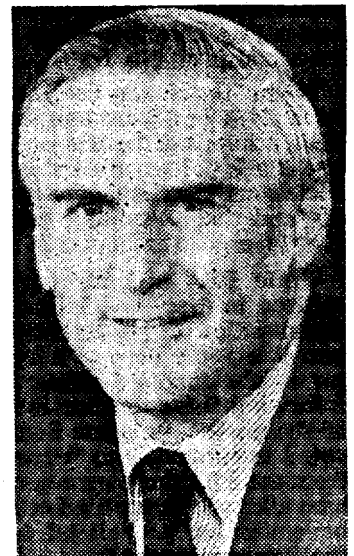
At a meeting the same day in the Oval Office, he told those gathered, including President Reagan: "What the hell are we doing here? Arms are being sent. Where is the formal authority? You know, what are we doing here? Is this going to be policy?"

He also questioned the basic premise of the arms sale policy, asserting that "we have no knowledge of moderates in Iran, that most of the moderates had been slaughtered when (Ayatollah) Khomeini took over." He argued that any weapons sold to Iran "would end up in the front, and that would be to the detriment of the Iran-Iraq balance."

After heated debate, McMahon lost. Reagan signed a "finding," but ordered that it be kept secret from Congress and key administration opponents of the arms sales, such as Secretary of State Shultz, Secretary of Defense Caspar Weinberger—and McMahon.

However, McMahon found out about the finding a week after it was signed on Jan. 17. He eventually resigned his post in March 1986, ending a 34-year career with the CIA, as gleeful conservatives claimed their pressure had forced out an "obstructionist" from the agency brass.

In fact, according to a Senate source, McMahon left in protest of a policy he knew was doomed to fail.



John McMahon

WASHINGTON POST
28 February 1987

Meese Told Panel CIA's Actions May Have Broken Law

By George Lardner Jr.
Washington Post Staff Writer

Attorney General Edwin Meese III told the Tower commission this month that the Central Intelligence Agency may have violated the law in supporting a November 1985 arms shipment to Iran without President Reagan's explicit authorization.

Meese said in a two-page letter dated Feb. 18 that a presidential "finding" that the shipment was important to the national security would have been required under the circumstances described to him before the review board.

The three-member panel headed by former senator John G. Tower (R-Tex.), Meese said, had asked him to assume that the CIA, "without prior presidential authorization, assisted in the November 1985 arms shipment to Iran by attempting to obtain flight clearances at a foreign airport and by arranging for a proprietary airline to carry the arms from Israel to Iran."

"The question further assumed that the objective of the transfer was to influence the policy and actions of a foreign government while not publicly disclosing the American role in exerting that influence," Meese said.

"Under these circumstances," he concluded, "I believe that a finding under the Hughes-Ryan amendment would be required."

That law, passed in the early 1970s and later amended, prohibits the CIA from spending money on covert actions "unless and until the president finds that each such operation is important to the security of the United States."

Reagan did not sign the finding approving the Iran initiative until Jan. 17, 1986. The incident is one of many instances cited by the Tower commission of the dubious legal authority underpinning the Iran-contra affair. Questions that were raised about legal questions were often dismissed without benefit of a lawyer's assessment, according to the report. At other times, it appears, officials searched for loopholes.

The commission punctuated its concern at the outset of one chapter with a line from the Roman satirist, Juvenal: "*Quis custodiet ipsos custodes?*" A free translation is "Who watches the watchdogs?"

When Meese last fall publicly detailed the secret arms sales and suspected diversion of funds to aid the contras fighting the government of Nicaragua, he took the position that the 1985 shipments, via Israel, were legal. A Justice Department spokesman said yesterday that Meese's new letter, released Thursday as part of the Tower commission report on the Iran-contra affair, was a response to "a kind of worst-case interpretation" of the situation.

The CIA supported the November 1985 shipment of 18 Hawk anti-aircraft missiles to Iran after initial arrangements for an Israeli flight through Lisbon fell apart when the Portuguese government refused flight clearances.

Alerted to the problem in Geneva where he was attending the U.S.-Soviet summit, then-national security adviser Robert C. McFarlane told Reagan of the snafu while Oliver North, in Washington, called the CIA for help.

Duane Clarridge, then-European division chief of the CIA's operations directorate, told the Tower commission that North phoned him Nov. 21, 1985, about getting over-flight clearance for an El Al flight. Clarridge said he was told by another official that the flight was part of an operation to free American hostages, but the CIA was permitted to reveal "only that the flight had a humanitarian purpose."

Despite the CIA's efforts, however, landing rights were denied and the CIA's air branch suggested use of a proprietary airline. Clarridge said he was concerned about that, asked a superior for approval and got it.

In its report last month, the Senate Select Committee on Intelligence said the proprietary airline "flew from Israel . . . carrying 18 Hawk missiles identified as oil-drilling spare parts." The committee said "there was speculation at the time that the cargo

was actually arms," but North, when asked by the agency, "reaffirmed that the flight was carrying oil-drilling equipment."

CIA spokesman George Lauder took the same position yesterday on Meese's letter. "I think you're misreading what Meese is saying," Lauder told a reporter. "My interpretation is that if we knew arms were aboard that flight, there should have been a [presidential finding]. Meese is saying that if we didn't know, there didn't need to be a finding. And that was the fact."

Reagan's nominee as CIA director, Robert M. Gates, told the Senate intelligence panel last week that he had also been advised, in 1985, by the agency's then-general counsel, Stanley Sporkin, that a finding was not required by law for the November operation.

Sporkin drafted one anyway, because then-deputy CIA director John McMahon, as he put it, "went through the overhead, pointing out that there was no way we could become involved" in any shipment to Iran, whatever its character, without a finding. Sporkin's draft would have blessed the operation "retroactively." According to the Tower report, however, Reagan apparently never signed it.

