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NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF  
CENTRAL INTELLIGENCE

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OCTOBER 24 (legislative day, SEPTEMBER 19), 1991.—Ordered to be printed

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Mr. BOREN, for the Select Committee on Intelligence, submitted  
the following

**R E P O R T**

together with

**ADDITIONAL VIEWS**

The Select Committee on Intelligence, to which was referred the nomination of Robert M. Gates, of Virginia, to be the Director of Central Intelligence, having considered the same, reports favorably thereon and recommends that the nomination be confirmed by the Senate.

**BACKGROUND OF THE COMMITTEE'S CONSIDERATION**

The nomination of Robert M. Gates to be Director of Central Intelligence was received by the Senate on June 24, 1991, and referred to the Select Committee on Intelligence the same day.

The Committee requested that the nominee provide answers to its standard questionnaire, and these were provided. The Committee also received the nominee's financial disclosure statement from the Director of the Office of Government Ethics, who advised the Committee that the nominee appeared to be in compliance with applicable laws and regulations governing conflicts of interest.

In addition to these inquiries, the Committee requested that the nominee provide sworn answers to a series of questions related to his involvement in, and knowledge of, the so-called Iran-contra affair. These were provided by the nominee on June 28, 1991.

Hearings on the nomination, which had been tentatively scheduled for mid-July, were delayed due to new information which emerged in July as a result of a former CIA official, Alan D. Fiers, Jr., pleading guilty to two misdemeanors involving the withholding of information from Congress. At the same time he acknowledged

greater knowledge in CIA of the Iran-contra affair than had previously been known. In order to determine whether the nominee had knowledge of the information disclosed by Mr. Fiers in his plea agreement, the Committee voted on July 16, 1991, to seek an immunity order for Mr. Fiers from the U.S. District Court for the District of Columbia. This order was issued by the court on August 2, 1991.

The Committee began hearings on the nomination on September 16, 1991, with the nominee appearing as the sole witness. Questioning of the nominee continued through the day of September 17, 1991.

On September 19, 1991, the Committee heard testimony from three private witnesses largely relating to the nominee's role in, and knowledge of, the Iran-contra affair. These witnesses included Mr. Fiers (see above); John McMahon, Deputy DCI from 1982 until 1986; and Tom Polgar, a former CIA official who also was on the staff of the Senate Iran-contra investigating committee.

The Committee recessed the hearings until September 24, 1991, when it heard testimony from Charles E. Allen, a senior CIA analyst, and Richard J. Kerr, currently the Acting DCI who was Deputy Director for Intelligence during most of the period at issue. This was followed by two closed sessions on September 25, the first involving allegations of improprieties with respect to the sharing of intelligence with Iraq during the mid-1980's; the second involving allegations that the nominee had engaged in actions to shape or distort intelligence estimates. At the conclusion of this latter session, the Committee decided that the testimony on this issue should be held in public session.

Accordingly, on October 1, the Committee resumed public hearings to consider allegations that the nominee had "politicized" the intelligence process while serving as Deputy Director for Intelligence. The Committee heard testimony from former CIA analysts Mel Goodman, Graham Fuller, and Harold Ford, and from CIA analyst Lawrence Gershwin.

On October 2, 1991, the Committee resumed its consideration of this issue, hearing testimony from former CIA analyst Jennifer Claudemans and CIA analyst Douglas MacEachin. At the conclusion of their statements, a panel, consisting of all the analysts who had testified, was convened to respond to the questions of the Committee.

On October 3, 1991, the nominee returned to testify in public session. His public testimony continued during the morning of October 4, and closed hearings with the nominee were held in the afternoon. With this, the hearing on the nomination concluded.

On October 18, 1991, the Committee reconvened in open session to vote on the nomination. By an 11-4 vote, the Committee voted to recommend the nomination be favorably reported to the Senate.

By any standard, the consideration of this nomination was the most thorough and comprehensive of any nomination ever received by the Committee. Thousands of documents were reviewed; hundreds of witnesses were interviewed. The nominee testified for four full days in open and closed session, responding to almost 900 questions. Written responses were submitted to almost 100 additional questions.

The Committee also attempted to carry out its inquiry in a fair, bipartisan manner. Decisions on witnesses, hearing plans, document requests, and other matters, were arrived at jointly by the majority and minority. Efforts were made to elicit testimony and documents which fairly portrayed both sides of particular issues.

#### BACKGROUND OF THE NOMINEE

The nominee, Robert Michael Gates, is 48, a native of Kansas, and now lives in Virginia. He is married with two children.

He graduated with honors from the College of William and Mary in 1965, received a Masters degree from Indiana University in 1966; and a PH.D. from Georgetown University in 1974.

He joined CIA in 1966 as an analyst. From 1971 to 1973, he served as a staff member and intelligence advisor to the U.S. SALT Delegation. From 1974 until 1976, he was detailed to the National Security Council (NSC) staff. In 1977, he was reassigned to the NSC staff where he was Special Assistant to the National Security Advisor, Dr. Brzezinski. In 1979, he returned to CIA where he was made Executive Assistant to the DCI in February, 1980, and was given additional senior level assignments. In 1982, he was named Deputy Director for Intelligence, responsible for CIA analysis and production. He held this position until April, 1986, when he was nominated and confirmed as Deputy Director of Central Intelligence. He remained in this position until January, 1989 when he was named Deputy Assistant to the President for National Security Affairs, where he has served until the present time.

#### ISSUES CONSIDERED BY THE COMMITTEE

To assess the fitness of the nominee to serve as Director of Central Intelligence, the Committee considered a number of issues.

(1) The first was Mr. Gates' involvement in, and knowledge of, the so-called Iran-contra affair. Mr. Gates was Deputy Director for Intelligence when the arms sales to Iran began, and became DDCI in April, 1986, serving in this capacity until the Iran-contra affair was disclosed to the public.

In considering this area, the Committee reviewed the entire record of the congressional Iran-contra investigation, as well as the criminal trials growing out of the Iran-contra affair. This included a review of all of the nominee's previous testimony on this subject (five previous occasions), as well as a review of all of the testimony by other witnesses who had mentioned the nominee. This record was supplemented by obtaining interviews and, in some cases, sworn statements from such witnesses in order to fill gaps or clarify ambiguities in their previous testimony.

When the Fiers plea agreement was announced in July, 1991, the Committee made a further intensive effort to obtain documentation and interview witnesses to ascertain whether the nominee may have had knowledge of the events alleged by Mr. Fiers. Approximately 20 witnesses were interviewed, and several thousand pages of documents were examined in this process.

The principal issues posed for the Committee in this area were:

- a. when did the nominee first learn of the "diversion" and what actions, if any, did he take as a result?"

b. what was his role in the initiation and execution of the Iran arms sales, and what did he do to stop them or ensure that Congress was informed?"

c. was the nominee aware of the alleged efforts of some CIA officials to limit congressional testimony after the Hasenfus flight to protect the White House?

d. did the nominee participate in a deliberate effort to withhold or mislead the Committee in the preparation of Director Casey's testimony for November 21, 1986, when he first testified to Congress on the Iran arms sales?

e. was the nominee aware in 1986 of the NSC's staff's control of a private lethal resupply operation for the Nicaraguan Resistance at a time when the legality of such assistance was questionable, and such assistance clearly violated the intent of the Congress?

(2) The second area considered by the Committee was whether the nominee, either as Deputy Director for Intelligence or as Deputy DCI, had participated in efforts to slant or distort intelligence analysis to conform to some preconceived political agenda or position.

The Committee received allegations in this regard from several former CIA analysts. Interviews with these analysts led to additional interviews with other present and former CIA analysts, as well as a review of the documentation involved with each of the estimates or analyses where "slanting" or distortion had been alleged. Interviews were done with approximately 80 analysts in this segment of the Committee's inquiry, and several hundred documents were reviewed.

The Committee also received testimony and sworn statements from a number of current and former analysts regarding these allegations.

The issues for the Committee were:

a. Did the nominee direct that estimates or analyses be altered to support a political point of view not supported by the available intelligence?

b. Did the nominee withhold or manipulate the dissemination of estimates or analysis so as to reduce their impact on the policy process?

c. Did the nominee, through managerial intimidation, stifle the presentation of analytical views that did not conform to his own political positions?

(3) Grouped into a third area examined by the Committee were a variety of allegations that were made in the media, or which were made directly to this Committee or to other congressional committees, involving the nominee's knowledge or participation in activities that would have been illegal or improper if true. These included:

the nominee's role in the provision of intelligence to Iraq during the Iran-Iraq war in the mid-1980s;

the nominee's knowledge of and involvement in the use of intelligence reporting concerning contacts between Members of Congress and the Sandinista regime in Nicaragua;

whether CIA may have slanted or withheld information from Congress pertaining to U.S. knowledge of the Pakistan nuclear program;

allegations that the nominee was involved in the so-called "October 1980 surprise";

an allegation that the nominee was involved in illegal arms sales to Iraq; and

an allegation that the nominee was involved in withholding intelligence on BCCI from pertinent law enforcement agencies.

The Committee looked into these and every other allegation which came to its attention. In some cases, where the ability to conduct an investigation of the allegation exceeded the capability of the Committee, the Committee requested that the allegations be pursued by the Federal Bureau of Investigation as part of the nominee's background investigation. The Committee received reports from the FBI on each of the allegations for which its assistance was requested. In some cases, the Committee also requested assistance from the Office of the Inspector General at CIA to ascertain whether the nominee had been involved in allegedly illegal or improper acts. Reports were received by the Inspector General in each of the areas where assistance was sought.

In each case, the issue for the Committee was whether there was any evidence that the nominee may have been involved in acts which were illegal or improper (i.e. violating Executive branch or CIA policy.)

(4) The fourth area examined by the Committee focused upon the nominee's views with respect to the proper role of the DCI, and his vision of the future. In this regard, the Committee reviewed all of the articles and public statements of the nominee since 1980. The Committee also focused attention upon this area at the public hearings. Of particular concern were:

a. the relationship of the DCI to the President and the policy process;

b. the relationship of the DCI to the Congress and the congressional oversight process;

c. the public role of the DCI;

d. the nominee's views on reordering the priorities of the Intelligence Community to cope with a rapidly changing world; and

e. the nominee's view with regard to improving performance of the Intelligence Community in the future.

The results of the Committee's inquiry into each of these four areas are discussed in detail in the remainder of the report.

### *Part 1: The Nominee's Involvement in, and Knowledge of, the Iran-Contra Affair*

Part I is divided into four separate subdivisions:

The first deals with the nominee's knowledge of the "diversion," i.e. the use of proceeds from the sale of arms to Iran to support the Nicaraguan Resistance in 1986, and the actions he took when he learned of such a diversion.

The second deals with the nominee's knowledge of, and involvement in, the Iran arms sales operation prior to October 1, 1986.

The third section deals with the nominee's preparation of the initial testimony of Director Casey regarding the Iran arms sales on November 21, 1986.

The fourth section deals with the nominee's knowledge of the activities of the NSC staff in providing assistance to the Nicaraguan Resistance that may have been illegal.

Each of these sections summarizes what the Committee has learned based upon its review of the record of Iran-contra, its inquiry into the allegations of Alan D. Fiers, Jr., and the confirmation hearings themselves.

#### I. CHARLES ALLEN AND THE DIVERSION

##### *(a) Allen Briefing for Gates on 1 October 1986*

###### *(1) Allen-Cave Background*

Charles Allen, the National Intelligence Officer for Counterterrorism, became involved with the Iran initiative when LTC Oliver North asked him in September 1985 to task and monitor U.S. intelligence collection on the parties engaged in the negotiations and arms transfers. By mid-1986, Allen and a retired CIA operations officer on contract to the Agency, George Cave, had become the principal CIA personnel assigned to support the NSC staff operation under the Presidential Finding of 17 January. Allen and Cave maintained contacts with North, the intermediaries, and the Iranians. In addition to monitoring intelligence reports, Allen had personal meetings and telephone conversations with the intermediary Ghorbanifar and the Israeli officials, Aviram Nir, who played key roles in the operations. George Cave, who used Allen's office to work on the Iran initiative, kept in telephone contact with the Iranians whom he had met when he accompanied North and Robert McFarlane to Tehran in May 1986.

