

## **Introduction**

*“The common ingredients of the Iran and Contra policies were secrecy, deception, and disdain for the law...the United States simultaneously pursued two contradictory foreign policies — a public one and a secret one” ([Report of the Congressional Committees Investigating the Iran-Contra Affair](#)).*

The Iran-Contra Affair of 1984-1987 was not one, but two separate covert foreign policy issues concerning two different problems, in two separate countries, that were dealt in two very different ways. Under the management of the same few officials, both the Iran and the Contra policies intersected at certain important points giving rise to the singular title, Iran-Contra Affair. The first covert foreign policy initiative was the continued support for the democratic rebel Contras against the communist Sandinistas in Nicaragua in a time when Congress had cut off funds to the Contras. The second covert foreign policy initiative was the selling of arms to Iran in exchange for the release of American hostages held by Iranian allies in Lebanon. The two policies intersected when profits from the arms sales to Iran were used to support the Nicaraguan Contras through third parties and private funds.

This overview of the Iran-Contra Affair is organized into the following sections:

1. Institutional History: NSC and CIA
2. The Nicaraguan Story
3. The Iran Story
4. Unraveling the Story
5. Investigating the Iran-Contra Affair

## **Institutional History: NSC and CIA**

The National Security Council (“NSC”) and the Central Intelligence Agency (“CIA”) developed in such a way that structurally allowed each to work around Congress and have the Executive Branch and third party actors implement and frame the foreign policy of the entire United States. To understand how, one must look historically at the evolution of these two groups. The beginning starts with the National Security Act of July 26, 1947. Truman signed this piece of legislation that gave birth simultaneously to both the National Security Council and the Central Intelligence Agency.

The NSC was not originally founded to facilitate presidential decision making, but it evolved with each administration until it became structured and powerful enough to perform covert operations. During Eisenhower’s administration in the mid 1950’s the NSC became a “virtual adjunct of the presidency.”<sup>1</sup> The NSC staff was now under a special assistant to the President and not the NSC directly, turning the Presidency into a bureaucracy itself. The Kennedy administration’s changes to the NSC were driven by the Bay of Pigs incident that left Kennedy skeptical of the traditional departments and led him to prefer a more direct and personal style of executing policies. It was under Kennedy that the “distinction between planning and operation” was altered.<sup>2</sup> Whereas the NSC was previously a planning entity, Kennedy made it also function operationally. This allowed the executive branch to avoid the State Department and furthered a trend of inflating the Office of the President through its replication of the rest of the government. The Office of the President grew in ways that sometimes supported, sometimes competed with, and other times ignored other governmental agencies and offices.

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<sup>1</sup> Draper, Theodore. *A Very Thin Line: the Iran-Contra Affairs*. New York: Hill and Wang, 1991, p. 4

<sup>2</sup> Draper, p. 5

The inflationary trend continued with the Reagan administration. The NSC became further professionalized with a staff of about forty-five under the National Security Advisor [Robert McFarlane](#) and more than 200 people in support.<sup>3</sup> It became further structured in reflection of the State Department under Robert McFarlane's successor, [John Poindexter](#) when it was organized into twelve directorates i.e. the African office, European Office, etc. The person most hurt, and most undermined by this trend was the Secretary of State, [George Shultz](#) during the Reagan administration, because now the president was performing similar duties, with similar staff support from his own office. The NSC was now "large and varied enough to carry out the president's wishes covertly- even from the rest of the government."<sup>4</sup> [Lieutenant Colonel Oliver North](#), deputy director of political-military affairs for the National Security Council staff was deeply involved in both the Iran and Contra affairs.

Like the NSC, the CIA evolved with the different Presidential administrations. Under Eisenhower, the 1955 NSC directive outlined the spectrum of the CIA's covert operations in an effort to turn the CIA into a "virtual Cold War machine against Communism-" to "create and exploit troublesome problems for international Communism...reduce international Communist control over any areas of the world" and "develop underground resistance and facilitate covert and guerilla operations."<sup>5</sup> Eisenhower did qualify that the covert operations had to be consistent with U.S. foreign and military policies. The War Powers Resolution, which was created as a check on presidential power by Congress did not include a check of covert wars and paramilitary activities that the CIA was authorized to conduct. The CIA director during the Reagan administration was [William Casey](#).

### **The Nicaraguan Story**

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<sup>3</sup> Draper, p. 6

<sup>4</sup> Draper, p. 6

<sup>5</sup> Draper, p. 7

### Somoza Dynasty

The U.S. has long intervened in Nicaraguan affairs, aiming to keep its political developments amicable with and aligned to American interests. As early as 1912 the U.S. has utilized military force to quell rebellions against American approved leaders or to help overthrow unwanted regimes. Therefore, when U.S. trained head of the Nicaraguan National Guard, Somoza García, forcefully took power in 1936, the U.S. made no move to protect the current administration under Augusto César Sandino. Sandino's murder marked the beginning of the Somoza dynastic rule which lasted for the next 43 years. In 1961, the Sandinista National Liberation Front ("FSLN"), named in honor of Sandino, was created in opposition to the Somoza dynasty. Ideologically, the Sandinistas saw themselves as a Marxist-Leninist organization with aims of turning Nicaragua into a socialist state. Inspired by and closely connected to Cuba, the Sandinistas worked to create and consolidate their power in the context of a cold war era where socialist revolutions and uprisings were gaining in worldwide popularity.