Another legal issue spotlighted in the Tower report was a classified legal memorandum found in North's safe concerning a law enacted in 1984 to prohibit the CIA, the Defense Department and any other "entity of the United States involved in intelligence activities" from spending any money that would support "directly or indirectly, military or paramilitary operations in Nicaragua."

The 1985 memo, prepared by the president's Intelligence Oversight Board, which was set up as a watchdog agency, concluded that the National Security Council was "not covered" by the ban, partly on grounds that the executive order making the NSC the "highest executive branch entity" responsible for conduct of foreign intelligence did not designate NSC as one of the agencies in "the intelligence com-

The Tower commission indicated that it did not think much of this opinion, and said, in any case, that the presidential board was "an odd source" for original legal advice to another agency. The NSC has its legal counsel.

FILE ONLY

✓ CIA
BY DANIEL F. GILMORE
WASHINGTON

Once the arms-for-hostages deal with Iran was approved and in place, it should have been run by the CIA and CIA Director William Casey should have insisted on control of the operation, the Tower Board said Thursday. A

The three-member panel, in a report sharply critical of the role Casey and the CIA played in operation, did not, however, give its stamp of approval to the initiative even were it to be run by the CIA, finding it inconsistent with the administration's policy on terrorism.

Casey and the CIA were also criticized by the Tower Board for not pressing a more vigorous investigation into reports money from the deal was diverted to the Nicaraguan Contras and obscuring the line between policy advocacy and intelligence and.

Casey, 73, head of U.S. intelligence during the 1985-1986 period the Iran arms-Contra operation was under way, resigned last month while recovering in hospital from a brain cancer operation Dec. 18. He was not interviewed by the Tower panel.

"Director Casey appears to have been informed in considerable detail about the specifics of the Iranian operation," it said. "He appears to have acquiesced in and to have encouraged (National Security Council staff member Lt. Col. Oliver) North's exercise of direct operational control over the operation."

The report said Casey did not -- as he should have -- explain to President Reagan the risks involved in letting North run the operation or that he ever told the president that North rather than the CIA was in charge.

"Indeed, Director Casey should have gone further and pressed for operational responsibility to be transferred to the CIA," the report said, adding that the NSC should never have been entrusted with such an operation.

"Casey should have taken the lead in vetting (investigating) the assumptions presented by the Israelis" that the arms sales would improve relations with Iran, the report added, and criticized Casey for not urging an investigation of the reliability of Iranian arms dealer Manucher Ghorbanifar and other intermediaries in the transactions.

Casey was also rebuked for not promptly alerting the president to reports funds from the arms sales were being diverted to the Contras.

"Casey also must assume some responsibility for not investigating reports that money went to the Contras," it said. "Evidence suggests that he received information about the possible diversion of funds to the Contras almost a month before the story broke. He ... did not move promptly to raise the matter with the president. His responsibility to do so was clear."

The report also showed some CIA reluctance to agree to North's requests for help during one phase of the operation, including the supply of aircraft under CIA "proprietary" control to carry arms to Iran and securing secret permission from third countries for overflights of arms aircraft.

A

Then CIA Deputy Director John McMahon, who resigned early last year, insisted to North in December, 1985 that Reagan issue a "finding" -- official order -- to provide "transportation, communications and other necessary support" and also ratify "all prior actions taken by U.S. government officials in furtherance of this effort."

Casey sent the draft to Poindexter Nov. 26, 1985 with the comment it "should go to the president for his signature" but the report said: "Despite some testimony to the contrary, the president appears not to have signed this finding."

22 February 1987

North Reprimanded on Idea To 'Neutralize' Terrorists

CIA Official Angered by Choice of Words

By Dan Morgan
and Charles R. Babcock
Washington Post Staff Writers

The Central Intelligence Agency's No. 2 official cursed and reprimanded White House aide Lt. Col. Oliver L. North in early 1984 for secretly proposing that President Reagan authorize planning to "neutralize" terrorists, according to two sources.

Deputy Director of Central Intelligence John McMahon was so angry at North's choice of words—which he feared might be interpreted as presidential approval of assassinations—that he telephoned North in the middle of the night and called him an unprintable name, the sources said.

Whether the wording of the still-classified document was changed is not known. But several officials said the final directive made clear that the president did not condone assassination—which is against federal law—as part of a sweeping "pro-active" covert counterterrorism program drawn up in 1984 in response to the bombing of the Marine barracks in Beirut in October 1983 and other terrorist episodes.

The incident revealed the fierce rivalries and competing bureaucratic interests stirred up by the Reagan administration's determination to act against terrorists before serious damage was done to its political image at home, according to past and current officials. From late 1983 on, terrorism became an obsession at the White House, where memories of Jimmy Carter's political debacle over the U.S. hostages in Iran were still fresh.

"People would mention that Jimmy Carter did better on some of this, and it would just drive them up the wall," a congressional source said.

Others say that the North-McMahon dispute also sheds light on some of the underlying causes of the Iran-contra affair, which apparently grew out of North's efforts to circumvent the traditional bureaucracy by centering sensitive covert operations at the White House and

then implementing them with private contractors and unconventional military or intelligence units outside the command chain.

A congressional source who is familiar with the secret debate over counterterrorism in the administration called McMahon, who left the CIA early last year, a steady influence in the face of "cockamamie ideas" proposed by others in the administration.

But an administration official, reflecting frustration with bureaucratic inertia, declared, "McMahon was distressed about anything that required the agency to do something about terrorism."

According to sources, McMahon, representing a CIA bureaucracy chastened by revelations of past abuses, was often joined by the Federal Bureau of Investigation and the Joint Chiefs of Staff in urging extreme care in responding to terrorist incidents. Advocating a more activist approach were Secretary of State George P. Shultz, several key CIA officials and Pentagon believers in the capabilities of the "Special Operations Force," made up of the Army's Green Berets and Rangers, the Navy's Seal teams and the Air Force's Special Operations Wing.