Ghorbanifar mentioned the diversion idea to Allen and Cave in the early part of 1986. Allen's notes record that Ghorbanifar told him money could be generated from the arms sales to support the contras and other activities. An undated memo, which Cave recalls writing in March 1986, reported a meeting where Ghorbanifar writing in March 1986, reported a meeting where Ghorbanifar "proposed that we use profits from these deals and others to fund [deleted] We could do the same with Nicaragua." (Allen IC Exhibit 40) Allen says he saw Cave's memo, but Allen and Cave testify that they had forgotten Ghorbanifar's remarks by the summer of 1986. (Allen IC Dep, p. 643) Gates says he did not learn of this memorandum or Ghorbanifar's proposal in his meetings with Allen or at any other time before 25 November 1986. (6/28/91 Response)

During the summer of 1986, Allen and Cave became concerned about financial aspects of the Iran initiative and about North's desire to shift from Ghorbanifar's negotiating channel to a new, untested channel into Iran offered by Richard Secord and Albert Hakim. Allen already knew in late June and early July, from highly compartmented intelligence reports, that the Iranians believed

they were being grossly overcharged. The Iranians in the first channel complained to Cave about the high prices they were asked to pay for the U.S. arms, which were listed in an Iranian copy of a DoD price list at much lower cost. North told Cave to defend the high prices as legitimate and later proposed manufacturing a false price list that would inflate the cost. Allen testified that when North made this proposal, Allen "knew something was amiss" and was "bothered . . . very deeply." (Allen IC Dep, p. 675) Allen also said he concluded "that the NSC was charging an exorbitant price for these weapons and spare parts." (Allen, 9/24/91, morning, p. )

By this point, Allen had concluded "the National Security Council staff had sort of lost its perspective on this initiative . . . it had lost its strategic direction. It was reacting in a very tactical way . . . trying to stay ahead of the looming avalanche." (Allen, 9/24/91, morning, p. 124)

In this same period, Allen received a "frantic" phone call from Ghorbanifar who complained about the exorbitant prices the NSC was charging. Allen says he learned for the first time in this call that Ghorbanifar was claiming to have been charged \$15 million dollars for arms which CIA obtained from DoD for no more than \$6.7 million. (Allen IC Dep, pp. 689-691)

In a recent response to Committee questions, Allen recalls his views on the veracity of Ghorbanifar's claims:

At the time I believed that Mr. Ghorbanifar was generally telling the truth about the cost of the Hawk missile spare parts. Even though he was not noted for his veracity, Mr. Ghorbanifar was being charged for the parts by American intermediaries; he was equally precise in providing data on the commission that he was charging the Iranian Government. The data he provided was generally consistent with intelligence information that I was seeing on the financial arrangements involving the shipment of Hawk spare parts. [The first channel], moreover, in the Iranian Prime Minister's Office had made it clear to Mr. Ghorbanifar that he had a reasonably good understanding of the cost of these spare parts. After years of buying weapon systems abroad, the Iranians knew how to procure arms and what to pay for them. Moreover, [the first channel] claimed that he had a microfiche containing the specific costs of the individual missile parts, a factor that I found rather convincing. (To prove his point, [the first channel] later sent the microfiche to Mr. Ghorbanifar, who in turn transmitted it to the U.S. parties involved; it was genuine.)

Mr. Nir, in telephone calls in August 1986, strongly reinforced Mr. Ghorbanifar's statements on the pricing. He stated that he could not understand why the costs were so extraordinarily high. Lt. Col. North's instructions to convey to Mr. Ghorbanifar and Mr. Nir stories that the costs were high because production lines had to be restarted, that spare parts had to be repurchased from countries which had acquired the Hawk air defense system, etc., seemed implausible; these obviously fabricated stories further raised suspicions in my mind that the pricing prob-

lem might rest with the U.S. parties involved rather than the Iranian middleman or Iranians in Tehran. (Allen response to SSCI questions, 7/8/91)

*(2) Allen-Kerr Meeting*

Allen recalls discussing his concern "about the third week in August" with Richard Kerr, then CIA Deputy Director for Intelligence (DDI):

I met with Mr. Kerr at my initiative about mid-August 1986 to brief him on the NSC-directed initiative, to express to him my alarm over the project's lack of operational security, and to inform him of my belief that profits obtained from the arms sales to Iran were being diverted to support Contra forces in Nicaragua. Mr. John Helgeron, the Associate Deputy Director of Intelligence, was the only other individual present: he attended at the invitation of Mr. Kerr.

I stressed to Mr. Kerr the project's lack of operational security and pointed out that no arrangements were being made to shut down effectively the first channel—the Ghorbanifar link to the Iranian Prime Minister's Office. I described in some detail the pricing impasse that intelligence showed had existed for over a month. The intelligence showed that the Iranians in Tehran believed they were being grossly overcharged by agents of the U.S. Government. I further described why I believed the NSC was mixing the Iranian project with White House initiatives in Central America. I cited a number of indicators of this, including the fact that Mr. Albert Hakim and Major General Second were totally managing the newly established second channel and that they were also key individuals in the so-called private efforts to support the Contras in Central America. After I had detailed my concerns, Mr. Kerr asked me to keep him closely informed on these developments. I ran into Mr. Kerr later in the day in CIA's Operations Center, and he again returned to our earlier conversation. He expressed the view that it was not a question of "whether the initiative would be leaked, but when."

I was not personally aware at the time of what Mr. Kerr had done with the information, if anything. After 25 November 1986, however, Mr. Kerr told me that he had raised the matter with Mr. Gates, including the possible diversion of funds. He added that Mr. Gates could not recall this conversation. (Allen response to SSCI questions, 7/3/91)

According to Kerr, Allen told him that the United States had overcharged Iran in the sale of HAWK parts and that the excess money had possibly been diverted to assist the Contras. Kerr could not recall why Allen believed that funds might have been diverted, but Kerr does recall telling Allen to monitor the situation and keep him apprised of further developments. Kerr says he recounted Allen's statement to Gates, who told Kerr that he also wanted to be kept informed about the matter. (Kerr IC Interview)

In response to Committee questions, Kerr provides the following additional statement about these conversations:

In late summer of 1986 Charles Allen came to me and said U.S. arms were being sold to Iran. He described this activity in general terms and indicated that there was reason to believe that these weapons were being sold at inflated prices. At the end of the discussion, Mr. Allen speculated that the extra money might be going to the Contras. He offered no evidence for this, merely giving it as personal speculation.

Although we had seen no evidence to support Allen's speculation that money from the Iran arms sales was being used to support the Contras, I thought the issue should be mentioned to the DDCI (Robert Gates). I subsequently went to the DDCI and mentioned Mr. Allen's speculation about the use of money from the arms sales to fund the Contras. I believe that my conversation with Mr. Gates was either the same day as my conversation with Mr. Allen or the following day. It is also useful to note that I regularly had conversations with the DDCI and that I believe other subjects were discussed with the DDCI at this same session. Also, this was not a formal appointment with a formal subject specified; I merely walked into his office and mentioned this to him together with some other items. I have no information on what Mr. Gates "did with this information." I believe I talked to Mr. Allen again regarding Ghorbanifar and the arms, but the subject of overcharging and the use of "extra" funds was not further discussed. (7/5/91 Statement)

At the confirmation hearings, Kerr explained that he had failed to assimilate many of the details Allen had given him, and that his conversation with Gates had involved only the salient points he had gotten out of the conversation:

I got a fairly big dump of information from Charlie that really did not have a lot of, that I could tie a lot to or put in any context. What I got out of that conversation was essentially . . . that there was evidence—indication—that the Iranians were being overcharged, and also speculation on the part of Charlie that it is possible that money gained from being overcharged was being diverted . . .

After talking with Charlie, I concluded that exactly those two points . . . were worth at least calling to Bob Gates' attention . . . I considered it speculative and to be rumors, but I nevertheless thought it was sufficiently important to make sure, at least, that he heard just that much . . . It could have been 60 seconds or two minutes in terms of that conversation. (Kerr, 9/24/91, pp. 50-52)

Kerr went on to confirm that he had told Gates that "Ollie was involved." Citing notes he had made on November 25, 1986, Kerr said they reflect that he "told him what Charlie Allen had conveyed to me, and asked him if he had heard about the Contra connection. He [Gates] indicated he had heard rumors, but knew noth-

ing about the rumors. Ollie's involvement probably would generate any number of rumors no matter where he was. Some connection, real or otherwise, would have been made to Contra support . . . He said keep him informed." (Kerr, 9/24/91, afternoon, p. 55) Notes of an interview with Mr. Kerr in December 1986 record his recollection that, when he gave Gates the information, Gates responded, "God only knows what Ollie is up to." (9/24/91, afternoon, p. 53)

Kerr said he did not interpret Gates' reference to "rumors" as a reference to the diversion per se. He is uncertain precisely what Gates was referring to, although he conceded it may have been a reference to donors, or money being raised for the Contras. Kerr said he never discussed the matter with Gates again because he "never got any more information on it." (Kerr, 9/24/91, afternoon, p. 60, 63-64, 103-104)

Kerr's account is corroborated in part by another CIA official, John L. Helgerson, who was Kerr's Deputy at the time:

I was present on one occasion in Mr. Kerr's office when Mr. Allen discussed Iran with Mr. Kerr. I cannot confirm the date of the meeting. I remember Mr. Allen saying that he had reason to suspect funds from Iran may have been diverted to the contras. My recollection is that Mr. Allen indicated that the NSC staff was somehow involved in the suspected diversion.

After Mr. Allen departed, I told Mr. Kerr something to the effect that this diversion, if in fact it was taking place, was the dumbest thing I had ever heard of. I said that we should be sure Mr. Casey was aware of this. Mr. Kerr agreed on both counts.

Several days after the meeting with Mr. Kerr and Mr. Allen, I asked Mr. Kerr if he had raised the subject of the possible diversion with Mr. Casey. Mr. Kerr said that he had not, but that he mentioned it to Mr. Gates. (7/5/91 Statement)

At his confirmation hearings, Gates stated that he had no recollection of Kerr's having discussed Allen's speculation with him prior to October 1, 1986:

I think that in fact Mr. Allen has testified that when he briefed me on the first of October that I seemed to be surprised and even startled by the information that had been brought to me . . . I think it is important in placing this in context [to consider] the kind of relationship that Mr. Kerr and I had had at that time. He had served as my deputy when I was DDI, Deputy Director for Intelligence . . . Mr. Kerr and I talked many times virtually every day. We would have had conversations, we would have many informal conversations. And I believe Mr. Kerr has testified that on this occasion when he talked to me, that he had briefed me on several items, and that he did not dwell on this item in particular. He briefly went over it. He indicated, I gather from his testimony, that he did so very quickly. And he did indicate that I told him to keep me informed, and he also acknowledges that he never came back

to me. So, as I say, I have no recollection of that conversation, and frankly, given the circumstances in which he describes that it took place, that does not surprise me.

I have never denied that Mr. Kerr may well have broached this subject with me. I have simply said that I had no recollection of it myself. I would regard Mr. Helgeron's recollection as adding weight to the fact that Mr. Kerr did, in fact, come to me. (Gates, 9/16/91, afternoon, pp. 16-17)

Asked about Mr. Kerr's recollection that he had replied that he had heard "rumors" of a possible diversion, Gates said:

The only context that I can add, Mr. Chairman, is that I have testified several times that throughout the preceding year or so, we had heard rumors about funding—where the contras were getting their funding. We had heard rumors about contributions or donations from foreign countries, from private benefactors or so on . . . (Gates, 9/16/91, afternoon, p. 18)

According to the daily calendars of Gates' meetings in this period, Allen met with Gates on August 28 and September 5. Allen could not recall, however, having discussed his concerns about the diversion with Gates at either of these meetings. (Allen, 9/24/91, morning, p. 38)

Finally, there is some uncertainty as to whether Allen brought his concerns to Mr. Kerr as early as May 1986. This issue was explored with at the confirmation hearings with Mr. Kerr, who recalled the possibility of the earlier date:

Senator BOREN. . . . Now, since your deposition last week, the committee has obtained a note or notes of two interviews in December 1986 that raise some questions concerning the time of Mr. Allen's report to you. . . . The notes of the first December 1986 interview with you say, 'Charlie told me on 12 or 13 May that he suspected some of the money from the sales was going to the Contras.'