In 1967, Anastasio Somoza Debayle, son of Somoza García, became president. He became notorious in Nicaragua for suppressing opposition and focusing on self-enrichment while in power. For example, in 1972, when an earthquake struck Managua, the capital of Nicaragua, Somoza exercised "emergency powers" to address the earthquake which in actuality resulted in him and his close friends confiscating the majority of international aid sent to help rebuild Nicaragua. This event consolidated the Nicaraguan's disapproval of Anastasio Somoza Debayle, especially among the Sandinistas.

In 1974, the Sandinistas kidnapped several Nicaraguan elites at a Christmas Party. Somoza responded to the affair by declaring a state of siege which spiraled into a series of serious human rights violations and guerilla attacks on peasants. In response, the United States,

hyper-sensitive to the threat of communism and in conjunction with a contemporaneous trend of protecting human rights victims, began to pay attention to Nicaraguan affairs for the first time since the Somoza dynasty commenced in 1936. President Jimmy Carter's foreign policy was shaped not only by a consciousness of human rights, but also by a fatigue of foreign intervention due to the Vietnam War. President Carter cut off all aid to the Nicaraguan government until it improved its human rights violations. Somoza responded by lifting the state of siege. This was met by the Sandinistas re-initiating and expanding their attacks which were now supported by business elites including Alfonso Robelo, and academics, including Adolfo Calero.

*Sandinistas in Power: U.S.-Nicaraguan relations still diplomatic*

On July 19, 1979, the Sandinista uprising culminated in their gaining full power in Nicaragua. The Sandinistas first move as new political leaders was to declare a state of emergency and expropriate land and businesses owned by the old dynastic family and friends, nationalize banks, mines, and transit systems, abolish old courts, denounce churches, and nullify the constitution, laws, and elections. A socialist state was born in Nicaragua. President Carter immediately sent \$99 million in aid to the FSLN in an attempt to keep the new regime pro-U.S.. Simultaneously, however, Cuban officials were advising the FSLN on foreign and domestic policy and the FSLN sought an alliance with the Soviet bloc which they reached by March 1980 signing economic, cultural, technological, and scientific agreements with the USSR. Deliveries of Soviet weapons from Cuba began almost immediately after the signing of these agreements.

It was mid-1980 when José Cardenal and Enrique Bermúdez founded what would become the Nicaraguan Democratic Force, or FDN, the main contra group ("the Contras"). The Contras found support among the populations disaffected by Sandinista policies – i.e. protestant evangelicals, farmers, Nicaraguan Indians, Creoles, and other disgruntled and disenfranchised

parties. The Argentinean government was the first to support the Contras. They directly oversaw the Contras, trained the military forces, and chose the Contra leadership whereas the U.S. took on the role of supplying money and arms. Many worried that the Contras were a continuation of the Somoza regime because of their use of brutal tactics against noncombatants and their alleged human rights abuses.

Once it became clear to Washington that the FSLN would not moderate its policies, President Carter authorized the CIA to support resistance forces in Nicaragua including propaganda efforts, but not including armed action. The Sandinistas supported expanding socialism abroad, including sending weapons to leftist rebels in El Salvador beginning in 1980 and continuing for the next ten years. Some argue that this international support from Nicaragua was also in effort to insure that the Soviets would fully support and protect Nicaragua in case of a U.S. attack or intervention. Sandinista support for the Salvadoran rebels had a profound impact on U.S.-Nicaragua relations throughout the 80's.

#### Reagan Administration: Intervention and Propoganda

January 20, 1981, [Ronald Reagan](#) was inaugurated during a rightward shift in U.S. politics. He quickly cut off all aid to FSLN indefinitely due to the Sandinista's continued support of Salvadoran rebels. In response, the Sandinistas consolidated power and expanded arrests of perceived dissidents under the belief that the U.S. would invade. On December 1, 1981, Reagan signed an order that allowed the CIA to support the Contras with arms, equipment, and money. This order was implemented in conjunction with an overall strengthening of U.S. presence in Central America and the belief that covert activities are the most effective way to put pressure on a regime. This shift of foreign policy away from the Carter administration's non-intervention culminated in June 1982 with the Reagan Doctrine which called for supporting democratization

everywhere. It was at this point that the goal of the covert operations in Nicaragua shifted away from one of simply interdicting arms to one of supporting a change in government. Iran-Contra historian Theodore Draper, among others, argued, that this was the real goal all the long.

To help popularize the foreign policy changes of the Reagan administration certain propaganda and media initiatives were implemented to sway public and congressional opinion. In January of 1983, [National Security Decisions Directive](#) was signed, entitled “Management of Public Diplomacy Relative to National Security,” institutionalizing public diplomacy. In effect, it was a special planning group within the NSC to coordinate public diplomacy campaigns.<sup>6</sup> This group was America’s first peacetime propaganda ministry. Every administration tries to influence public opinion, but not until Reagan was it so institutionalized. Another use of “white propaganda,” which [Richard Miller](#) described as "actually putting out [the] truth, straight information, not deception," was the State Department’s Group of Latin American Public Diplomacy (S/LPD).<sup>7</sup> This group, in actuality, reported directly to the NSC despite being housed within the State Department. Both committees utilized a variety of media propaganda and control efforts. A fourteen page memorandum dated March 20, 1985 from North to National Security Advisor [Robert McFarlane](#) explained over 80 publicity stunts to influence public and congressional opinion before upcoming Contra aid votes.<sup>8</sup> The public diplomacy officials also leaked select pieces of information that they wanted made public to journalists who favored Reagan. Strategic leaking and declassification of documents allowed the Executive Branch to manage the public perceptions of the American efforts in South America.