As White House concern grew, North was pressing the cause of the activists at the National Security Council.

In mid-1985, North, a Marine lieutenant colonel serving as deputy director of the NSC's office of political-military affairs, became head of an informal intergovernmental group on counterterrorism at the NSC.

In January 1986, Reagan signed an updated intelligence order, called a "finding," which was reviewed by Congress. According to sources, this finding was focused on counterterrorism and did not allow assassination or U.S. training of foreign "hit squads."

On March 8, 1985, a group of Lebanese intelligence personnel and foreigners who had received CIA training under a covert program authorized by Reagan were reported to have set off a massive car bomb in Beirut that killed 80 persons and wounded 200, but missed the main target: a militant Shiite terrorist leader.

According to a congressional source, the incident resulted in the

and the dissolution of a similar group in another country, which apparently was pressing to carry out assassinations.

But the January 1986 presidential directive did allow U.S. agencies a much more activist approach. According to one source, Congress "gulped" when it saw the directive but ultimately accepted it because of widespread alarm about terrorism.

Among other things, as reported Friday by The Wall Street Journal, the directive allowed the CIA to abduct suspected terrorists abroad and bring them to the United States for trial. Sources said Shultz and his legal adviser, Abraham D. Sofaer, were leading advocates of such abductions, if based on proper indictments and warrants and if they were feasible for "U.S. resources," such as commando units.

Some critics, however, argued that authorizing such behavior was not thoroughly considered. "In a place like Beirut, the Delta Force would be just another group of cowboys on the street," said Sen. Patrick J. Leahy (D-Vt.), former ranking minority member of the Senate Select Committee on Intelligence.

The North group became the focal point within the government for devising tactics for penetrating and disrupting terrorist networks and for planning preventive or retaliatory strikes against them. Among the ideas discussed were preemptive strikes against terrorists, slipping faulty weapons or ammunition into terrorist arms caches and disrupting the travel of known terrorists.

At the same time that this "pro-active" approach was being developed, North was playing a central role in arranging the shipment of U.S. arms to Iran as ransom for American hostages held by pro-Iranian extremists in Lebanon.

At least two members of North's counterterrorism group had detailed knowledge of this program, according to sources. One was Duane (Dewey) Clarridge, head of the counterterrorism section of the CIA. The other was then-deputy assistant secretary of defense Noel Koch, who represented the Pentagon on the North group until May 1986.

CONTINUED

North approached Clarridge in November 1985 and asked him to help arrange a plane to move what he called "oil drilling equipment" from Israel to Iran. Several days later, McMahon learned of the covert program, which actually involved U.S. arms, and ordered a halt to CIA support until the president signed a directive authorizing the covert program.

Koch, according to the recently released report of the Senate Select Committee on Intelligence, was present at a White House meeting in February 1986 attended by North and two CIA officials, at which arms sales to Iran were discussed.

Other members of the counterterrorism group representing the Federal Bureau of Investigation, the State Department and the Joint Chiefs of Staff are reported to have had only spotty information about the arms sale program, which had been vigorously opposed by Shultz and Defense Secretary Caspar W. Weinberger.

North was fired from the NSC last Nov. 25 following disclosures of his alleged role in diverting funds from the U.S. arms sales to Iran to aid the contras fighting the government of Nicaragua.

What the NSC counterterrorism group did and how it did it are two of the most closely guarded secrets in the U.S. government. The January 1986 presidential directive on counterterrorism is still in effect. Several sources said last week that the quality of intelligence about terrorists has improved. Others say that the NSC group was an effective team that filtered out many of the "far out" ideas that were proposed to it.

However, congressional investigators are expected to examine the extent to which North may have secretly used his counterterrorism activities to support other, more closely held covert activities known only to him, then-national security adviser John M. Poindexter and a few others.

Through allies in the CIA and the Pentagon, North had access to unconventional units and networks, some of which were under government command and others of which were private contractors.

Assistant Secretary of Defense Richard L. Armitage, who replaced Koch on the NSC group in May

1986, is in charge of the Special Operations Force, which includes the units that make up the country's main antiterrorist commando unit, the Delta Force, based at Fort Bragg, N.C.

Many of the principal figures in the Iran-contra investigation have backgrounds in special operations, and several, such as retired major general Richard V. Secord, have a background in counterterrorism, having been involved in the planning of an Iranian hostage rescue scheme in 1980 that was never implemented.

Sources have revealed that the counterterrorism program has employed the services of the Pentagon's covert unit, set up during the 1980 Iran crisis, called the Intelligence Support Activity.

The Activity, as the ISA is called in the intelligence community, is a highly classified unit whose several hundred members operate under cover. What role the unit may have had in such counterterrorist actions as last April's raid on Libya has not been revealed.

The Iran-contra affair arose at a time when there was a strong movement in Congress to strengthen the Pentagon's counterterrorism role, over the objections of the Joint Chiefs of Staff. Similarly, the Reagan administration was pushing for a more aggressive program to fight terrorists at a time when CIA reservations remained strong.

While some Pentagon officials have argued for authority to "take out" known terrorists, CIA officials who were in the Vietnam war have been strongly opposed to the use of "hit squads." These officials believe the use of hit squads had a corrosive effect on CIA morale and performance in Southeast Asia. "We've been down that road before, and there's no way we'll do it again," an agency official told The Wall Street Journal in 1984.

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ON PAGE 1

Covert Action Reagan Ruling to Let CIA Kidnap Terrorists Overseas Is Disclosed

Decision After TWA Hijack Met Opposition of Aides And Congressional Panels

New Slant in Hostage Cases

ROGERS, DAVID

By JOHN WALCOTT and ANDY PASZTOR
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON - President Reagan early last year secretly authorized the Central Intelligence Agency to kidnap suspected terrorists overseas and bring them to this country to stand trial.