The notes of a follow-up interview with you on the 7th December of 1986 . . . reflect that you were asked by the interviewer if you could narrow the time between May and late summer when you were informed.

You say that you were confident that the visit was before September and most likely was in the June to July period. It may have been as early as May or as late as August. And the note says, referring to you: "he is convinced that in his own mind that it was closer to the beginning of the time span than the end."

The other interview done during the same period suggests the possibility that the diversion issue might have been raised in conjunction with the briefings Mr. Allen gave in preparation for the May 25, 1986, trip by Bud McFarlane to Tehran.

Of course, we know that Mr. Allen was reading certain highly compartmented intelligence reports that as early as March, and certainly by June, indicated that the Iranians

had been seriously overcharged for the weapons they were buying. . . .

Were there two separate meetings with Charlie Allen on the subject diversion, or was there only one meeting with Charlie Allen on this subject?

Mr. KERR. There was only one meeting. And if I can, let me tell you about the timing.

I was . . . very uncertain about the timing, and I still . . . cannot pin it down to a precise time . . . I've looked back at my own notes and my records, and . . . the only timing that I can get—give you is that it was sometime between—I thought between that period of the end of May and early September. I really don't have much more precision except to look at my notes and find that Charlie Allen did come to see me several times during August. (9/24/91, afternoon, pp. 44-46)

### *(3) Allen-North Meeting*

On 9 September 1986 Allen met with North to discuss the financial problems of Ghorbanifar and his creditors. In a memo on the meeting to Director Casey dated 10 September, Allen reported that Admiral Poindexter had given North the go-ahead for the second channel. Allen's memo stated:

Ghorbanifar will be cut out as the intermediary in future shipments of cargo to Iran, if at all possible. To cut Ghorbanifar out, Ollie will have to raise a minimum of \$4 million. (Allen IC Exhibit 68)

According to Allen's testimony, this memo went to Gates. Allen also recalls that, when he asked North where he would get the money, North said "maybe we will have to take it out of the reserve." Allen states that when North "said 'reserve' little wheels clicked in my mind, that all my fears were probably true." In addition to the memo, Allen said he talked to Director Casey on secure telephone about his meeting with North, but he recalls discussing only the move to the second channel and not his "own private musings." (Allen IC Dep, pp. 802-803)

Gates says he has no recollection of receiving or reading Allen's memorandum at the time. (6/28/91 Response)

### *(4) Other Pre-October Documents*

Documents suggest that Gates may have been aware of some aspects of development in the Iran operation during this period. A North notebook entry for 8 September 1986 reflects a call at 1500 from "Charlie" with the following references: "Casey to call JWP," "Gates supportive," "[Initial to the first channel] calls to Geo—4 times Sat, 2 times today." ("Charlie" may be Allen, "Geo" may be Cave.) Another North notebook entry for 30 September 1986 refers to a "1300 mtg w/Mike L." followed by "Call Charlie Re letter to Gates." The testimonial record contains no explanation for these entries. Gates says he does not know their meaning. (6/28/91 Response)

After becoming Deputy DCI in April 1986, Gates was also an authorized recipient of the intelligence on the Iran initiative that

Allen had tasked and monitored since September 1985. Allen says that, when he met with Gates on 1 October, Gates appeared already to have "some general awareness" that there was "a pricing impasse." (Allen IC Dep, p. 823) Gates recalls:

My understanding of the meaning of this reporting was based on Mr. Allen's description of the intelligence that he received. I therefore relied on Mr. Allen, as an analyst, to describe and synthesize the raw data. While I received a number of sensitive intelligence reports on the Iran affair, they came irregularly over a period of months, and I did not keep them to review or examine in a body. I scanned them very quickly and often did not look at them at all. The individual reports were often confusing and, as Allen has testified, 'unless you understand the codes you couldn't understand what was occurring.' In sum, what I knew and understood of the reporting was due solely to Allen's description. (6/28/91 Response)

*(5) Allen-Gates Meeting*

Allen testified at the confirmation hearings that by the first of October there had been a "continuing accumulation of indications that this initiative was really badly off the tracks . . . we had reached a 'break point' and I felt it was now the time to issue a warning. (Allen, 9/24/91, morning, pp. 38-39)

Allen testified that he was concerned at the time that the diversion, if it became public, "would have angered the Iranians, and that was my deep concern that the Iranians would take retribution and execute one of the hostages." (Allen, 9/24/91, morning, p. 115). (This concern was not, however, according to the testimony, conveyed to Gates at the October 1st meeting, nor is it reflected in later memoranda.)

Allen met with Gates and, according to their testimony, discussed the problems with the switch to the second channel, the financial difficulties with private investors who wanted their money, the risk that the investors might go public, the involvement of Secord and Hakim in both the Iran initiative and Nicaraguan contra support activities, and the possibility of diversion of Iran arms sale profits to the contras. (Allen IC Dep, pp. 822-824; Gates IC Dep, pp. 969-974)

Allen's account of the 1 October meeting with Gates is as follows:

I recall discussing the Iranian initiative with Mr. Gates on 1 October 1986 and expressing deep concern over this White House-directed effort. I had been deeply troubled since mid-August 1986 over a number of aspects of the initiative and conveyed these concerns in some detail to Mr. Gates during the 1 October meeting. Specifically, I recall in the context of that meeting:

a. Describing the impasse over the pricing and [the first channel's] refusal to pay to Mr. Ghorbanifar the price asked for the Hawk spare parts because the price asked for the Hawk spare parts was "five or six times" the actual cost of the parts.

b. Noting the desperate financial straits of Manucher Ghorbanifar and his 'frantic' call to me in August 1986 in which he provided details on specific costs of certain hawk missile spare parts, and in which he claimed that his markup on the price of the spare parts averaged only about 40 percent.

c. Mentioning Lt. Col. North's reference to 'the reserve' in his conversation with me on 9 September 1986 in which he stated that Vice Admiral Poindexter had formally approved the second channel and that the Ghorbanifar channel would be shut down.

d. Informing Mr. Gates of Mr. Aviram Nir's statements in support of Mr. Ghorbanifar assertions that the latter as the middleman in the transaction was substantially overcharged.

e. Detailing Mr. Nir's fears that the operational security of the initiative was rapidly eroding and that immediate action was needed to shore up its security.

These facts among others were repeated in a meeting with Mr. Casey on 7 October 1986 in which Mr. Gates was present. I do not recall informing Mr. Gates specifically about Lt. Col. North's admonitions to me and to Mr. Cave to defend the pricing of the arms or North's proposal to manufacture a false price list. Further, I do not recall speaking to Mr. Gates directly on these specific issues between 7 October 1986 and 25 November 1986, although we talked in general terms about the problems of the initiative on 15 October 1986 following Mr. Casey's and Mr. Gates' meeting with Vice Admiral Poindexter at the White House. In the meeting with Mr. Casey on 7 October 1986, I recounted why I had come to believe that proceeds from the Iranian arms sales had been diverted to the Contras. (Allen response to SSCI questions, 7/3/91)

Allen was asked about disparities between his initial statements about what he told Gates on October 1 regarding the diversion and his more detailed later testimony about that meeting. Allen explained that, when first questioned, he "had not had time to reflect and think clearly about my meetings with Mr. Gates or even with Mr. Kerr." Allen added, "Later when I was able to think more reflectively, it was clear that I had ticked off to Mr. Gates three or four indicators of why I believed I had reached this analytic judgment." (9/24/91, morning, p. 54)

Gates does not recall these details being passed on by Allen, to include being informed of Ghorbanifar's "frantic" call to Allen and North's reference to the need to raise \$4 million for Ghorbanifar from the "reserve." (6/28/91 Response). At the confirmation hearings, Gates testified that he did not remember Allen talking about a reserve, "but assuming he did say it, mention of the word reserve would have suggested to me that North was somehow suggesting that the CIA reserve be used, and I just considered that sort of outlandish talk, and dismissed it—or would have dismissed it. The idea that there was some other kind of account would not have occurred to me at all." (9/17/91, morning, p. 39)

Gates testifies that he "was startled" by what Allen told him and that he "was disturbed by the threat to the security of the operation, as well as the speculation;" but Gates also says "there was relatively little sense of urgency about it." (Gates Prelim Inq, p. 106; 1987 DCI Hrg, p. 47) In his 1987 DCI confirmation testimony about the 1 October meeting, Gates stresses the "flimsiness" of the basis for Allen's speculation about the diversion. Gates summarizes what he was told by Allen as follows: "Again, we had on the one hand reports of cheating and overcharging that we had been seeing for months, and that are not abnormal in the international arms market, and on the other hand he simply called attention to the circumstantial fact that some of the same people were involved in the Iran affair and the contra thing." (1987 DCI Hrg, p. 88)

At the 1991 confirmation hearings, Allen also "distinctly recalls" Gates saying to him "that in the past he had admired Colonel North because of his work in crisis management and things of this nature, but that this was going too far, and asked that I see the Director." Allen stated "he [Gates] said this with deep concern that Colonel North, whatever qualities he may have had in the past in performing services to the United States, that this was a very questionable activity at best." Allen went on to say Gates had reiterated this statement at the later October 7th meeting with Director Casey (see below). (Allen, 9/24/91, morning, pp. 57-58)

Reminded of Allen's recollections in the Committee interrogatories, Gates says he has "no recollection" of making these statements. (6/28/91 Response)

To the contrary, Gates testified to the Tower Board that Allen gave him no indication that the NSC or anybody "from the U.S. Government" was involved. (Gates Tower Tr.) His written response to questions for the 1987 DCI confirmation hearing states that Allen "had no evidence of any diversion of funds or that CIA, NSC, the White House or the U.S. Government might be involved." (1987 DCI Hrg, p. 13) According to Gates, his concern based on what Allen told him was primarily for the security of the operation. Gates says that Allen "acknowledged" he had "no indication that there was any involvement by . . . U.S. Government persons." (Gates IC Dep, p. 969) Gates also states that Allen "didn't have any indication of any U.S. Government role or anything. I think it was just the mere fact of Secord's presence in both of these activities that, I think is just the best way to put it, raised his concern." (Gates IC Dep, p. 973) In his testimony about a luncheon meeting on 9 October with North and Director Casey, Gates states that he did not ask North about the diversion at this lunch "because there was no suspicion at that point even by Allen that he or anybody else at the NSC was in any way associated with that speculation" about a possible diversion. (Gates IC Dep, p. 995)

Gates says he realized "that the arrangements that the NSC might have might be not improper, necessarily, but not very smart in terms of appearances, and that maybe that ought to be brought to the attention of the Director and ultimately to the NSC itself." (1987 DCI Hrg, p. 75)

According to Allen's testimony at the confirmation hearings, "whether he remembers all of the particulars or not . . . Mr. Gates captured the central message that I had brought to him [on Octo-

ber 1], that there was possibly a diversion occurring and this was a matter of serious concern." (Allen, 9/24/91, morning, p. 54)

Allen also testified that, in his opinion, Gates seemed to be hearing about the diversion for the first time:

[It was] the surprise on his face. The way he reacted. Sort of stunned by the fact that the White House would commingle two separate activities in such a way . . . I have known Mr. Gates for 25 years. Mr. Gates is no actor. Mr. Gates was telling the truth. I think that's the first time he had heard of this matter of a possible diversion. (Allen, 9/24/91, morning, p. 129)

*(6) Subsequent NSC Contacts*

One document disclosed in the Iran-Contra investigations suggests the possibility that North was alerted on 1 October that allegations about a diversion were being made. A North notebook entry for 1 October 1986 refers to a "1230 Call from Clarridge" with a subsequent apparent reference "Gorba: Divert onto other enterprise." There is no evidence in the record of any connection between this entry and Allen's meeting with Gates on 1 October where Allen discussed a possible diversion. Gates says he does not know the meaning of North's diary entry. (6/28/91 Response) Neither Gates nor Allen recalls discussing this matter on 1 October with Dewey Clarridge, who had close ties to North and Director Casey. According to his calendar, Gates' met with Allen at 5:00 p.m. on 1 October, several hours after the Clarridge call to North. Clarridge and North have not testified about this call.