*Boland I & II and the Beginnings of Covert Defiance of Congress*

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<sup>6</sup> Perry, Robert, and Peter Kornbluh. "Iran-Contra's Untold Story." *Foreign Policy* 72 (1988). Web. 14 Nov. 2010, p. 9

<sup>7</sup> Robert and Kornbluh, p. 20

<sup>8</sup> Robert and Kornbluh, p. 12

Despite all the propaganda efforts, a series of high-profile articles began to divide the Executive Branch and the Legislature over the topic of Nicaragua and Contra support. In 1982, the CIA gained a more prominent role in the training and funding of the Contras. This attracted the attention of *Newsweek*, whose cover story on November 8, 1982 was entitled “America’s Secret War: Nicaragua.” The story outlined America’s efforts to “undermine the Sandinista government,”<sup>9</sup> and prompted a heated editorial response in *The Boston Globe*. This response article sparked Massachusetts Representative Edward P. Boland to lead a congressional effort to end all funding of Nicaraguan efforts. The first Congressional legislation aimed at preventing funding came on December 21, 1982 with the [first Boland Amendment](#) which barred “the use of funds ‘for the purpose of’ overthrowing the government of Nicaragua or provoking a war between Nicaragua and Honduras.”

In a joint session of Congress, President Reagan said, “The Congress shares both the power and the responsibility for our foreign policy,” but by the time Congress exercised said shared power by passing Boland I, the Reagan administration had already committed itself to supporting the Contras unconditionally and at any cost- even if that meant defying Congress.<sup>10</sup> Open defiance was impossible, so covert defiance was adopted as the Executive Branch’s new normal. Boland I left a loophole that the Reagan administration quickly utilized- as long as the U.S. itself did not intend to overthrow the Nicaraguan government, the U.S. could support the Contras under a different guise such as humanitarian aid or by the solicitation of money from third-party funds and private actors. Thus, Boland I had no real impact on the conduct of the war in Nicaragua.

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<sup>9</sup> Draper, Theodore. *A Very Thin Line: the Iran-Contra Affairs*. New York: Hill and Wang, 1991, p. 17

<sup>10</sup> Draper, p. 27

During the second half of 1983, the CIA helped the Contras to conduct air strikes on Sandino airport near Managua in addition to other targets. The CIA used its own assets to implement some of the covert actions in Nicaragua, including destroying several fuel tanks. The CIA also placed mines in Nicaraguan harbors on January 7, 1984 and February 29, 1984, damaging several ships. The Contras initially took credit for the mining, but it was later revealed by *The Wall Street Journal* that the mines were placed by the CIA. Furthermore, *The Wall Street Journal* disclosed that Lieutenant Colonel [Oliver North](#), a U.S. Marine who worked on the National Security Council staff at the Reagan White House, had knowledge of and encouraged such actions. Oliver North would become an integral figure in the Iran-Contra Affair.

Also at this time, National Security advisor Robert McFarlane began meeting with Israeli counterpart David Kimche inquiring to whether or not Israel would help support the Contras. The solicitation of Israel proved unsuccessful, but a few months later, McFarlane secured money from Saudi Arabia in support of the Contras. McFarlane would later argue that he had not solicited the funds, but simply mentioning the loss of the Contra aid was enough to insight the Saudis to provide money for the cause. McFarlane was able to secure over \$32 million from Saudi Arabia from 1984-1986. North added on another \$2 million from Taiwan throughout the affair. Later in 1984, some people within Reagan's administration began toying with the idea of setting up a private tax-exempt organization to raise money for the Contras. [Carl "Spitz" Channell](#) led this effort to secure private funds, many of the larger donors meeting with Oliver North and even President Reagan directly.

Realizing the ineffectiveness of Boland I, Congress, still determined to stop the flow of funds to Nicaragua, passed a [second Boland Amendment](#) on October 12, 1984 which reads:

“During fiscal year 1985, no funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States involved in

intelligence activities may be obligated or expended for the purpose or which would have the effect of supporting directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement or individual.”

Boland II left two loopholes for getting money to the Contras. The first loophole, like that of Boland I, was to solicit third-party funds from private donors or third party countries to give money to the Contras. The second loophole was to use the NSC which is “[the President's principal forum for considering national security and foreign policy matters with his senior national security advisors and cabinet officials](#)” based on the logic that the NSC is not covered under Boland. Oliver North, on loan to the NSC from the Marine Corps, began to undertake this activity. President Reagan trusted that North, in conjunction with McFarlane, would make sure to keep the Contras together “[body and soul](#).”<sup>11</sup> The passage of Boland II led to creative means of operational support of the contras: arms deals, air supply ops and intelligence support, and further solicitation of additional third party funds.

Arms Deals: In addition to seeking alternative funding, North and others sought to provide the contras with arms and supplies. Oliver North worked with [Richard Secord](#)- a retired Air Force General, and [Albert Hakim](#) an Iranian businessmen to supply the Contras with arms. In November 1984 the three solidified their first agreement and by the end of the following summer over \$11 million in arms were given to the Contras via private funds.

Air Supply Ops: In 1985, North worked with Secord to “build and oversee an air resupply operation for the contras.” A privately funded airstrip was built in Costa Rica in order to carry out this operation which was functional and successfully delivering arms to the Contras by May 1986. October 5, 1986 marked the end of the air supply operations when an aircraft was shot down by the Sandinistas, and crewmember [Eugene Hasenfus](#) was captured. This would eventually lead to the full exposure of the operation.