The idea of kidnapping—described by one law-enforcement official as a "snatch, grab and deliver operation"—was approved by the president in a January 1986 directive, according to administration, law-enforcement and intelligence officials. The directive, called a "finding," also approved other actions, including covert operations to preempt terrorist plots, in some cases by attacking the terrorists before they could strike, the officials say.

Mr. Reagan approved the finding despite fierce opposition from some officials in his administration and in the CIA and the Federal Bureau of Investigation. His decision raised concern among members of the congressional intelligence committees, particularly over the wisdom of the kidnapping idea and the prospect of preemptive U.S. attacks on terrorists.

No Actions So Far

So far, the U.S. hasn't tried to kidnap any suspected terrorists, the officials say.

The CIA operation established by the finding came under the overall supervision of an interagency group headed by Lt. Col. Oliver North, the since-fired National Security Council aide who was also heavily involved in the secret arms sales to Iran. Those sales were authorized under another secret directive signed the same month.

Officials say that Col. North and former CIA Director William Casey were instrumental in developing the kidnapping idea.

White House spokesman Marlin Fitzwater didn't return several telephone calls

seeking comment on the presidential directive.

Disclosure of the proposed kidnappings and other covert actions is sure to add to the controversy over the administration's secret actions to deal with hostage-taking and other terrorist acts, including the attempt to trade arms to Iran for American hostages.

Webster's Misgivings

FBI Director William Webster says he has serious misgivings about the wisdom of using force to abduct suspected terrorists in foreign nations. Without commenting on the specific presidential directive, Mr. Webster says, "We should weigh carefully the larger implications of taking any such action without the knowledge or approval" of foreign governments. Such action, he says, erodes the integrity of law-enforcement agencies and "gives the appearance of having thumbed our nose at the host country."

Some officials were worried that the authorization of preemptive attacks against suspected terrorists might be used to sidestep President Reagan's 1981 prohibition of assassinations. But "there's been absolutely no plan to conduct assassinations," insists a senior White House official. "One, we're not good at it and, two, we ought to eschew it. But preemption may mean that if we find out at 3 o'clock that some group is going to attack us at 5 o'clock, we'll hit them first, at 4 o'clock."

The January 1986 directive also authorized the CIA to harass and interdict terrorists in foreign countries by sabotaging their supplies, finances, travel, recruiting and operations. A new counterterrorism center in the CIA that was established by the finding has mounted a number of efforts to sabotage terrorist operations in Lebanon and elsewhere, officials say.

The controversial policy directive had its roots in the administration's growing frustration with its inability to find suspected terrorists and bring them to justice, especially amid the fratricidal anarchy of Lebanon, senior officials say. In friendlier and less chaotic countries, administration officials say, authorities sometimes apprehend suspected terrorists, drug dealers and other criminals and hand them over to the U.S. without any legal formalities.

"Formal extradition proceedings tend to have a high political profile, and some nations prefer to handle these things quietly," one State Department official says.

Role of TWA Hijackers

The January 1986 finding was signed in the wake of the administration's vain effort to track down the June 1985 hijackers of TWA Flight 847, officials say.

Mr. Casey and the CIA also were eager to locate and punish the terrorists who kidnapped William Buckley, the CIA station chief in Beirut, in March 1984 and then tortured him until he died, apparently in June 1985.

Senior administration officials say that Mr. Casey, Attorney General Edwin Meese, Secretary of State George Shultz and Col. North were the most vocal advocates of kidnapping suspected terrorists in order to bring them to justice.

FBI chief Webster, a former federal appeals-court judge, and Oliver "Buck" Revell, one of his top aides, strongly objected to the kidnapping strategy, on the grounds that it probably violated international law and wouldn't succeed, according to law-enforcement officials. FBI spokesmen decline to comment on the role of Mr. Webster and Mr. Revell, citing national-security restrictions.

At the CIA, intelligence sources say, both former Deputy Director John McMahon and Clair George, the agency's deputy director for operations, opposed the idea. Mr. McMahon retired from the CIA in December 1985; Mr. George was overruled.

Mr. Meese and other top officials urged the president to sign the directive, according to law-enforcement officials, on the grounds that such activities, amounting to self-defense, were sanctioned by the United Nations Charter and other principles of international law. Officials say that Abraham Sofaer, a State Department legal adviser, also wrote a memo declaring that forcibly apprehending terrorists overseas wouldn't prejudice cases against them in American courts.

During a recent seminar on terrorism and the media produced by Columbia University and by two public-television stations, Mr. Sofaer said the U.S. would be within its rights to seize a suspected terrorist in a foreign country. "This is a new game in terrorism but it's an old game in other crime," he said. "We have people who deliver people to us. . . . You might just find a fellow somewhere, all tied up. He might be sent to a country where we have an effective extradition treaty."

Congress in 1984 passed a major anti-terrorism law specifically expanding U.S. criminal jurisdiction to cover hijackings, kidnappings and other terrorist acts against American citizens, planes, ships or facilities anywhere in the world. The law makes it much easier to prosecute alleged terrorists, but it doesn't deal with the question of how they are brought to a U.S. courtroom.

"People volunteer to be arrested and tried very seldom," says one administration counterterrorism expert. "The courts generally don't object so long as there is

Continued

no undue force or restraint used. If you get a ring in somebody's nose and don't pull it too tight, it's acceptable."

"It is controversial," a White House official concedes. "One judge might not be troubled by having a suspect brought before him in this manner, but another judge might throw the case out."

The CIA apparently was chosen to carry out such secret missions because under U.S. laws, the FBI is prohibited from operating in any foreign country unless it has the cooperation of that government. The FBI, however, was ordered to share intelligence and otherwise assist the CIA in the program, officials say.