One possible explanation, suggested by Allen, is that North and Clarridge may have discussed diverting Ghorbanifar from the Iran initiative to another operation so as to resolve his financial problems:

In regard to the cryptic reference in Lt. Col. North's notebook entry of 1 October, I believe this was a reference to get Mr. Ghorbanifar engaged in other activities apart from the NSC-sponsored initiative. Mr. Clarridge, Mr. Cave, and I had repeatedly pointed out to Lt. Col. North that Mr. Ghorbanifar was embittered as a consequence of being shoved aside when the second channel was established. I believe this was finally recognized by Lt. Col. North, and I heard him and others, such as Mr. Twetten, indicate that the plan was to get Mr. Ghorbanifar into supporting the U.S. in its counterterrorist activities. It was believed that this might placate Mr. Ghorbanifar and preclude him from exposing the operation. At the time, there was optimism at the White House that the second channel would result in a speedy resolution of the hostage crisis. (Allen response to SSCI questions, 7/3/91)

Another document that remains unexplained is a CIA Memorandum for the Record dated 3 October 1986 and initialed by Gates reflecting that he met with Admiral Poindexter on Thursday, 2 October 1986. It states: "There was discussion of a special Iranian project. Have Tom Twetten and Charlie Allen call me." In his

letter to the Committee of 2 March 1987, Gates states that he has "no recollection of the specifics of this discussion, but I do not believe I raised the concerns Allen expressed to me the previous day because the DCI had not yet been briefed by Allen as I had directed him to do." The record does not indicate why Gates wanted Twetten (then George Cave's superior as Chief/Near East Division) and Allen to call him or what he subsequently conveyed to them. Nor does the record indicate whether on this occasion Gates discussed with Twetten any of the matters that Allen raised with Gates on 1 October. Gates indicates that his request to Twetten and Allen to call him "may have been related to LTC North's trip to Frankfurt, which was made in connection with the Iranian initiative." Gates and Twetten do not recall any discussion between them at this time of the matters Allen discussed with Gates on 1 October. (Gates 6/28/91 Response, Twetten 7/5/91 Response) Allen is also unable to recollect these events.

*(b) 7 October Meetings*

Gates and Allen met with Director Casey on 7 October to discuss Allen's concerns. Allen recalls that the purpose of the meeting was to inform Casey "of the operational security aspects of this initiative and the fact that this program was spinning out of control and to tell him of the potential—just sheer speculation at that point; we had no evidence—that money might have been diverted to the contras in Central America." (Allen IC Dep, p. 827)

In his recent statement, Allen says he also explained to Director Casey and Mr. Gates the discrepancy between what the HAWK spare parts cost the U.S. Government and what Mr. Ghorbanifar was charged:

I also described to Mr. Casey the pricing impasse, the discrepancy between what the Iranians and Mr. Ghorbanifar thought was a reasonable price and what U.S. intermediaries evidently were charging for the parts. I told Mr. Casey that this was one of several factors that had lead me to conclude that profits obtained from the arms sales were going to the Contras, although I lacked direct proof. At this meeting, Mr. Gates shared my concern about a possible diversion and indicated that the issue needed to be pursued. I then agreed—at Mr. Casey's request—to put my concerns in writing. . . . I recall mentioning orally to both Mr. Casey and Mr. Gates the comment of Lt. Col. North that he might have to use 'the reserve' in order to placate Mr. Ghorbanifar. I believe I mentioned Lt. Col. North's statement at both the 1 October and 7 October meetings. (Allen response to SSCI questions, 7/8/91)

Gates says Allen described the same concerns at the meeting with Casey that he had described to Gates on 1 October. Gates does not recall Casey inquiring about the basis for Allen's suspicions of a diversion to the contras. Allen recalls, "I didn't belabor the point, but I said that I believed that there had been perhaps overcharging of the Iranians in order to secure money to support the contras in Central America." (Allen IC Dep, p. 830)

According to Gates, Casey "was as startled as I was, and directed Mr. Allen to put down all of these views in writing, and Mr. Allen agreed to do that." (Gates Prelim Inq, p. 106) Allen confirms that Casey "seemed very surprised" and recalls "Mr. Gates chiming in behind me, saying yes, that Charlie had raised this issue with him and that this was an issue of real concern if there was any truth in it." (Allen IC Dep, p. 591)

As with the 1 October meeting, the accounts by Gates and Allen of their 7 October meeting with Casey differ as to discussion of the specific events in August and September that contributed to Allen's suspicion of a possible diversion. As noted above, Allen recalls specifically discussing North's reference to "the reserve." Allen also recalls that Gates commented to Casey on "the seriousness of the issue" and that Gates again "talked about his admiration for Colonel North as a man that gets things done, but that this was going too far, if this was true." Allen goes on to say that he "didn't have any evidence of this fact." (Allen IC Dep, p. 830) Gates has testified he recalls no reference to the statements about North. (6/28/91 Response)

Both Gates and Allen recall Casey telling them at this meeting that he had talked earlier that day with Roy Furmark, a New York businessman whom Casey had known for some years. Casey's daily calendar for October 7 reflects a meeting with Roy Furmark at 3:10 p.m. and a meeting with Allen at 5:30 p.m. which was apparently attended by Gates. (Even though Gates' presence is not listed on his or Casey's calendar, no conflicting meeting appears on Gates' calendar.) Furmark represented Adnan Kashoggi and other investors who had loaned money to Ghorbanifar to assist the Iran arms transactions. (CIA could not provide arms from DoD stocks without advance payment, and the Iranians refused to pay before delivery, so the middleman needed money to pay CIA as a "bridge" until the Iranians paid the middleman). Gates recalls Casey telling them that Furmark "raised with the Director the unhappiness of some of the financiers and the possibility that the entire arrangement with the Iranians might be exposed by one of the participants." (Gates Prelim Inq, p. 114)

When Gates first testified about this meeting, he was unsure whether or not Casey had said Furmark mentioned the diversion. Gates had the impression that Furmark "may have mentioned that there was the possibility that some of the money may have gone to the contras." (Gates Prelim Inq, p. 109) In subsequent testimony, however, Gates states that Furmark "made no mention of any diversion" when he talked to Casey on 7 October. (1987 DCI Hrg, p. 38) Allen also says Casey did not indicate at their meeting that he had heard from Furmark about a possible diversion. (Allen IC Dep, p. 83) Allen testifies that Casey told Gates and Allen at their 7 October meeting that he had talked to Poindexter after talking to Furmark and had told Poindexter the financial concern of the creditors "was a very serious issue." (Allen IC Dep, p. 830-831)

Allen's recent statement also says he was directed to obtain more facts: "Mr. Gates on 1 October asked that I brief the Director immediately; he also directed that I try to obtain more facts. Mr. Casey on 7 October asked that I continue to pursue the matter and keep them informed." (Allen response, 7/8/91, p. 5)

*(c) 9 October Gates/Casey Lunch with North**(1) Gates' Account*

Gates says he had lunch in Casey's office with Casey and North on 9 October. According to Gates, the lunch was set up between Casey and North, and Gates had the impression its purpose was for Casey to hear North report on recent meetings with the Iranians. Gates recalls inviting himself to the lunch partly because Eugene Hasenfus, whose plane had been shot down several days earlier, had announced in Managua that he was working with the CIA. (See Section IV for background on the Hasenfus flight in the context of the issue of Gates' knowledge of North's involvement with contra support activities.) Gates says that he anticipated meeting the Chairmen and Vice Chairmen of the Intelligence Committees and that "because of the impression that Colonel North at least was a contact or a go-between between the private benefactors and the contras I wanted the opportunity to ask him directly if he knew of any involvement, direct or indirect, by CIA individuals or proprietaries." (IC Dep p. 984) Gates recalls North saying that "CIA is completely clean." (1987 DCI Hrg, p. 39) In a memorandum for the record after the lunch Gates recorded North's assurance. (Gates IC Exhibit 2)

Regarding the Iran initiative, Gates says that North reported on recent meetings with the Iranians in the second channel and that "Casey described the unhappy investors and the operational security problems raised by Mr. Allen." Gates recalls "considerable discussion about the change of Iranian channels and the unhappiness of private investors associated with the first channel." (1987 DCI Hrg. p. 39) Gates does not recall any particular reaction by North and says "Casey did most of the talking on that question." Gates testifies that Allen's concern that money from the arms sales was being diverted to other programs was not raised at the meeting. (Gates IC Dep, p. 987)

Gates also recalls North making "a vague reference that I have not been able to reconstruct of something to do with Swiss bank accounts and the contras." Gates says that immediately after lunch he went back into Casey's office and asked him about this reference. According to Gates, it appeared "that Casey hadn't even picked up on what he had said." Gates says he made no connection between North's remark and Allen's concern about a diversion of Iran arms sale profits to the contras. (Gates IC Dep, p. 993-994)

In his 4 December 1986 testimony to the SSCI preliminary inquiry, Gates says North made his cryptic reference to a Swiss account and money for the contras after "a discussion of Ghorbanifar's financial disarray and the problems he was having." (Gates Prelim Inq, p. 106) In subsequent testimony, however, Gates says North's reference to a Swiss account was not linked to the discussion of the Iran initiative, but "was in the context in which I was asking whether CIA was completely clean, and that had to do with a discussion stemming from the downing of the plane that Mr. Hasenfus was on." (1987 DCI Hrg. p. 76)

Gates offers several explanations for his failure to ask North about the reference to Swiss bank accounts or about a possible di-

version. In his written response to questions for his 1987 DCI confirmation hearings, Gates states:

Now, a word of explanation is in order as to why I did not pursue Lt. Col. North's passing and cryptic remark at the end of lunch. First, I did not really understand what he was talking about. Second, I did not want to pursue the question of private funding for the Contras, not because I suspected a problem, but because of our overall concern not to cross the legal limits on us vis-a-vis the Contras and their private benefactors. During the period in question, CIA was authorized to provide very limited support to the Nicaraguan resistance. We knew, obviously, that private groups were providing support to the resistance and CIA probably could have learned about these activities and who was involved. However, we did not want to get as close to the private benefactors as would have been required to collect such information because we did not want to do anything that could be misinterpreted as a CIA violation of the statutory prohibitions. It was out of caution to avoid crossing the bounds of the permissible that CIA officers at all levels were urged to avoid involvement with matters concerning the private efforts to support the Contras. (1987 DCI Hrg, p. 14)

At his deposition for the Iran-Contra Committees, when questioned why he did not ask North whether money was being diverted from the arms sales to the contras, Gates responded as follows:

Well, again I think it has to be seen in the context of October 9 and not the end of July 1987. The principal concern that Allen had surfaced was one of operational security. There was no reference in any of his discussions or in his paper to anybody in the United States Government being involved. There was no reason to ask North, because there was no suspicion at that point even by Allen that he or anybody else was in any way associated with that speculation.