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<sup>11</sup> Draper, p. 33

Intelligence Support: North also provided “[broader strategic military advice.](#)” He shared U.S. and CIA intelligence with the Contras about the location of new Soviet arms and equipment shipments into Nicaragua.

### The Diversion Scheme

When private funding and third party governments did not provide as much support as North wanted for the Contras, North came upon the idea of overcharging the Iranians for weapons sold to them by Americans “[and using the surplus to fund the Contra resupply operation and other covert activities.](#)” North wrote what would later be infamously known as the [Diversion Memo](#) to the new National Security Advisor [John Poindexter](#) and President Reagan in which he outlined how \$12 MM of the profit Secord and Hakim made from the sale of arms to Iran “[will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces.](#)” Of all of the events of the Iran-Contra Affairs, it was this diversion scheme that was the most controversial and explosive.

Secord and Hakim were motivated by the potential to profit from the activities they engaged in, thus the Contras did not receive all the money given to their cause. As Kagan writes, “For all the controversy raised about the diversion, the Contras were fortunate if they received \$2 million worth of tangible benefits [between January and October 1986,] an amount that paled in comparison to the far less controversial \$32 million they ultimately received from Saudi Arabia.” With government funding, 100% of the money goes directly to the beneficiary. With third party and private actors, a portion of that will be allocated as profit.

### Intelligence Authorization Act: Congress Open to Re-supporting Contras

Congress changed its position on Contra funding with a series of amendments and provisions that resulted in the loosening of the Boland language. The Boland Amendments

originally aimed to prevent all funds from flowing into Nicaragua, but from 1985-1986 Congress began qualifying which funds and for what purposes was acceptable. In August 1985, Congress passed a provision which allocated \$14 million directly to the Contras for humanitarian assistance. Later that year, in December 1985, as part of the Intelligence Authorization Act, Congress outlawed most U.S. government departments and agencies, except for the State Department, from soliciting money from third-party countries to fund the Contras for “humanitarian assistance only.” The State Department was allowed to solicit funds provided that the money donated was from the countries’ own funds and that the U.S. did not enter into “any express or implied arrangement making U.S. provision of assistance to the third country contingent on the third country’s assistance to the contras.” The amendment also included a no “quid pro quo” statement between the U.S. and the third country. In 1986, The Intelligence Authorization Bill allowed the CIA to provide training and intelligence to the Contras as long as it did not “amount to participation in the planning for execution of military or paramilitary operations” or participation in “logistics activities integral to such operations.” In the summer of 1986, Congress passed a provision allocating \$100MM of their own budget in aid to the Contras.

## **The Iran Story**

### *From Secular to Islamic Republic*

As an oil rich nation, Iran is a country that the U.S. has long held foreign policy interest in. The U.S. maintained favorable relations with Iran throughout the Shah, Mohammad Reza Shah Pahlavi’s, secular, yet authoritarian, rule. During those years, Iran was one of the United States’ strongest allies in the Middle East. It was this close relationship with the U.S. and its foundation in the Shah’s secularism that ultimately served as an impetus for riots and demonstrations to break out across Iran in 1978. These demonstrations grew in strength and

number culminating in the Shah leaving Iran in January 1979 and Ayatollah Ruhollah Khomeini naming Iran an Islamic Republic. Ayatollah Khomeini immediately severed all ties with the U.S. and declared Israel an illegitimate country. He ruled Iran as a religious leader, further consolidating his power. Iran shifted from the U.S.'s most powerful and valued ally in the Middle East to an American enemy virtually overnight.

The U.S., wary of losing its oil rich friend, and desperate to keep Soviets from influencing the region, quickly moved to “normalize relations” with Iran. Despite these efforts, the Muslim Followers of the line of the Imam, a fundamentalist, anti-imperialist group made up predominately of young radical revolutionaries, seized the U.S. embassy in Tehran on November 4, 1979, symbolizing the end of cordial diplomacy between the two nations. Fifty-three hostages were taken by this group and the Iranian government and general public supported their actions further antagonizing relations between the two former allies. Although these hostages were eventually released the day of President Reagan’s inauguration, more hostages would soon be taken, and relations would further be galvanized.

#### *Iran’s need for Weapons Result in U.S. Opportunities*

Iran’s need for weapons during the Iran-Iraq war from 1980-1990 complicated the Iranian-American relations. In the beginning of the Iran-Iraq war, the U.S. actively engaged in an arms embargo against Iran called Operation Staunch and religious fundamentalist group Islamic Holy War took more U.S. hostages beginning in March 1984. It was Iran’s need for weapons, and the United States’ desire to re-open diplomatic relations that in 1985 led Manucher Ghorbanifar, an Iranian businessman working with the U.S., and Adnan Khashoggi, a Saudi Arabian arms dealer, to devise a skeleton plan for what would later become the Iran arms deal. This deal would alter Iranian-American relations and lead to the most controversial piece of the

Iran-Contra scandal: the diversion of funds from the sale of weapons to Iran to supporting the Nicaraguan Contras.