A month after Mr. Reagan signed the finding, Col. North wrote a classified "annex" to a public report by Vice President George Bush's task force on combating terrorism. The annex created a secret inter-agency committee called the Operations Sub-Group, or OSG, to oversee kidnappings and other covert operations, intelligence sources say. Until he was dismissed last November, Col. North was the chairman of the group, along with Duane "Dewey" Clarridge, the head of the CIA counterterrorism center.

Concerns in Congress

Meanwhile, the administration disclosure of the secret directive to Senate and House intelligence committees stirred bipartisan objections.

According to one intelligence source, the major concern about the finding was that it was generally worded but authorized sweeping powers. "It was very vague," this official says. "It amounted to let us do what we want against terrorism." He says that lawmakers raised questions of possible assassination attempts but were told by the administration that this shouldn't be a concern because the executive order remained in effect.

Another intelligence source says that discussion in the Senate Intelligence Committee involved concern that Mr. Reagan should maintain control over whatever was done and not allow others to run off without authority. The feeling was, he says, that "you have to ensure the president's thumbprint is on this."

During a public hearing, however, Republican Sen. Arlen Specter of Pennsylvania urged the Justice Department to go "right up to the limits" allowed by the Supreme Court in grabbing terrorist suspects. "You might call it an abduction, you might even call it a kidnapping," Sen. Specter argued. "But given the problems of international terrorism," he said, "this is a minimal type of force."

The January finding was amended last April, intelligence sources say, after CIA General Counsel David Doherty demanded and received clarification of the agency's

presidential authority to carry out preemptive and other operations against terrorists.

During his time as the National Security Council's top counterterrorism official, Col. North talked about delivering a major terrorist suspect into U.S. hands, preferably in chains or in the trunk of a car, U.S. officials say.

Harder Than It Looks

The CIA, however, hasn't kidnapped any terrorists, intelligence officials say, because identifying them, tracking them down, and grabbing them is even harder than it looks. "If you go into another country and snatch someone up, you're mounting a paramilitary operation," one official says.

Administration officials say that when the idea originally was discussed, Col. North, Mr. Clarridge and others hoped it might be possible to recruit members of some warring Lebanese clans to deliver suspected terrorists from rival groups. "There was a thought that a competing group might be willing to hand over somebody we wanted," one official says.

But the administration had tried earlier to recruit Lebanese factions into its war on terrorism, with disastrous results. Late in 1984, President Reagan authorized the CIA to create and train a secret counterterrorist force composed of Lebanese, Palestinians and other non-Americans. Mr. McMahon, then the CIA's No. 2 official, and other CIA officials opposed the idea.

The Washington Post later disclosed that four months after the unit had been created, renegade members of it hired other Lebanese to plant a car bomb outside the Beirut home of radical Shiite clergyman Mohammed Hussein Fadlallah.

Mr. Fadlallah is the leader of the militant Hezbollah (or Party of God), which U.S. officials believe is responsible for bombings of U.S. installations in Lebanon and the kidnappings of Americans there. He survived the car bombing, but more than 80 other people were killed in the March 8, 1985, bombing.

The CIA publicly denied any involvement in the bombing, a claim supported by the House Intelligence Committee, which investigated the affair. But after the bombing, the administration canceled its effort to recruit and train a foreign counterterrorist force.

Unlike Col. North's secret Iranian arms sales and aid to Nicaraguan rebels, a senior U.S. official says, all counterterrorism operations now are conducted under close scrutiny from the CIA, the State and Justice Departments, and the congressional intelligence committees.

"Any operation that took place would be carefully coordinated," the senior official says. "I might be more concerned if Casey and Ollie were still around."

DAVID ROGERS CONTRIBUTED
TO THIS ARTICLE.

WASHINGTON TIMES
19 February 1987

Scandal trapped CIA in 'Catch-22' - Gates

By Michael Hedges
THE WASHINGTON TIMES

Robert Gates, President Reagan's nominee to become director of the CIA, testified secretly last December that the agency was "caught ... in a Catch-22 situation" in the Iran-Contra episode.

"We had the law telling us to stay the hell away from everything having to do with the Contras ... and yet now we are being held accountable for not knowing how they funded it," Mr. Gates said in describing the CIA's inaction when faced with mounting evidence of Iranian arms sales and subsequent diversion of proceeds to the Nicaraguan resistance.

The testimony, which was made in December during a closed session of the Senate Intelligence Committee, reveals that the CIA waited nine months after being told about the Iran arms sales before requesting a presidential finding authorizing the action.

Mr. Gates' statements that CIA leaders purposely avoided learning details of the diversion of funds drew sharp criticism at the December hearing.

Sen. William Cohen, Maine Republican, said the agency had engaged "if not in a conspiracy of silence, then a reluctance on the part of the agency to really pursue where this was all going."

That was not denied by Mr. Gates, who conceded that "when it came to funding of the Contras, agency people, from the director on down, actively shunned information."

Mr. Gates said he first heard about the arms sales to Iran in a Dec. 5, 1985, meeting with John McMahon, who at the time was Mr. Casey's top deputy. He said in late January of last year he attended a more detailed briefing on the arms sale.

"I must say I agreed in principle with the notion of an overture to the Iranians and trying to establish some channel of communication with the Iranians," he said.

But he had grave misgivings about the National Security Council's intelligence information they gathered from their Iranian contacts, he said.

"One that I remember that caused us considerable chuckles at the time was the fact that one of the entries [in NSC memos] was that on the 11th of February the Ayatollah [Ruhollah Khomeini] would step down from power," he said.

"While it looks naive in retrospect and was

silly at the time, the only thing I will say is that I believed that that part of the scenario was laid out by the Iranian interlocutors [and] not something that the NSC thought they had arranged," he said.