The question really was focused more on, in the initial conversation on the possibility of perhaps General Secord being involved in something inappropriate. So there was really no reason to ask North, because there was no suspicion at that point even by Allen that he or anybody else at the NSC was in any way associated with that speculation. (Gates IC Dep, p. 995)

When asked about his awareness of North's operational directions to CIA personnel in the conduct of the Iran initiative, Gates says he knew that North "was directly involved with our people and was conveying instructions" and he assumed that North was "acting on instructions from his superiors." (Prelim Inq, p. 121) As noted earlier, Gates says he had no knowledge of North's statements to Allen which aroused Allen's suspicions about the diversion.

In his confirmation testimony, Gates cited the lunch with Casey and North as one of three instances where he would have done

things differently if he had the opportunity again. Gates said that when he discussed North's comment about a Swiss bank account with Director Casey, he "would have pressed him [Casey] harder and said, well, now, no, let's think about this. Maybe there's a real problem here." (9/16/91, afternoon, p. 11)

*(2) North Account of the Lunch*

In testimony at his criminal trial, North states that he began destroying documents "as early as the point in October where Director Casey appraised me of the fact that [Furmark] had approached him with information that the Iranian connection to the Nicaraguan resistance might well be revealed." North testified further:

NORTH. . . . When I got back Director Casey, if I remember correctly, called me out to lunch at the CIA and at that luncheon we discussed the Hasenfus aircraft shoot-down and after—as I remember, afterwards he told me that—Mr. Furmark, was the man's name, who was describing these, he's an old friend of Director Casey, had told Director Casey that he or his friend knew that there was a connection between the Iranian initiative and aid to the Nicaraguan Resistance and my recollection is that he told me at that point to start cleaning things up, to get rid of things that weren't necessary because he and I both realized that the revelation which eventually occurred in November would mean all of these operations would become in doubt.

Q. Did anybody besides the late Director Casey and you attend that lunch?

NORTH. My recollection is that Mr. Gates was there for at least part of it. I don't recall whether he actually sat there for lunch or not but I do recall Mr. Gates being at least in and out . . .

Q. Do you recall Deputy Director of the CIA Gates being present when Mr. Casey told you to clean up the operation?

NORTH. I don't recall whether he was there or not. I truly don't. I just—I know that he was there for at least part of, maybe all of, the lunch and and may well have come and gone. I don't—I really don't recall that . . .

Q. . . . What did Director Casey tell you he meant by "clean things up"?

NORTH. Well, he specifically told me to get the airplanes out of the countries where they were prepositioned in Central America that we had been using for the resupply effort for those many months and got the pilots out, get all of that cleaned up specifically because I believe this is right on the next day or two after the shutdown of the resupply aircraft.

Q. . . . Did he say anything else that you should do in order to clean up this operation?

NORTH. . . . There were a lot of things we talked about but the two things that stick in my mind were the business about the aircraft and the operation which we had

been running in Central America and the business about Mr. Furmark having told him that there was a connection between the Iranian operation and the aid to the resistance that was about to be revealed.

Q. Was Mr. Gates present when Mr. Casey told you about Mr. Furmark's conversation with him?

NORTH. I do not recall whether he was there or not.

Q. [Referring to an earlier statement by the witness] . . . When you say Director Casey was of course aware of that, you mean the use of Iranian arms sales money for the contras?

NORTH. Yes, sir.

Q. Is that something you had told him?

NORTH. . . . It would have been back in probably January or very early February of 1986 before the first transaction of that kind actually occurred.

Q. Had you told that same thing to Deputy Director of the Central Intelligence Agency Gates, that Iranian arms sales money was being used for the contras?

NORTH. I do not specifically recall telling Mr. Gates that at any point, at any time in the whole process up through the end of the operation.

Q. Did Gates—was Gates—Deputy Director Gates present when Director Casey said that his friend Furmark had said something about a connection between the Iranian operation and the contras?

NORTH. I truly don't recall whether he was there for that . . . I don't remember. (transcript, testimony of Oliver L. North, April 12, 1989, Docket No. CR 88-80, United States District Court for the District of Columbia, pp. 7553-7556.

In Gates' Iran-Contra deposition, when asked whether there was any reference at the 9 October lunch to destroying documents, Gates replies, "Absolutely not. I think the most that Casey probably said in that session was something to the effect, on the unhappy investors and so on, was probably something to the effect of you ought to get this straightened out or something like that. There was no indication, I mean nothing that I recall, that you could read between the lines, as I've thought back, in terms of destroying documents or anything like that." (Gates IC Dep, p. 988)

In response to Committee interrogatories, Gates disputes much of North's account:

I would like to point out that LTC North's trial testimony as reported here regarding the substance of Mr. Casey's October 7 telephone (sic) discussion with Mr. Furmark is fundamentally different from what Mr. Casey told me and stated in his memorandum for the record about this conversation. Mr. Casey did not tell me that Mr. Furmark 'knew that there was a connection between the Iranian initiative and aid to the Nicaraguan resistance.' In fact, Mr. Casey did not mention anything about a diversion when he told me about his conversation with Mr. Furmark. Mr. Casey's memorandum regarding his meeting

with Mr. Furmark makes no mention of a diversion of funds. Further, to the best of my recollection, LTC North never told me that the Iranian arms sales money was being used for the Contras.

Gates also denies that Casey said, "in my presence, anything about getting airplanes out of countries where they were prepositioned in Central America." Gates observes, "I left Mr. Casey's office before LTC North, and do not know what may have been discussed after my departure." (6/28/91 Response)

*(d) 14 October Allen Memo*

Allen completed his memorandum on the problems with the Iran initiative on 14 October. Among other things, the memo says Ghorbanifar was asserting that he had "a 10-11 million shortfall that he cannot meet" and the creditors were "becoming angry" and demanding "additional interest because the principal is overdue." Allen's memo describes Ghorbanifar's financial situation as "murky" and stresses the security risk to the operation "[r]egardless of who is cheating whom". The key section of Allen's 14 October memo states:

Ghorbanifar is depressed and claims his financial situation has been damaged. On several occasions, he has said he would not sit idly by and permit himself to be made the "fall guy" in this matter. He claims to have given written accounts of all that has transpired to several persons in America and Europe. He has directed these individuals to make this material available to the press in the event that "something bad" befalls him. We believe this account would include statements to the effect that:

the Government of the United States sold military materiel to the Government of Iran in order to gain the release of American hostages in Lebanon;

a high-ranking U.S. delegation met in Tehran with representatives of the Iranian government in order to discuss the future relations between the two countries, with various cooperative ventures discussed;

the U.S. Government made several promises to him (Ghorbanifar) that it failed to keep; and

the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was re-distributed to other projects of the U.S. and of Israel.

There is also likely to be material alleging poor judgment and shabby conduct by individuals of the U.S. and Israeli government. (Allen memorandum, 10/14/86)

Allen's memo did not specifically state his speculation that profits were being diverted to the Nicaraguan contras, as he had stated to Gates on October 1 and to Casey and Gates on October 7. Allen's recent statement provides the following explanation for the way he wrote the 14 October memo:

I concur that the memorandum that I prepared on 14 October 1986 was oblique in referring to possible illegal-

ities involving U.S. parties involved in the Iranian initiative. I did this deliberately. Even though I told Mr. Gates on 1 October and 7 October 1986 I believed that profits accrued as a consequence of the arms sales to the Iranian Government had been diverted to support Contra forces in Central America, I was hesitant to allege in writing that White House officials directing the project, including the National Security Advisor, were engaged in highly questionable, if not illegal activities. I had reached an analytic judgment—based on a number of indicators—that a diversion was occurring but I lacked hard, documentary evidence. To put this in writing at this juncture did not seem prudent.

I was particularly concerned with what Mr. Casey might do with the memorandum, once it was written. Therefore, I put my concerns over possible 'illegalities' in the context that Ghorbanifar might allege that funds had been diverted from the Iranian arms sales to support other projects of Israel and the United States. Mr. Casey, in fact, did what I thought he might do. He along with Mr. Gates took the memorandum to Vice Admiral Poindexter, went over it with him in detail, and left it with him. He also told Admiral Poindexter that "Charlie Allen had prepared it." Retrospectively, I believe the approach I took at the time was the appropriate one, given evidence available to me. I had conveyed my concerns orally to both the DCI and DDCI and had raised major concerns about the entire project in writing. The memorandum, moreover, had been shown to other senior officials, included Mr. Cave, Mr. Clarridge, and Mr. Twetten. To have made allegations of possible illegalities in a formal memorandum—with the evidence at hand—on an initiative that involved the President caused me real concern. At the time, I firmly believed that I had provided the necessary warning to the most senior officials in the Agency. (Allen response to SSCI questions, 7/3/91)

Allen gave similar testimony at the confirmation hearings, saying that in writing the memorandum, he was getting "close to the bone at the White House," and feared that the operation might have involved the President himself. (Allen, 9/24/91, morning, pp. 42, 51) Allen testified, however, that he never expressed this fear to Casey or Gates. (Allen, 9/24/91, morning, p. 113)

Gates does not recall the details that Allen says were the basis for his October 14 memorandum. Gates recalls that Allen was "surmising what Ghorbanifar might be able to testify to." (Gates Prelim Inq, p. 115) Gates also states, "[m]y impression was that it was primarily from Allen's reading of the intelligence and him seeking the involvement, putting together through intelligence the involvement of Secord in the Iranian venture, and knowing that Secord probably also was involved in the Contra activity, that it was putting of these two things together analytically and reading between the lines in intelligence. That was my impression of what prompted Allen to write the memo." (Gates Prelim Inq, p.128)

Gates also observed that Allen's language in the October 14 memorandum "was an even more tentative and vague formulation about a possible diversion than when he originally briefed me, with no mention of the Contras this time." (1987 DCI Hrg, p. 40) Gates says he "interpreted" Allen's different formulation as meaning that Allen "became less certain about what was going on or about his speculation here and therefore couched it in more general terms." Gates concedes, however, that he "did not ask" Allen to explain further. (Gates IC Dep, p. 978)

In his recent statement, Allen also testified that Gates had never raised this point with him:

Mr. Gates, to the best of my recollection, never raised with me the less direct statement about the diversion that was contained in my memorandum of 14 October or asked if I had become less confident about my judgment on the diversion. (Allen response to SSCI questions, 7/3/91)

*(e) 15 October Poindexter Meeting*

*(1) Gates' Account*

Gates testifies that upon receipt of Allen's memo he "urged the Director to get the memorandum to Admiral Poindexter as quickly as possible." (1987 DCI Hrg, p. 40) Gates recalls that he and Casey "tried to get an appointment the same day we got the memorandum, on the 14th, but were unable to do so, and met the next afternoon in Casey's office" in the Old Executive Office Building. Gates describes the meeting as follows:

Poindexter sat down. Casey gave him this memorandum and urged him to read it in our presence, and he did so. . . . [H]e was basically, as I recall, impassive in his reaction. There was discussion about the operational security problem. As I recall, that was an occasion, one of the first occasions, when Casey started talking about making the entire affair public, and I think he also at that point recommended to Poindexter that he have the White House counsel review the matter, review what the NSC was involved in, to ensure that everything was legal. I don't know if he said "legal," but to ensure that everything was proper. (Gates IC Dep, pp. 978-979)

Gates recalls that both Casey and Poindexter "dismissed fairly quickly" Allen's recommendation to appoint "a panel of wise men" to review the Iran operation, and that Poindexter's reaction to Casey's suggestion about making things public was that "it was premature, that there was still an opportunity to get some additional hostages." (Gates IC Dep, p. 980) According to Gates, there was no discussion of how to reduce the risks of exposure or how to resolve the financial problems of the complaining investors. (Gates Prelim Inq, p. 122) Rather, speaking of Casey and himself, Gates recalls them "telling Poindexter that it looked to us like it was very necessary for them to pull their story together and make it public because it didn't look to us like the operational security could be preserved very much longer." (Gates Prelim Inq, p. 128)