On July 1, 1985, the *New York Times* quoted President Ronald Reagan saying, “The United States gives terrorists no rewards. We make no concessions, we make no deals.” Three days later, McFarlane met with Israeli David Kimche (who had previously met with Khashoggi and Ghorbanifar) and the arms-for-hostages deal was first outlined as both a means to obtain the release of American hostages in addition to an attempt to improve diplomatic relations. Thirteen days after Reagan denounced bartering with terrorists on July 16, 1985, McFarlane visited President Reagan and his [Chief of Staff Donald Regan](#) while the President was in the hospital recovering from abdominal surgery. McFarlane proposed their recently outlined arms-for-hostages deal that specifically called for the selling of 100 American made TOW antitank missiles to Iran via Israel in exchange for some if not all American hostages and open communications with Iran. America would also send replacement TOWs to Israel. There are conflicting accounts of what was said and agreed to at this meeting. Regan remembered McFarlane saying to the President, “they had been approached by the Israelis, who had had contact that they would put us in touch with that could lead to a breakthrough in reaching elements in the Government of Iran” and “that this could lead to some help in the hostage situation because we suspected that the Iranians were in some way connected in to the group who had abducted the Americans.”<sup>12</sup> McFarlane gave multiple versions of what the President said in the hospital. One version that McFarlane relayed to Poindexter was that Reagan “was all for letting the Israelis do anything they wanted.”<sup>13</sup> Another version McFarlane gave was that “As I recall [Reagan] said that he could understand how people who were trying to overthrow a

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<sup>12</sup> Draper, p. 156

<sup>13</sup> Draper, p. 158

government would need weapons, but we weren't yet sure about whether they were legitimate. So he said that we, the United States, could not do it."<sup>14</sup> President Reagan also gave multiple stories of that day. In 1987 he said that he did not remember meeting with McFarlane at all, but in 1990 he agreed that during the meeting he first became aware of the arms-for hostage initiative in Iran.<sup>15</sup>

### *The Enterprise*

On August 20, 1985, the first load of 96 TOW missiles was sent from Israel to Iran. Khashoggi provided "bridge financing," posting \$1 million of his private funds until Iran paid Israel for the weapons.<sup>16</sup> The deal was wholly managed through private actors- Ghorbanifar for Iran and Schwimmer and Nimrodi for Israel. Lt. Colonel Oliver North was brought into the Iran affair by McFarlane to manage logistics in the interest of the United States. North continued to stay involved in Iran when Poindexter succeeded McFarlane. On September 15, 1985, American hostage Benjamin Weir was released after 408 more TOWs were shipped to Iran. Any profits from the deal went to Ghorbanifar, Schwimmer or Nimrodi.

Major General Richard Secord was brought into the Iran affair by North to help resupply Israel's weapon store and organize logistical issues such as moving "sensitive material" between Israel and Iran. In November 1985, a second load of missiles was sold to Iran. The second sale provided the first funds that were diverted to the Nicaraguan Contras. To complete the diversion covertly, and without the knowledge of Congress, Secord and Hakim established a company called the Stanford Technology Trading Group International which was commonly known as "The Enterprise." Israel transferred \$1 million to an Enterprise-owned, Secord-Hakim Lake Resources Swiss bank account for the second arms shipment. This account had previously been

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<sup>14</sup> Draper, p. 158

<sup>15</sup> Draper, p. 158

<sup>16</sup> Draper, p. 169

used only for Nicaraguan Contra business.<sup>17</sup> Of the \$1 million, only \$150,000 was spent on the weapons, the other \$850,000 was diverted, by North, to be used to support the Contras.

Ordinarily the entire million would've been paid back to the Israelis, but in this instance, North "told them we used it for the purpose of the Contras, and they acknowledged that" –and they never asked for the money back.<sup>18</sup> In January of 1986, the diversion scheme continued when Ghorbanifar suggested that any extra money made through the arms sales be diverted to aiding the Contras. McFarlane's successor, John Poindexter, approved this plan.

### Lisbon Airport Crisis

The Second shipment of arms-for-hostages mentioned briefly above was a logistical nightmare that North described as "a horror story."<sup>19</sup> The original plan was that on November 22<sup>nd</sup>, 1985, 120 Hawk missiles would be shipped from Israel to Portugal on an Israeli 747. In Portugal the weapons would be unloaded, stored, and reloaded on a non-Israeli plane and shipped to Iran in two intervals. First, eighty Hawks would be sent, followed by the release of hostages. Second, contingent upon the hostages' release, the remaining forty would then be sent to Iran.<sup>20</sup> Schwimmer, who was heading the Israeli operations, applied last minute to get the necessary special clearances to land the cargo of arms at the Portuguese airport in Lisbon. Schwimmer found the authorities hesitant to grant him permission. It was at this point that Oliver North got involved and met with Israeli Defense Minister Rabin in New York on November 18<sup>th</sup> about the operational logistics of shipping the "oil drilling equipment" to Iran.<sup>21</sup> To help with logistics, North brought Secord on board rather than using someone from the U.S. government because Secord had close ties with leading Portuguese arms dealer, Defex.