Concerns about the NSC operation did not prompt CIA intercession, Mr. Gates said at the time. Although the CIA was supplying aircraft and materiel used in the arms sales transaction, the agency did not seek a copy of a presidential finding authorizing the operation until early October — after the prospect was raised that funds from those arms sales may have been diverted to the Contras, according to Mr. Gates.

On Oct. 1, CIA analyst Charles Allen sent Mr. Gates a report saying he believed funds were being shifted from the Iran deals, and some of the proceeds may have been funneled to the Contras, according to a transcript of the December hearing.

"I was startled by what he told me," Mr. Gates said. "Frankly, consonant with the way we had responded to such stories in the past, my first reaction was to tell Mr. Allen that I didn't want to hear any more about it, that I didn't want to hear anything about funding for the Contras."

When Mr. Casey first viewed the report a few days later, Mr. Gates testified, "The director was as startled as I was." CIA officials then arranged a meeting on Oct. 9 with NSC aide Lt. Col. Oliver North, who has since been identified as the engineer of the arms sale and diversion of proceeds to the Contras.

"North made a very cryptic reference to a Swiss account and money for the Contras," Mr. Gates testified. He told the committee that Col. North "worked very hard to keep those separate" and there was no connection between the account and the funds for the rebel forces.

During the December hearing, Mr. Gates was repeatedly asked why the CIA did not report that information to Congress. He said then, as he testified Tuesday during his confirmation hearings, that the CIA did not have conclusive information.

"What we had were some bits and pieces, analytical judgments by one intelligence officer that there was some diversion of funds," he said.

"We had nothing more concrete to go on than that, and we didn't consider that very much to go on, although it was enough to raise our concerns to the point where we expressed them to the White House," he said.

3-A
WASHINGTON TIMES
17 February 1987

Senators may seek Gates' pledge to promptly report covert actions

J
By Bill Gertz
THE WASHINGTON TIMES

Intelligence experts are divided over the legal question of notifying Congress in a "timely fashion" of all administration covert action programs.

Some experts believe the administration should be allowed to adopt a liberal interpretation of reporting requirements for secret programs. Others argue that "ambiguities" regarding covert action need to be eliminated in order to prevent apparent violations of curbs on covert operations, such as the National Security Council operation to sell arms to Iran.

The question is expected to be raised before the Senate Intelligence Committee today during the opening of confirmation hearings on the nomination of Robert Gates to be the next CIA director.

Some lawmakers have suggested that Mr. Gates formally pledge to the committee that he will keep Congress informed of all covert operations, or agree to resign if asked by the White House to withhold informing the Congress about covert programs.

The administration angered Congress when lawmakers learned that former CIA Director William Casey, in a presidential "finding" released by the White House last month, was forced to withhold notification of congressional intelligence oversight committees about the arms deals with Iran.

Intelligence Committee Vice Chairman William Cohen, Maine Republican, said the administration had not reported the Iran operation by mid-December, after the committee had begun its probe of the affair.

In 1984, Mr. Casey made a similar pledge in an effort to assuage panel members angered by Mr. Casey's failure to reveal a CIA-backed operation to mine harbors in Nicaragua.

Committee Chairman David Boren, Oklahoma Democrat, said recently he does not support new legislation restricting covert operations, favoring instead tougher guidelines imposed by the White House.

Morton Halperin, an American Civil Liberties Union attorney who has specialized in law related to intelligence activities, said he believes Mr. Gates should be told in clear terms what the committee expects in terms of reporting.

"Casey made a pledge and it didn't seem to work," Mr. Halperin said. "They should get a clear commitment from him [Mr. Gates] that he knows the requirements and will

carry them out, even if the White House tells him not to."

Mr. Halperin said the law requiring the administration to notify Congress of all significant intelligence activities in a "timely fashion" contains "ambiguities," although the legislative history clearly delineates when reporting can be withheld.

"The authority of the president not to notify Congress was only meant for use in grave situations, where the president's constitutional powers to protect the nation were in danger," he said. "'Timely' does not mean never, and yet the administration never intended to notify Congress" about the Iran operation.

George Carver, a former CIA official, called the idea of demanding that Mr. Gates pledge before the committee "ridiculous" since it would impinge upon the administration's executive branch authority.

"Right now, the law allows for timely notification without specifying what timely means," Mr. Carver said. "It allows for a little bit of wiggle room."

Former CIA Director William Colby agreed. He said a congressional pledge would be an "infringement" on the agency's activities.

"It seems a little extreme," Mr. Colby said. Mr. Gates "should be asked if he will obey the law. I don't think you can micromanage these things."

Other questions related to the Iran-Contra inquiry likely to be raised at Mr. Gates' confirmation hearing are:

- Why did the administration apparently violate its own procedures for authorizing presidential "findings" on secret operations by retroactively approving the Iran arms sales in a Jan. 17, 1986, finding?

- Why didn't Mr. Gates sound the alarm about the possible diversion of Iran arms sales proceeds to Nicaragua's Contra rebels when, according to the committee's Jan. 29 report, he first learned about it in October 1986, a month before it was made public?

- Why did former CIA Deputy Director John McMahon apparently violate agency guidelines by authorizing a CIA shipment of arms to Iran without a written request and after receiving only a telephone call from NSC aide Lt. Col. Oliver North?

Mr. Gates may be questioned by the panel about other intelligence-related concerns, including:

- The status of counterintelligence reforms within the U.S. intelligence community following the so-called Year of the Spy (1986), when more than two dozen espionage cases occurred, including cases that involved FBI, CIA, National Security Agency and Naval Investigative Service intelligence officials.

3 (Part V)

LOS ANGELES TIMES
8 February 1987

An Aspirin for the CIA, but Major Surgery Needed

J By James Bamford

CAMBRIDGE, MASS.