Gates says he does not think Poindexter reacted at this meeting to Casey's advice that the White House counsel review the initiative. Gates does not specifically recall any discussion at the meeting about the reference in the memo to a possible diversion, but says Casey "did encourage Poindexter to read it carefully and he did." (Gates IC Dep, p. 980) Gates testifies on another occasion, "There was, I am sure, although I cannot recall specifically, I am sure there was some reference to the concern expressed in the memorandum about the possible diversion of funds." (Gates Prelim Inq, p. 115) Gates says he and Casey left a copy of Allen's memo with Poindexter. (1987 DCI Hrg, p. 40; Gates IC Dep, pp. 982-983)

In this confirmation testimony, Gates cites this meeting with Poindexter as the second of three instances where he believes, in retrospect, that he would have acted differently if given the opportunity again. Gates says, "I should have . . . drawn Admiral Poindexter's attention to the specific reference in the Allen memorandum to the possibility that if Mr. Ghorbanifar wasn't paid his money, one of the allegations he might make against the United States was that the money was going to other projects of the United States and the government of Israel." (9/16/91, afternoon, p. 11) Gates also says, "I had no idea that there was anything improper or inappropriate going on. I had a view of Admiral Poindexter that he was a completely straight arrow and a completely straight shooter. I wasn't suspicious that he was involved in . . . criminal activity or wrongdoing of any kind." (9/17/91, morning, p. 27) Asked what he would do about it now, Gates testified, "Well, if something like that came to my attention now, Senator, I would first see the National Security Advisor and tell him there was a problem, and if he did not immediately follow up either with the White House counsel or the Attorney General, I would—and and if he did not or did not want me to do that, I would go to the President." ((/1791, morning, p. 38)

## *(2) Allen Account of the Poindexter Meeting*

Allen testifies that he took the original of his October 14th memo to Gates' office where he told Gates' secretary that it was a very exceedingly sensitive memorandum" and that Gates should "look at it carefully first and decide what to do with it." Allen recalls expressing certain concerns to the secretary: "I said I didn't want to give it directly to Mr. Casey because I wasn't certain what he would do with it. I wanted Mr. Gates to look at it carefully first and decide what to do with it. I said Mr. Casey might go down and just hand it to someone at the White House straight away, and I said there's a lot of potentially explosive material in this memorandum, and I kept calling." Allen adds that he "gave it to Gates because I thought maybe I had gone too far in just totally condemning the initiative in essence." (Allen IC Dep, pp. 836-838)

Allen recalls being told at a meeting in Casey's office on 16 October "that they had gone to see Admiral Poindexter, he had read the memo, they had discussed it with him, and . . . that Admiral Poindexter said he would look at the recommendations and consider them." Allen says he "did not anticipate that they would take the memorandum and hand it to Admiral Poindexter." (Allen Prelim Inq, pp. 53-54) Allen recalls expressing concern about this

action and being reassured: "If I'm wrong in this, Colonel North will never speak to me again. And he [Casey] says, well, we don't think it's that kind of memorandum to find fault. We think it was a good memorandum." Allen testifies that he never received any indication "that Colonel North ever read the memorandum," although Allen suspected North did. (Allen IC Dep, pp. 873-838)

According to Allen's account of this meeting, Casey believed that it was "important to get additional data from Mr. Furmark." Allen states, "Mr. Casey directed that I meet with Mr. Furmark on 16 October, which I did." Allen recalls that Casey "called Mr. Furmark while I was there and set up the meeting. He couldn't get through to Mr. Furmark immediately, but Mr. Casey called me back later . . . when I was back in my office, and said that Mr. Furmark will meet you at such and such a time and why don't you use my office down at the Executive Office Building." Mr. Allen testifies that Mr. Gates was at this meeting. (Allen IC Dep, pp. 839-840)

Gates has never testified regarding a meeting with Casey and Allen on 16 October. It does not appear on Gates' calendar, and Casey's calendar shows that Casey met with Allen and NE Division Chief Tom Twetten at 10:45 a.m. Gates' calendar shows him meeting with the CIA Executive Director at 10:30 and with another CIA official at 11:15—with no indication whether the 10:30 meeting ended before then. There is, therefore, no confirmation of Allen's statement that Gates was present when Casey asked Allen to meet with Roy Furmark.

### *(3) Poindexter Account*

Admiral Poindexter's testimony about meeting with Casey and Gates generally conforms to the accounts by Gates and Allen, except with respect to Furmark. Poindexter states:

At some point in October, Director Casey called and wanted me to stop by his EOB office for a few minutes. I agreed. Went over.

Bob Gates was either in the room or came in shortly after I got there. Director Casey showed me a memorandum that had been prepared by Mr. Charlie Allen, which, as I recall it, it was a—essentially a review of the Iranian project, and reported a conversation with a Mr. Furmark, and that was probably the first time that Furmark came to my attention. I conceivably could have heard about it before. And Mr. Furmark—and I believe these were conversations between Mr. Allen and Mr. Furmark, my best recollection. And Furmark indicated—and I think this was also the first indication that I had that Khashoggi was involved in the bridge financing for Ghorbanifar, or at least that was what Furmark was alleging.

He was saying that there had been—there were some Canadian investors also involved and that they had not gotten all of the money that they thought was due them from a prior financial dealing with Mr. Ghorbanifar, and then there was one paragraph in which Allen reported on

Furmark's (sic?) speculation that some of the money had been diverted to the contras.

The memoranda went on, as I recall, to recommend that we form a—essentially a wiseman's group to develop—primarily to develop a public affairs plan to be used in our Iranian operation were exposed. I don't recall that Director Casey called my attention to that paragraph. I read the whole memo.

I purposely did not raise it with Director Casey. I simply didn't want to talk to him about it. And with regard to Mr. Allen's recommendation, the Director endorsed that, and I told him I would think about it, and I believe that was the end of the meeting.

*(4) Gates Meeting with CIA General Counsel*

Gates has been questioned about the decision to go to Admiral Poindexter and not take Allen's memo to the Attorney General, the President's Intelligence Oversight Board, or the Intelligence Committees of Congress. Gates explains that this decision was made after consultation with CIA General Counsel David Doherty. Gates recalls:

[B]efore we went down to the White House, down to the meeting, I asked Casey for permission to break the compartmentation on this initiative and to bring in CIA General Counsel and brief him on everything I had heard from Allen and ask him to look into the entire matter and ensure that at least from our perspective everything was proper, that there were no problems.

Casey agreed, and I did that. And in the context of that the General Counsel, in terms of the steps that he recommended to me, they paralleled what in fact we did, which was to take the information to Poindexter and recommend that they have White House counsel review it. (Gates IC Dep, p. 981-982)

Gates testified that he gave Doherty "all the information that I had that included Allen's analysis. And I told him then to go look into it . . . I did not elaborate for him exactly who he should consult. He is the General Counsel, I expected him to know. I gave him the people who were involved and made sure he knew about Allen's analysis, and the concerns Allen had raised and asked him to look into it to make sure that everything we were doing was proper."

Gates also testifies, however, that he did not know whether the General Counsel ever looked at Allen's memorandum or otherwise pursued Allen's speculation about the diversion. (Gates Prelim Inq, p. 110) In any case, Gates testifies, "it was the General Counsel's view . . . that that information should be send down to Admiral Poindexter, and that we should recommend the White House Counsel look at it. It was not our General Counsel's recommendation that I go to the Attorney General, or that it looked like we had a serious crime here or a problem. and I took his advice." (1987) DCI Hrg, pp. 157-158)

Dohrety's most recent sworn account of the meeting with Gates is as follows:

I was briefed by Bob Gates nearly a year after the commencement of the Agency's involvement in the Iran initiative when operational security problems had developed that threatened to expose the operation. Bob Gates was concerned about the Agency's legal position in the matter because the Congress had not been briefed on the finding and the Agency had no copy of the finding in its possession to establish its authority to participate. He asked my advise on the legal implications of the Agency's participation in the initiative, particularly in light of the fact that Congress had not been briefed.

He indicated that this was an extremely sensitive activity and that I should not discuss what he was about to tell me with anyone. It involved the shipment of arms to Iran and was related to efforts to free the hostages. The activity was being run primarily by the NSC and the Agency was providing support to it. The Agency interfaced with the Department of Defense to procure the required weapons and was then reimbursed. The activity was so sensitive that the Congress had not been briefed and therefore had no knowledge of the operation. Even the Agency did not have a copy of the finding that the President had signed authorizing the activity. He asked my advice on the strength of the Agency's legal position under these circumstances.

He also described the operational security concerns that were threatening exposure of the operation. One concern had to do with certain middlemen that had been involved in structuring the transaction and who had not been paid. They somehow had been shortchanged financially. They were very unhappy and were threatening to disclose the operation. The other area of operational concern had to do with an FBI investigation into the expenditure of certain funding for humanitarian aid in Central America. In this connection, the FBI was inquiring into certain activities of Southern Air Transport ("SAT") in Central America. The operational concern stemmed from the fact that SAT had been used to ship certain of the arms to Iran. The concern was that the FBI, in its humanitarian aid investigation of SAT, could inadvertently stumble into the Iranian initiative. He also mentioned that there was some speculation or rumor that some of the funds involved in the Iranian activity could have been sent to Central America. He indicated the Agency heard many rumors and speculation about funds reaching Central America from various sources so that the speculation was not unusual, but as far as the Agency knew the Iranian and Central American activities were completely independent from one other.

I asked Bob Gates a number of questions and it appeared from the information provided that the Agency knew very little about the unhappy middlemen including

what financial arrangements had been made because the NSC had made all those arrangements. The same was true concerning SAT. The Agency did not know the details of their involvement including whether they were principals or agents in the transactions. The NSC had made all those arrangements. My impression at the meeting was the involvement of SAT in the Iranian initiative. I asked Bob what the Agency knew about it and he indicated that the Agency had heard only speculation and rumors, that as far as Agency had heard only speculation and rumors, that as far as the Agency knew, the Iranian initiative was completely independent of Central America and that if anything like that had happened the Agency was not involved in it. The Agency's side of the transaction was clean and all of its funds had been fully accounted for.

The information I received was that the agency had a very limited perspective on the operation and that all of the operational concerns stemmed from a part of the transaction that had been structured by the NSC, which was controlling the operation. The NSC had dealt with the people who were causing the concerns. There was no suggestion in any of the information I received that the NSC itself was engaged in any improper activity. I recommended to Bob Gates that he bring all of the information about the operational security concerns including the speculation to the NSC and recommend that they get their NSC General Counsel and the White House Counsel involved to assure that the matter was dealt with appropriately. Bob Gates agreed with that recommendation, and I was later told that this had been done. I was not asked to pursue the operational security issues or speculation issue further and was surprised to learn on November 25 that the Agency had had further meetings with Furmark. I do not recall receiving the Allen October 14 memorandum at this meeting.