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<sup>17</sup> Draper, p. 184

<sup>18</sup> Draper, p. 199

<sup>19</sup> Draper, p. 185

<sup>20</sup> Draper, p. 187

<sup>21</sup> "At the Poindexter trial, North said that Rabin had told him the number of missiles they were trying to ship and some overflight clearance problems they were having. North told Rabin he would get back to him after checking for authorization. Thus north knew at this time that the cargo was made up of missiles, not oil-drilling equipment." Draper p. 185

The first effort to get airport clearance was described to the Portuguese Foreign Ministry as Defex working with a retired American general to ship arms to Iran. This confused Portuguese officials because of what they understood as the United States' opposition to all shipments of arms to Iran under Operation Staunch. Portugal was now skeptical of the whole affair; especially in regards to who was making this arms shipment request- the United States Government, or a private citizen. When that request was denied, North worked with Dewey R. Clarridge, Chief of the European division of the CIA, to help deal with the Lisbon airport crisis and try again to obtain airport clearance. Portugal firmly insisted on receiving a "formal acknowledgement they were being asked to help in a weapons shipment" as not to later be charged with violating Operation Staunch.<sup>22</sup>

Ultimately North and Clarridge used an alternate plan utilizing "proprietary" airline flights to make the arms shipment. A proprietary airline is such that it is owned and controlled by the CIA but operates as if it were an ordinary commercial operation when not utilized for special CIA assignment. When Clarridge decided to go the proprietary route he informed the CIA controller in Frankfurt that "an urgent flight" that was "in the interest of the U.S. government" would need to be flown.<sup>23</sup> This shipment method did not run smoothly either, running across problems in Cyprus, Turkey, and culminating in the realization that the wrong missiles had been sent once they reached Tehran. The horror story ended with the decision to immediately repeat the operation under U.S. instead of Israeli management, this time with more success.

After experiencing difficulties such as the second arms shipment and problems in securing the discussed exchanges with Iran, on January 17, 1986, President Reagan signed a [Presidential Finding](#) authorizing direct U.S. arms sales to Iran. Secord and the Enterprise would

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<sup>22</sup> Draper, p. 192

<sup>23</sup> Draper, p. 193

still be used as a third party to release the U.S. of any liability. Israel, would still serve as the base, but it would no longer buy and sell weapons. Now the Enterprise would buy and sell weapons directly on behalf of the United States.

### *The Second Channel*

After continuing difficulties in securing the release of hostages from Iran, North and Secord determined that the U.S. had to find an alternate channel for dealing with Iran, and put Hakim in charge of the effort. In August 1986, Hakim, with his new Iranian contact, Ali Hashemi Bahramani, worked out a [nine-point plan](#) that compromised both his and the Iranians' interests. The resulting agreement was that the U.S. would send Iran 1,500 TOWs in exchange for the release of "1 ½ hostages (1 definitely and the 2<sup>nd</sup> with all effective possible effort)." Iran also offered to pay the U.S. \$3.6 million in addition to releasing the hostages which meant more funds could be diverted to the Contras. Hakim, serving as a "U.S. representative," implemented his nine-point plan beginning in October 28, 1986 with the first shipment of arms. Of the \$3.6 million Iran paid to the Enterprise, \$2 million of this was given to the CIA who supplied the weapons, and the remaining \$1.6 million was diverted to the Contras.

### **Unraveling the Story**

On November 3, 1986, two Lebanese newspapers broke the story of the Iran arms deal, and quickly thereafter the entire scandal began to unravel in the United States. The first two weeks following the newspaper leak were marked by an increasing crisis of confidence in the government as facts rapidly became public. By December 1986 everything from the Contra affair to the diversion scheme found its way into the press.

Nov. 13, 1986: President Ronald Reagan made his [Address to the Nation on the Iran Arms and Contra Aid Controversy](#) and again addressed the nation in a press conference on

November 19<sup>th</sup>. On the 13<sup>th</sup>, Reagan said that the U.S. was working with the Iranian government, but on the 19<sup>th</sup>, he admitted to working with a “particular group,”<sup>24</sup> implying he dealt with terrorist organizations. Further contradictions were made during the press conference on the 19<sup>th</sup> when Reagan stated that, “we did not condone and do not condone the shipment of arms from other countries.”<sup>25</sup> This, however, was said after Chief of Staff Donald Regan had already admitted that the White House condoned an Israeli shipment of Arms to Iran in September 1985. By the 19<sup>th</sup>, virtually everything about the Iran side of the affair had come out: missiles and spare parts to Iran, the role of Israel, McFarlane’s mission to Tehran, North, Ghorbanifar, etc.<sup>26</sup> Reagan’s blunders during the November 19<sup>th</sup> conference set into motion public discourse on the President’s credibility and role in the whole affair.

On November 21<sup>st</sup>, Oliver North engaged in what he would later be referred to as a “shredding party,” destroying potentially incriminating documents, helped by his secretary [Fawn Hall](#), in anticipation of the Justice Department lawyers coming to search his office the next day. North did not, however, destroy the smoking gun of the connection between the Iran arms sales and the funding for the Nicaraguan contras, the Diversion Memo. After [Attorney General Meese](#), Assistant Attorney General Reynolds, and Chief of Staff to Attorney General Richardson interviewed North about the document, the Reagan administration raced to release this information to the public. Fearing accusations of a Watergate style cover-up and more seriously the possibility of impeachment, President Reagan himself publicly acknowledged diversion scheme of the arms deal to the public.<sup>27</sup>

November 25, 1986 Reagan held a press conference where Attorney General Meese responded to the majority of questions. Meese said that the affair did not go any higher than

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<sup>24</sup> Draper, 482.

<sup>25</sup> Draper, 482.

<sup>26</sup> Draper, 498.

<sup>27</sup> Draper, p. 533.

Admiral Poindexter.<sup>28</sup> This press conference was also the first time the possibility of legal charges was discussed and North, watching from a TV in his office, found out simultaneously with the general public that he could be facing criminal charges.<sup>29</sup> That same day, Poindexter resigned as National Security Advisor, and North, who was only detailed to the NSC and appointed as assistant to the President was transferred back to the Marines.