Like its director, William J. Casey, who resigned last week following brain surgery for a malignant tumor, the Central Intelligence Agency is seriously ill and the prognosis is for a slow recovery.

Chosen by President Reagan to nurse the agency back to health is Robert M. Gates, a 43-year-old Soviet analyst who has served as Casey's deputy since April, 1986. Although the choice of Gates has drawn support on both ends of the political spectrum, his selection represents little more than an aspirin where major surgery is called for.

Among the most striking revelations to emerge from the recently released Senate Intelligence Committee report is the picture it paints of a weak and confused Casey attempting to run an agency in search of a purpose. For decades pure espionage—the collection of intelligence—has shifted to the more cost-effective technospies: The sensitive ears of the National Security Agency and the telephoto eyes of the National Reconnaissance Office. To fill the void, the CIA turned more and more toward covert operations, an area that Casey, a former Office of Strategic Services operative, was familiar with.

But, as the intelligence committee report vividly shows, Casey was too weak a director even to maintain the agency's control over covert operations. Thus it was not an experienced CIA official who played a key role in arranging the early arms-for-hostages transfers, but Michael A. Ledeen, a neophyte part-time employee of the National Security Council who acted more like a lobbyist for Israel than a U.S. representative, and Lt. Col. Oliver L. North, a monomaniacal Marine also on the NSC staff. Ledeen was later replaced with various arms dealers.

An even more disturbing revelation to emerge from the Senate report was the agency's lack of control over its own covert-action specialists. For example, it was not Casey but John N. McMahon, the agency's deputy director (acting as director while Casey was in China), who ordered that no further CIA activity in support of the NSC operation be conducted without a presidential finding authorizing covert actions.

Nonetheless, despite the fact that a finding was not issued until Jan. 17, 1986, nearly two months later, the agency's Covert Action Unit secretly continued to

offer assistance for future NSC arms-for-hostages operations. Such actions led one congressman on the House Foreign Affairs Committee to declare, "There are clearly elements who believe they are a government unto themselves." And Adm. Stansfield Turner, Casey's predecessor at the CIA, said, "If I'd have found out that there was an intelligence operation run without my knowing it, I'd have quit the next day."

Finally, the CIA under Casey may have severely damaged one of the agency's most important intelligence sources: close liaison activities with friendly governments. It is far easier, for example, for the West German government to infiltrate the East German intelligence network—and then share the result with the CIA—than it is for the CIA to spend years attempting to train Americans to do the very same thing.

But developing such assets often takes years of patience and, especially trust. Loss of that trust may result in a cutoff of key intelligence for a long time. Unfortunately, it is just such trust that the CIA under Casey and Gates has been rapidly squandering. How can any foreign government, for example, trust its secrets to an agency that warns them against selling arms to terrorist nations while at the same time is secretly doing precisely that, or allows highly sensitive covert operations to be conducted by a group of inexperienced comic-book characters; or misplaces tens of millions of dollars in secret funds; or supplies doctored intelligence to one side in a war while secretly sending arms to the other? The argument that senior agency officials had no idea that any or all of the above was taking place would only compound, not lessen, the mistrust of friendly intelligence services.

These are just a few of the problems the new director must overcome if the CIA is to regain its credibility. Unfortunately, Gates does not measure up to the job. His main virtues appear to be a strong ambition and an ability to follow orders unquestionably. He also appears to have been heavily involved with Casey—not in trying to get to the bottom of the illegal diversion of funds from the Iran deal to the *contras*, but in trying to cover it up.

Gates, for example, was first informed by a CIA analyst of the possible diversion of funds as far back as Oct. 1, 1986. During their discussion, however, there was never any mention of potential illegality, only talk about the inappropriate commingling of separate accounts and the risk of the operation's discovery. Not until Oct.

7 did Gates and the other official brief Casey on the likely diversion.

Adding to the worry was the fact that earlier that same day Casey had met with Roy M. Furmark, an old friend, who warned him that two Canadian businessmen, who had put up money for the arms deal, had not been repaid—and they were threatening to go public. Soon after the meeting, Casey and Gates informed Vice Adm. John M. Poindexter, then Reagan's national security adviser, of the possible diversion of funds to the *contras* and the possibility that the operation might be blown.

What Casey and Gates were obligated to do at this point was inform the congressional Intelligence Committee and also the President's Intelligence Oversight Board, a small White House body charged with looking into possible illegal intelligence activities. What they did instead was to try to turn a blind eye to the whole operation. According to one report, Gates told the Intelligence Committee that it was CIA policy "to not even want to know about funds being diverted to the *contras*." "If we even knew," Gates

said, "we would be blamed for it."

Thus, even though North, over lunch with Casey and Gates on Oct. 9, made reference to the Swiss bank account and money for the *contras*, neither CIA official were interested in hearing any more about it. All they wanted to know was whether the CIA was "clean." Assured by North that it was, Casey and Gates pressed no further and again made no mention to any oversight body. The most they did was to ask the agency's in-house general counsel to review all aspects of the Iran project to ensure that the CIA was not involved. The general counsel, without questioning North or, apparently, anyone else with any potential knowledge, quickly came up with a clean bill of health for the CIA.

Over the next six weeks, growing evidence of the funds diversion continued to flow into the offices of Casey and Gates. Yet the cover-up continued. On Nov. 21, Casey testified before the Senate Intelligence Committee and made no reference to the *contra* diversion. Later, Gates weakly defended the deception, saying that they (Casey and Gates) didn't have enough information to go on. Yet, Gates added, "It was enough to raise our concerns to the point where we expressed them to the White House."