I was asked by Bob Gates to consider whether the Agency was on firm legal footing in its involvement with the operation. In particular, he wanted my opinion on the Agency's responsibility in the absence of notice to Congress and whether the Agency was in a weak legal position because it did not have a copy of the finding in its possession. I told him that there was legal authority for delaying notice under certain extreme circumstances. I asked him whether the finding contained an explicit directive by the President not to brief Congress and he said he did not know. On that issue, I expressed my view that the primary document that would bear on the Agency's authority to participate in the Iranian initiative was the Presidential finding, the only copy of which he said was at the White House. I told him that it was very important that I review the finding as soon as possible. He indicated that he had or would request a copy and that he would let me know as soon as it arrived. (Doherty response to SSCI questions, 8/5/91)

Asked in earlier testimony why he had not recommended that Gates report the information to the Attorney General, Doherty stated: "the information we got here was characterized to me as complete speculation. It didn't involve us, which, of course, was my principal concern. I was satisfied on that point. And it involved activities and people that were being dealt with by the NSC. And so my immediate recommendation to Bob Gates, and he concurred completely, was that we should bring the . . . matter to the attention of the NSC and recommend that they get their NSC Counsel and White House Counsel involved to assure that the matter was dealt with properly." (Prelim. Tr. pp. 49-50)

Asked about the General Counsel's review, Gates states, "[h]ad Mr. Doherty recommended that we go to the Attorney General, or take another course of action, I would have given his advice great weight and strongly endorsed that recommendation to Mr. Casey. I requested Mr. Doherty's legal analysis out of an abundance of caution to affirm CIA compliance with the law, and I followed his advice about appropriate steps to take with the information available to me at the time." (6/28/91 Response)

*(f) Allen-Furmark Meetings on 16 and 22 October and 6 November*

*(1) Allen and Cave Accounts*

At Casey's direction, Allen met with Furmark late in the day of 16 October. Allen's memo of 17 October to Casey and Gates reporting this meeting with Furmark does not mention the diversion, but does discuss what Furmark had to say about the money still owed to the investors. According to Allen's memo, Furmark "stated that Ghorbanifar is telling the truth about these transactions and insisted that the Iranian entrepreneur has not made any profit off this deal . . .", but Allen goes on to comment that "we knew that Ghorbanifar is not to be trusted" and to predict "an exposure of this activity in the near future." (Allen Exhibit 78) Allen says he does not believe Furmark mentioned the diversion on 16 October; otherwise Allen "would have recorded it." (Allen IC Dep., p. 607)

Allen, accompanied by George Cave, met again with Furmark on 22 October in New York City. Cave prepared a memorandum on this meeting that was cast in the form of an undated memo from Director Casey to Admiral Poindexter. Allen's testimony dates this memo on 24 October. The memo describes Roy Furmark's statement regarding the diversion as follows: "Ghorbanifar told Roy and Khashoggi that he believed the bulk of the original \$15 million price tag was earmarked for Central America. In this regard, Ghorbanifar told Roy that he was relieved when the \$100 million aid to the Contras was passed by Congress." (Allen Exhibit 82)

Allen states that, to the best of his recollection, this was the first time he learned that Furmark believed there had a diversion. Allen adds, "It came as no great surprise to me that he would assert that on the 22nd." (IC Dep., p. 607) Allen recalls that Furmark's statement about the diversion "left me feeling that indeed there may be some truth to my speculation of 1 October." Allen says he was "left with the impression . . . that Mr. Furmark believed that perhaps money was diverted." (Prelim Inq p. 64)

Allen recalls that he and Cave briefed Director Casey on their conversations with Furmark at 9:00 on 23 October. (IC Dep p. 605) According to Allen, they discussed "that this was incredibly sensitive. We needed perhaps to compose only one copy, an original and a copy, and that we would keep the copy in my office. And the Director says prepare the memorandum to Poindexter for my signature." (IC Dep p. 845) Allen testifies that the briefing of Casey included mention of the diversion. (Prelim Inq p. 65) George Cave testifies that in this meeting Casey did not bring up the diversion. According to Cave, Casey's "great concern" was the public disclosure of "the whole operation." (IC Tr, p. 812)

According to Allen, Director Casey did not sign the memorandum to Poindexter that Cave drafted on the basis of the 22 October meeting with Furmark, discovering an unsigned copy of memorandum some weeks later. Allen suggests, however, that Casey "may have conveyed the substance of that memorandum through a telephone [call]." Allen also recalls being told by Casey subsequently that Casey saw the memo on the 22 October Furmark meeting. (Prelim Inq pp. 66-67)

Allen testifies that he talked to Oliver North after the meetings with Furmark on 16 and 22 October and that George Cave also talked to North on 23 October about Furmark. Allen recalls North saying "he wasn't sure this was a man we could really trust and for me to take that into consideration, that he had his own agenda involved and I should not take him at face value. He was very emphatic." (IC Tr, p. 833)

George Cave testifies that, prior to his meeting Furmark, his main suspicion was that Khashoggi and Ghorbanifar were trying to raise cash to cover losses due to an April 1986 sting operation. (IC Tr, p. 812) But Cave says he saw Allen's first memo of 14 October upon returning to the U.S. on October 16 and 17 and "was from that point on . . . strongly suspicious that something else was going on beside Ghorbanifar gouging us." (IC Tr, p. 941) Cave says the meeting with Furmark on 22 October convinced him that there must have been a diversion. Cave recalls that he and Allen "had been suspicious of what was happening on the pricing and the money and everything for sometime" and that "Furmark pretty much laid out the whole thing in that Ghorbanifar had told him the reason for the high price to him, 15 million dollars, was . . . because the rest of the profits from it were being diverted to the Contras." Cave says that "once I heard that from Furmark, I was from that day, you know, fully aware, I accepted that. It just fit too much, I mean, because if you read that carefully how they calculated the pricing and everything, that sounded . . . more like what they would do." Cave also states that "so many pieces fit together and Furmark's explanation was pretty crystal clear. . . Charlie's suspicions became extremely strong after he talked to Furmark." (IC Tr, pp. 936-939)

Allen met again with Furmark on 6 November at Furmark's request. By this time the first overseas press report on the Iran initiative had appeared. Allen recalls Furmark telling him that "the way to salvage this situation" would be if \$10 million was paid into Ghorbanifar's Swiss bank account. (IC Dep, p. 847) Furmark also discussed the diversion at greater length, as Allen set out in a

memorandum of the meeting that he addressed to Casey and Gates on 7 November. According to this memo, Furmark explained that certain "Canadian investors" intended to sue "Khashoggi and the offshore company Lakeside, the firm into which they hid the \$11 million to cover the cost of Hawk missile parts," and that "they intended to implicate in the litigation directly senior levels of the U.S. Government." (Allen IC Exhibit 84)

With specific reference to the diversion, Allen's 7 November memo states:

The Canadians intend to expose fully the U.S. Government's role in the backchannel arms transactions with Iran. They believe Lakeside to be a proprietary of the U.S. Government; they know that former Major General Richard Secord is heavily involved in managing the arms transactions to Iran for Oliver L. North, and that Secord is also involved in assisting North in the support [of] the Contras in Nicaragua. . . . The Canadians believe that they have been swindled and that the money paid by Iran for the arms may have been siphoned off to support the Contras in Nicaragua. (Allen Exhibit 84)

Allen's handwritten notes of this meeting include the following passages: "Paid money to Lakeside—Canadians will claim it is U.S. proprietary. Secord involved: on handling financing for North—duplication of Nicaraguan issue—North-Secord connection. Canadians believe effort sanctioned by U.S. Govt" and "Canadians believe money siphoned off by govt to support Contras." (Allen Exhibit 83)

During the Iran-Contra investigation, Allen recalled sending his 7 November memo to Casey and Gates and getting no reaction to it. (IC Tr, p. 849) In his recent response to Committee questions, Allen recalls discussing the matter with Gates: "I believe Mr. Gates saw the 7 November 1986 memorandum and recall discussing it with him. I do not recall, however, the specifics of our conversation." (Allen response to SSCI questions, 7/3/91) Allen also states:

I do not recall discussing the Furmark memoranda of 17 October and 23 October with Mr. Gates. I recall Mr. Gates was out of the country during the last two weeks of October, and I was in Europe and Canada from 24-30 October on a counter terrorism mission. I recall discussing the 7 November memorandum with Mr. Gates, but I cannot remember the substance of that conversation. (Allen response to SSCI questions, 7/3/91)

At the confirmation hearings, Allen was asked why he discussed the 7 November memorandum with Gates, and Allen replied, "I cannot recall any specifics. I cannot go beyond what my statement—my written statement indicates." Questioned further, Allen reaffirmed that he did discuss the memo with Gates, adding, "But I cannot recall any specifics. There was one sentence [indicated] that the Canadian backers, I believe, believed that the proceeds from the sale of arms to Iran had been diverted to support the contras. But I do not recall discussing the specifics of our conversation relating to this memorandum." (9/24/91 morning, pp. 58-59) Allen

was asked to speculate why Gates does not recall this conversation, e.g., whether it was not as serious a conversation as the one on October 1 or whether it was something said in passing rather than with any great emphasis. Allen again replied, "I don't recall the specifics of the conversation about the 7 November memorandum. I can't add to what I have already given in my statements. I just do not recall the specifics." (9/24/91 morning, p. 105)

(2) *Twetten Account*

The 7 November Allen memo reached at least one senior official in the Directorate of Operations. The Chief of Near East Division, Tom Twetten, to whom Casey had sent a memo regarding his 7 October phone conversation with Furmark, states that he "must have" seen "memoranda relating to the Furmark conversations" by 13 November, when Twetten had a meeting with North. (IC Tr, p. 996) Twetten recalls acting to ensure that the Deputy Director for Operations, Clair George, got to see "the Furmark memo." (IC Tr, p. 991) He also refers to the "anguish" they had "when we got involved in all the Furmark business." (IC Tr, p. 1027) Twetten states that he "was confused" when he first testified about memos on the Allen meetings with Furmark, but that he thinks he saw them within a week or ten days after returning to the U.S. from an overseas trip with Gates on 30 October. Twetten recalls that Casey gave him one of the Furmark memos referring to the possible diversion at a meeting in Casey's office and that another CIA official showed him a Furmark memo he had acquired from Allen. (IC Tr, p. 1033-1035) In response to Committee questions, Twetten confirms that the memo given him by Casey was Allen's 7 November memo. (7/5/91 Response) Casey's calendar for the post-6 November period shows meetings with Twetten on 12 November and 13 November.

Twetten says that after Casey gave him the Furmark memo, Casey may have asked him if he was "as concerned as Charlie is on this," and he would have said, "Yes, indeed." Twetten recalls that his reaction was that "if the allegations were true that that was really going to be messy, that that was dynamite." Twetten testifies that he did not focus on North's role in the diversion, because he "didn't put all those pieces together" and "at the same time it seemed to me inconceivable that North would do that." (IC Tr, pp. 1137-1139) Twetten also recalls seeing the 14 October Allen memo before leaving on the trip with Gates. (IC Tr, p. 1033; Prelim Inq, p.

) Twetten also recalls discussing these matters with Gates on their trip abroad, but Twetten does not recall the specifics of their conversation. (7/5/91 Response)

(3) *Gates' Knowledge of Allen-Furmark Meetings*

With respect to the Allen meetings with Furmark where the diversion was discussed, Gates says he did not learn of them until after 25 November and had not read any of the memoranda from the Furmark meetings or calls. Gates declares at his 1987 DCI confirmation hearing, "I did not learn of the later concerns expressed by the businessman until late in November." (1987 DCI Confirm, p. 80) This testimony conflicts with Allen's belief that Gates saw the 7 November memo and that Allen recalls discussing it with Gates.

In his testimony to the Senate Intelligence Committee's preliminary inquiry on 4 December 1987, Gates says that he "may have received a copy" of the memorandum about a meeting with Furmark, but he does not "recall reading it." Gates also states with regard to the Allen-Cave meeting with Furmark in New York, "I may have known about it at the time and forgotten. . . . I have not read any of the memoranda from the Furmark meeting." (Prelim Inq p. 112) Gates also states that he does not recall Allen ever talking to him about his conversations with Furmark. (Prelim Inq p. 127) Gates says he does recall Casey mentioning Furmark to him perhaps "half a dozen" times, in the context of "information about the financial problems associated with . . . the Iranian business." (Prelim Inq p. 129)

In contrast to the above statements, Gates declared in a written response on 23 December 1986 to questions from the House Intelligence Committee:

At the time of the October 17 meeting between Charles Allen and Roy Furmark, I was on my way to the Middle East. I returned from the Middle East on 30 October and learned at some point soon thereafter the general information that had been obtained from Mr. Furmark in the meetings of 17 and 22 October. In fact, I was confused about precisely what was reported in which meetings until preparations were undertaken for Congressional testimony within the last two weeks. I knew only that Furmark had reported in some detail the unhappiness of Canadian investors *and that he had reported that Ghorbanifar had expressed the belief that some of the Iranian money was going to Central America.* [Emphasis added.]