### **Investigating the Iran-Contra Affair**

Three mechanisms were established to uncover the truth of the Iran-Contra Affair in hopes of regaining public trust in addition to fully understand the scandal: a special review board appointed by Reagan, an independent counsel per-Meese's request, and the holding of immunized joint-congressional hearings.

#### *The Tower Commission*

On November 26, 1986, one day after President Reagan and Attorney General Edwin Meese held a press conference at which they publicized the diversions scheme, President [Reagan appointed](#) former US. Senator John Tower and others to a special review board known as the Tower Commission. The Tower Commission was created with the purpose of "evaluating the operation of the National Security Council in general and the role of the NSC staff in particular."<sup>30</sup> The Tower Commission released its [findings](#) on February 26, 1987, concluding that the NSC itself was sound, and placed a heavy amount of blame on Chief of Staff Regan and National Security Advisor Poindexter. Although the Tower Commission did not find Reagan "guilty" nor claimed that he knew more than he was leading on to, it did argue that Reagan should have been more informed, criticizing his managerial style of running the White House for causing him to act with neglect and lack of oversight.

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<sup>28</sup> Draper, p. 547.

<sup>29</sup> Draper, p. 548.

<sup>30</sup> [Tower Commission Findings](#)

### Independent Counsel Walsh

Per Request of Attorney General Meese III, a panel of three judges appointed an Independent Counsel, Lawrence Walsh, to investigate the legal issues of the Iran-Contra affairs on December 19<sup>th</sup>, 1986. Walsh, a former judge and deputy attorney general under Eisenhower, requested an official appointment by the U.S. Department of Justice on March 5, 1987, in order to avoid challenges over the constitutionality of using an Independent Counsel (Note: *Morrison v. Olson* had not yet been decided). Walsh's job was made extremely difficult because of the immunity granted to the joint-committee hearings. These difficulties were formally presented to Congress in a report dated April 28, 1987. Walsh also encountered a problem with graymail- the refusal to declassify documents even if necessary to conduct a fair trial. Only the Attorney General can overrule this refusal. The [Legal Aftermath](#) of the Iran-Contra fairs includes fourteen people that were criminally charged. Of those fourteen, four were convicted of felony charges, seven pleaded guilty to either felonies or misdemeanors, one case was dismissed, and two that were awaiting trial were [pardoned by George H.W. Bush](#).

On March 5, 1987, the joint hearings of the House Select Committee to investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, later referred to simply as the Iran- Contra hearings, began and lasted for 41-days. Co-Chairman Inouye in his opening statements describes the purpose of the hearings:

“Our hearings are neither pro-Contra nor anti-Contra, neither pro-Administration nor anti-Administration. We are not prosecutors; and this is not an adversarial proceeding. We meet here as American citizens, united in a common effort to find the facts lest we repeat the mistakes.”

The witnesses were granted immunity under the Fifth Amendment to prevent self-incrimination and in an effort to uncover all the facts. Of the [thirteen key witnesses](#), this will highlight two: Oliver North and the John Poindexter.

### Oliver North

Oliver North's immunized testimony before the joint-congressional committee [began on July 7<sup>th</sup> and lasted until the July 14<sup>th</sup>, 1987](#). Adorned in his military uniform complete with decorations of valor from Vietnam, the handsome soldier promised on the first day to tell the truth, ["the good, the bad, and the ugly."](#) North appeared to some a hero, to others a victim, (Reagan called him both in December 1986) but ultimately his favorability rating was 67% after his testimony.

During the hearings, North admitted to [shredding documents](#) because the Attorney General's people were coming to look through his office the next day:

**"Mr. NIELDS:** And you shredded documents before they got there?

**Mr. NORTH:** I would prefer to say that I shredded documents that day like I did on all other days, but perhaps with increased intensity; that's correct."

North's testimony also revealed his willingness to engage in controversial, possibly illegal, covert activities:

**"Mr. NORTH.** I want you to know lying does not come easy to me. I want you to know that it doesn't come easy to anybody, but I think we all had to [weigh in the balance the difference between lives and lies](#). I had to do that on a number of occasions in both these operations, and it is not an easy thing to do."

The hearings' [Majority Report](#) concluded that "North's testimony demonstrates that he also lied to members of the Executive branch, including the Attorney General, and officials of the State Department, CIA and NSC." And also that "other officials lied repeatedly to Congress and to the

American people about the Contra covert action and Iran arms sales, and that he altered and destroyed official documents”

The hearing’s Majority Report referred to North as the central figure of the Iran-Contra Affair. It acknowledged that he did not and could not have acted alone, but it was his coordination and involvement in all activities and secret operations that made him the leading character. North explained that he “sought approval for every one of [his] actions and it is well documented. [He] assumed when [he] had approval to proceed from...Bud McFarlane or Admiral Poindexter, that they had indeed solicited and obtained the approval of the President.”<sup>31</sup> The hearings committee Majority Report recognized this causal chain of command, but North admitted that simply following orders alone was not sufficient grounds for breaking the law. “Both he and adm. Poindexter have argued,” however “that their activities did not break the law because they did not use money appropriated by the Congress.”<sup>32</sup> The use of legal defenses was utilized again by North when he testified that he got a legal opinion from the staff counsel of the President’s Intelligence Oversight Board (“IOB”) - a group of civilians appointed by the President to act as an independent watchdog over intelligence organizations, that confirmed that the NSC was not violating Boland restrictions as long as the “solicitation, banking, and movement of supplies were done outside the United States.”<sup>33</sup> The IOB staff counsel during the Reagan years had previously failed the bar exam four times before passing and had never written a legal opinion until his appraisal of the relevance of the Boland amendment to the NSC.<sup>34</sup> No substantive legal advice was sought from the Justice Department, the State Department, the White House counsel, or any other administrative official within the government.<sup>35</sup>