There is no doubt, as many have

indicated, that Gates represents a vast improvement over his former boss. He is bright, articulate and capable. He also appears to be more comfortable with congressional oversight than Casey, who viewed the intelligence committees with disdain and suspicion. But, his actions during the Iran-*contra* affair leave a great deal to be desired. Unlike his predecessor, McMahon—who protested loudly over such improper activities as the lack of the presidential finding and then resigned, apparently at least in part as protest to the agency's continued involvement in the arms-for-hostages deal—Gates shows no such inclination toward moral courage. In choosing someone to head up the entire U.S. intelligence community, such a quality must be a principal requirement.

In its confirmation hearings next week the Senate Intelligence Committee should send the nomination of Gates back to the White House with the clear message that what the agency needs is candor, not cover-up. The most effective cure for the CIA's ills is a new director from outside the agency with stature, broad foreign-policy, defense and intelligence background and a free hand to make all the necessary changes. Such an appointment may be the only way to get the agency off the critical list and into the recovery room. □

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Gates seen as anxious to protect CIA

✓ By Mark Matthews

Washington Bureau of The Sun

WASHINGTON — Robert M. Gates, whom President Reagan nominated yesterday as director of central intelligence, emerges from a Senate report on the Iran-contra affair as alert to early warnings of trouble and anxious to protect the CIA from damage.

Weeks before the alleged diversion of arms-sale money to the Nicaraguan rebels was revealed by Attorney General Edwin W. Meese III, Mr. Gates heard suspicions of the scheme and sought to find out about possible agency involvement and to have the Iran operation disclosed publicly before it started to leak out "in dribs and drabs."

His antennae did not prevent his agency from drawing criticism as the dimensions of the affair unfolded. Both the Senate report and an earlier staff-written analysis cite major gaps in information supplied to the Senate Intelligence Committee by CIA director William J. Casey last Nov. 21.

Without pinning responsibility on Mr. Gates, the staff report more broadly faulted the CIA for failing to give prompt notice to Congress and for conducting its part of the Iran arms deal in a way that was not up to its usual standards.

It cites "a recurrent theme in this program: how the CIA reacted to a program that it saw as the [National Security Council's] operation, rather than its own. . . . Because this program was someone else's responsibility, the CIA appears to have allowed itself to participate in actions it may have rejected if they had been proposed for CIA implementation."

The staff analysis says Mr. Gates "had significant knowledge" of the Iran initiative at least from January 1986, when he was still deputy director for intelligence, in charge of analysis and production of finished intelligence.

By then, the CIA had already played a role in facilitating a November 1985 shipment of arms from Israel to Iran, a shipment that agency officials said they were at first told was drilling equipment. Agency offi-

cial's alarm on learning of the shipment's contents prompted the first draft of a presidential finding to comply with the law.

In late January, both Mr. Gates and his predecessor as deputy director of the CIA, John McMahon, objected to an NSC plan to provide certain intelligence to Iran but were overruled by the NSC, according to testimony cited by the Senate report.

On Oct. 1, five months after becoming agency deputy director, Mr. Gates was told by a senior analyst of suspicions that Iran arms-sale proceeds were being diverted to Central America, according to testimony described in the Senate Intelligence Committee report. Mr. Meese did not disclose the alleged diversion until Nov. 25.

Surprised and disturbed, Mr. Gates told the analyst to brief the director, and Mr. Gates relayed his concerns to a "startled" Mr. Casey Oct. 7. The same day, Mr. Casey also heard from New York businessman Roy L. Furmark about Canadian investors' anger over not being paid for a shipment of weapons, according to the report.

The analyst testified that when he expressed his suspicions to Mr. Gates, the two "did not discuss the legality or illegality of diversion. They talked about it being an inappropriate commingling of separate activities and the risk to operational security."

On Oct. 9, Mr. Casey and Mr. Gates talked about the Iran program over lunch with Lt. Col. Oliver L. North, the NSC aide, and Colonel North "made a very cryptic reference to a Swiss account and money for the contras," according to Mr. Gates' testimony.

"Gates recalled that he and Casey did not pursue it but instead asked North whether there was any direct or indirect CIA involvement in any funding efforts for the contras. North's response reportedly was that CIA was 'completely clean' and that he had worked to keep them separate," the Senate report says.

"After the lunch, Gates noted for the record that North had 'confirmed' that the CIA 'is completely clean on the question of any contact

with those organizing the funding and operation,' and that a clear separation between all CIA assets and the private funding effort had been maintained."

Five days later, Mr. Gates and the senior analyst gave Mr. Casey a memo discussing the risk that middleman Manucher Ghorbanifar might go public with a charge that the United States had failed to keep promises, and a charge that profits from the arms deal had been redistributed to "other projects of the United States and Israel."

The following day, Mr. Casey and Mr. Gates met with Vice Adm. John M. Poindexter, who was then director of the National Security Council. "Gates testified that they advised Poindexter, in view of the people who knew about it, to think seriously about having the president lay the project before the American public to avoid having it leak in dribs and drabs," the Senate report says.

Mr. Gates said he also asked CIA General Counsel Dave Doherty "to review all aspects of the project and to ensure that the agency was not involved in any illegalities. According to Gates, Doherty later told him that he had looked into things and not found anything wrong."

A memorandum on Nov. 7 cited Mr. Furmark as stating that the Canadian investors "believed they had been swindled and the money paid by Iran for the arms may have been siphoned off to support the contras in Nicaragua," the report says.

On Nov. 21, after the Iran arms deal became known but before the Meese press conference that disclosed the alleged contra diversion, Mr. Casey and other CIA officials briefed members of the Senate Select Committee on Intelligence.

"The possibility of use of Iran arms sale proceeds was not mentioned," according to the report.

"Gates later testified that the reason Casey said nothing about the possible diversion of funds was that they knew nothing more on Nov. 21 than they did on Oct. 14, i.e., bits and pieces of information and analytical judgments by one intelligence officer, and that this was not considered very much to go on."