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<sup>31</sup> Gutmann, Amy, and Dennis F. Thompson. *Ethics and Politics: Cases and Comments*. 3rd ed. Belmont, CA: Thomson/Wadsworth, 2006, p. 64

<sup>32</sup> *Ethics and Politics*. P 64

<sup>33</sup> Draper, Theodore. *A Very Thin Line: the Iran-Contra Affairs*. New York: Hill and Wang, 1991, p. 88

<sup>34</sup> Johnson, Loch K. *America’s Secret Power: the CIA in a Democratic Society*. New York: Oxford UP, 1989, p. 238

<sup>35</sup> Strong, Robert A. *Decisions and Dilemmas: Case Studies in Presidential Foreign Policy Making since 1945*. M.E. Sharpe, M.E. Sharpe. p. 150

John Poindexter

John Poindexter's immunized testimony immediately followed Oliver North's and lasted from [July 15-17 to July 20-21, 1987](#). From an appearance standpoint, Poindexter provided a stark contrast to North. Wearing Civilian clothing because, as Poindexter said the first day of the hearings, "this issue is not a Navy issue," Poindexter was much more awkward, less dynamic, and not as handsome as North. The Watergate Scandal's legacy focused the hearings' questions to 'what did the President know and when did he know it?'<sup>36</sup> These questions were addressed by Poindexter who took full responsibility for the affair. This is in direct contrast to the Watergate Scandal where John Dean turned against Nixon in the public hearings.<sup>37</sup>

Poindexter testified that the "[buck](#)" stopped with him and that Reagan knew nothing about the dispersion plan. Poindexter cited three reasons for why he was justified in not informing the President: first, Poindexter, unlike McFarlane did not believe that the Boland Amendment applied to the NSC, thereby Poindexter believed that the diversion of funds to the Contras was legal; second, he saw the diversion as a "detail" of the larger political goal of aiding the Contras; and third, "the president would have supported the policy had he known about it."<sup>38</sup> Chairman Hamilton criticized Poindexter for claiming the buck stops with him because "that is not where the buck is supposed to stop," arguing that Poindexter only wanted "to deflect responsibility from the President and that should not be done in our system of government." Poindexter admitted during his testimony that he destroyed Reagan's signed finding that sent arms to Iran on November 21, 1986 in order to avoid "[political embarrassment](#)," and he also claimed to "[not recall](#)" several key incidents. Two-thirds of those polled after Poindexter's

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<sup>36</sup> Busby, Robert. *Reagan and the Iran-Contra Affair: the Politics of Presidential Recovery*. New York: St. Martin's, 1999, p. 184.

<sup>37</sup> Williams, Robert. *Political Scandals in the USA*. Chicago, IL: Fitzroy Dearborn Pub., 2000, p. 48.

<sup>38</sup> Gutmann, Amy, and Dennis F. Thompson. *Ethics and Politics: Cases and Comments*. 3rd ed. Belmont, CA: Thomson/Wadsworth, 2006, p. 65

testimony believed that he was “covering up” for others in the administration, and a majority said he was covering up for the President.<sup>39</sup>

The Majority Report of the Congressional Committees Investigating the Iran-Contra Affair, released on November 18, 1987, like the Tower Commission, criticized Reagan for his blunders:

“The President himself told the public that the U.S. Government had no connection to the Hasenfus airplane. He told the public that early reports of arms sales for hostages had ‘no foundation.’ He told the public that the United States had not traded arms for hostages. He told the public that the United States had not condoned the arms sales by Israel to Iran, when in fact he had approved them and signed a Finding, later destroyed by Poindexter, recording his approval. All of these statements by the President were wrong.”

and his lack of oversight:

“Nevertheless, the ultimate responsibility for the events in the Iran-Contra Affair must rest with the President. If the President did not know what his National Security Advisers were doing, he should have. It is his responsibility to communicate unambiguously to his subordinates that they must keep him advised of important actions they take for the Administration. The Constitution requires the President to ‘take care that the laws be faithfully executed.’ This charge encompasses a responsibility to leave the members of his Administration in no doubt that the rule of law governs.”

The day before the hearings began, 63% of Americans felt that “it’s time for the country to give the president the benefit of the doubt and put the Iran arms affair behind us.”<sup>40</sup> One-third of those questioned during the hearings said that they would care “a great deal” if Reagan had known about the diversion scheme.<sup>41</sup> A few days after the hearings ended, 58% of those polled say that Congress spent too much time on the investigation. Ultimately, 58% said that the important questions had not even been answered.<sup>42</sup> Indeed, the Iran-Contra Affair did leave the United States with several [enduring issues](#).

<sup>39</sup> “Most in Poll Say Witness is Hiding Facts.” *The Washington Post* 17 July 1987.

<sup>40</sup> Harris Poll, May 4, 1987. Reproduced with permission from the Tribune Media Services, Inc.

<sup>41</sup> “Iran-Contra Pardons Favored; Poll Reflects Limited Concern about Affair.” *The Washington Post* 23 July 1987.

<sup>42</sup> “Current Public Opinion Surveyed.” *Facts on File World News Digest* 7 August 1987.

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