By the time I learned this information, all of the Furmark information as well as Mr. Allen's memorandum had been passed to Admiral Poindexter with repeated suggestions to have White House Council review the entire undertaking. At that point . . . we still had no information beyond Allen's speculation that certain investors might go public with an accusation of a possible 'redistribution' of funds and Furmark's reference to Ghorbanifar's belief . . . (Letter to Hamilton. p. 5)

The Committee asked Gates to reconcile the apparent inconsistency between the underscored passage in his 23 December 1986 letter to the House Committee and his subsequent testimony. In response, Gates says, "I was unclear myself during this period about what Mr. Furmark had said and when he said it." (6/28/91 Response, p. 13)

Committee staff interviewed three special assistants who served Casey and Gates in their joint office suite during 1986 to determine how Gates could have missed seeing the memoranda on the Allen-Furmark meetings—especially the 7 November memo addressed to Casey and Gates with details of the diversion allegations. Two of the assistants did not specifically recall the memos, but confirmed that the procedures in the Executive offices were such that the memoranda in question may have by-passed the official system for handling correspondence, and been delivered to Casey personally,

possibly by-passing Gates. (Interviews with Special Assistants, 8/2/91 and 8/26/91, on file with Committee.) The third and most senior assistant remembers seeing the 7 November 1986 Allen memo and believes it was hand-carried by Allen to Casey and not put into the official system. He recalls that the memo stayed on Casey's desk for a long time, that it would not have gone to Gates unless Casey gave it to him, and that things got lost on Casey's desk. The senior assistant said he does not know if it went to Gates and thought it not implausible that Gates did not see it. He recalls that it was taken very seriously by Casey and that it would have registered on anyone who saw the memo—it was not just another piece of paper. (Interview with Senior Special Assistant, 9/11/91, on file with Committee.)

*(g) November Meetings Regarding the Iran Initiative*

*(1) Gates' Summary*

At his 1987 confirmation hearings, Gates provided the following summary of what happened in early November:

I left on an overseas trip on 17 October and did not return until the 30th. It was during that time that the New York businessman met with the NIO and passed along the Iranian intermediary's belief that some of the money had been 'earmarked for Central America.' I did not learn of these follow-up conversations with the businessman until after the Attorney General's statement on 25 November, and to the best of my recollection I did not read even a summary of the memorandum reporting what was said until 3 December. In fact, my unfamiliarity with these late October conversations required a correction of the record of my 4 December Senate Select Committee testimony, specifically with respect to when the businessman said what. I believe that it was when I was traveling, perhaps after learning of the businessman's comments on a possible diversion, that the Director told Admiral Poindexter that Lt. Col. North should get counsel. I don't know whether he meant the White House counsel or private counsel.

The DCI and I met with Admiral Poindexter on 6 November at which time the DCI again urged the admiral to have White House counsel review the whole Iranian project. We continued to urge that a public accounting of the entire matter be made.

In additional observations about this period, Gates emphasizes: "At no point from 1 October to 25 November did I receive any further information about a possible diversion of funds." (1987 DCI Confirm, pp. 14-15)

*(2) November Meetings with Poindexter*

With respect to the 6 November meeting of Casey and Gates with Poindexter, Gates testifies that it was one of their "regular Thursday evening meetings" held weekly. (Gates' calendar shows the meeting at 10:00 a.m.) Gates recalls that the Iran initiative "came

up only briefly. I believe the Director again urged making it public and again urged having White House counsel review the NSC's activities, and I'm pretty sure it was at that meeting then that Admiral Poindexter said that he didn't trust the White House counsel. I guess he said "I don't trust Wallison to keep his mouth shut." (IC Dep p. 996-7) Gates also says "Poindexter's response was that he didn't trust Wallison to keep his mouth shut about the whole thing and that he would look to Paul Thompson, who I think, he said was a lawyer. And Thompson, I think, is military assistance to Poindexter, or executive assistance." (Prelim Inq p. 107)

Gates says he is "pretty certain" there was no discussion of the possible diversion at the 6 November meeting with Poindexter. Casey and Gates met with Poindexter on 13 November, after the Iran initiative had been made public, and Gates again recalls no discussion of the diversion. Gates testifies, "I do not recall the subject being raised with Poindexter in my presence again after October 15." (IC Dep. pp. 998-9) Gates also states that, after the 6 November meeting, there were "at least two meetings between the Director and I and Poindexter, and I think Poindexter alone, during our . . . regular weekly meetings in which the subject of the special Iran project came up." Gates says he "can't remember specifically what was discussed at those meetings." (Prelim Inq, pp. 107-108)

Poindexter recalls that "something" about White House counsel Peter Wallison was mentioned, but is unclear when this occurred: "Well, I did not want to bring Mr. Wallison into it. I really think that it was, my best recollection—and I can't remember who the conversation was with—but I had a conversation with somebody about whether to bring Mr. Wallison early on into the Iranian finding. In fact, he came down to see me one day in November and wanted to be briefed on the whole thing. I refused to do it, and I conceivably could have commented to somebody after that that I didn't really trust Mr. Wallison." Poindexter says he does not specifically recall Casey and Gates ever suggesting that the White House counsel be consulted. (Poindexter IC Dep, pp. 1192-1193)

In his confirmation testimony, Gates cites this as the third of three instances where he believes, in retrospect, he should have acted differently. Gates says, "I should have at that point pressed harder in terms of saying well, if you don't trust your counsel, the White House counsel to look at it, maybe you ought to have the Attorney General look at it or somebody else. I should have pressed harder." (9/16/91, afternoon, p. 12)

Gates' calendar does not show that he attended the meeting with Poindexter that appears on Casey's calendar at 5:50 p.m. on 13 November with the notation "Adm. Poindexter and Senior congressmen; re Iran (Situation Room)." But no directly conflicting meeting appears on Gates' calendar at that time. Other White House meetings on Casey's calendar after 7 November include a meeting with the President in the Oval Office at 11:30 a.m. on 10 November and a meeting at 2:00 p.m. on 12 November with "the President, Vice President, Secretary of State Shultz, Secretary of Defense Weinberger, Attorney General Meese, Don Regan, Admiral Poindexter, and Congressional leadership; re Iran/hostages."

*(3) Casey Suggestion that North Get Lawyer*

With reference to Director Casey's suggestion that North should get a lawyer, Gates says he does not think that happened "in my presence." Gates recalls that Casey "just mentioned that he had told North that he ought to get counsel," and Gates says it was unclear "whether he was referring to North talking to the White House counsel or getting private counsel." According to Gates, Casey did not explain whether he thought North had done something wrong, but Gates had "only an impression—that he thought that North might have some civil liability growing out of the unhappy investors, but that's just a speculation on my part." (IC Dep, pp. 997-8)

Gates also says he thinks Casey told him that the suggestion North get a lawyer was raised by Casey "the first time he talked to Poindexter when I was not present." Gates testifies, "I don't know why he said that. Presumably, his belief that if there had been a diversion of funds that Mr. North had in some way been involved." In explaining why Casey would associate North with a diversion of funds Gates stated:

Mr. North had clearly been a central figure in organizing and operating the Iranian channel, and he obviously, or by all accounts—so obvious to these who read the newspapers—had played a key role in maintaining some contact with the Contra leaders. So I would assume that that was the basis for the Director's judgment, but that is pure speculation on my part." Gates adds that there were "a whole series of laws that might have been involved" in the Iran initiative, and Gates says he is "not sure that [Casey] would have differentiated out only the diversion issue." (Prelim Inq, p. 116)

*(4) 12 November Meeting with General Counsel, Clair George, and Tom Twetten*

Then-General Counsel Doherty testifies "that on November 6 or thereabouts the Agency acquired a copy of the finding, and I recall reading the Finding. And I recall then sitting in a meeting in Bob Gates' office after I had read the Finding. And Clair George was in a meeting and Tom Twetten was in the meeting and they took probably, again, 2 or 3 minutes and outlined for Bob what our involvement had been in this matter. Dan have heard what they said, I said: Well, I think the Finding covers all of this and we are okay. . . ." (Prelim Inq, p. 55)

Gates' calendars reflect two separate meeting with the General Counsel in this period—one on 6 November at 2:00 p.m. after Gates and Casey had returned from a 10:00 a.m. meeting at the White House with Admiral Poindexter and another on 12 November at 10:00 a.m. with Doherty, Tom Twetten, and Deputy Director for Operations Clair George. The calendar says the latter meeting was "re: Iran" and lasted no longer than a half hour.

In response to the Committee's recent questions, Doherty describes his November meetings with Gates as follows:

I received a call from Bob Gates' office on or about November 8 to the effect that the finding had just arrived. That same day I went to his office and reviewed the finding. It had a January 1986 date and contained an explicit directive to the Agency not to brief Congress until so authorized by the President. It also appeared to me that the Agency's activities as described to me by Mr. Gates, were all within the scope of the activities authorized by the finding.

A short time after my review of the Presidential finding, Mr. Gates called me into a meeting in his office. Both Clair George and Tom T. were in attendance. Bob Gates asked the D.O. officials to brief us on the Agency's role in the Iran initiative. The briefing we received was consistent with the information previously provided to me by Bob Gates and indicated that the Agency had played a relatively minor role in supporting an initiative largely controlled by the NSC. There was no mention of any financial connection between the initiative and Central America, and no mention was made of the November 1985 flight that had taken place. As described to Bob Gates and myself all of the Agency's activities in support of the Iranian initiative took place after the finding was signed in January 1986. After the briefing, I commented that it appeared to me that Agency's activities were all within the scope of the activities authorized by the finding.

After that meeting, I asked my counsel to the D.O. to obtain more detail from the D.O. as to its participation in the Iranian initiative (that effort resulted in the D.O. subsequently acknowledging that a November 1985 flight had taken place prior to the January 1986 finding). Almost simultaneous with this effort, it became apparent that the operation would be exposed and numerous people in the Agency were assigned various responsibilities under the general oversight of Bob Gates in preparation for briefings of the Congressional Committees. (Doherty response to SSCI questions, 8/5/91)

Asked specifically about the 12 November meeting with Doherty, Twetten, and Clair George, Gates says, "I do not recall anything about the meeting." (6/28/91 Response) Twetten states, "I cannot recall this meeting." (7/5/91 Response)

*(6) Gates' Assessment of His Own Actions*

At his 1991 confirmation hearings, Gates conceded:

[I]n retrospect, I should have taken more seriously after the 1st of October, 1986, the possibility of impropriety or even wrong-doing in the government, and pursued this possibility more aggressively. I should have pressed the issue of a possible diversion more strenuously with Director Casey and Admiral Poindexter. Instead, I contented myself with taking the information I had received to Casey and Poindexter, as well as to the CIA's General Counsel, and then did not follow up after returning from overseas.

Second, I should have been more skeptical about what I was told. I should have asked more questions and I should have been less satisfied with the answers I received, especially from Director Casey . . .

At the same time, I believe that the actions I took were well-intentioned and honest . . . Clearly, if I could relive October, 1986, perhaps part of November, I would do certain things differently and I believe better . . . (Gates, 9/16/91, morning, p. 121)

Asked to specify where he would have pressed harder or done things differently, Gates cited three examples that have been discussed in context earlier:

(1) North's "cryptic remark about Swiss bank accounts and the contras" made at the luncheon on October 9, 1986. Gates said that while he had raised it with Casey afterwards, "in retrospect that's the first instance where I believe if I had the opportunity to do it over again, I would have pressed him harder and said, well, now, no, let's think about this. Maybe there's a real problem here."

(2) Sharing Allen's memorandum of October 14th with Admiral Poindexter. Gates said "I should have drawn Admiral Poindexter's attention to the specific reference in the Allen memorandum to the possibility that if Mr. Ghorbanifar wasn't paid his money one of the allegations he might make against the United States was that the money was going to other projects of the United States and the Government of Israel. I did not push him on that."

(3) Poindexter's reaction to Casey's suggestion on November 6, 1986, that he did not trust the White House Counsel to review the Iran operation. Gates said, "I should have at that point pressed harder in terms of saying well, if you don't trust your counsel, the White House counsel to look at it, maybe you ought to have the Attorney General look at it or somebody else. I should have pressed harder." (Gates, 9/16/91, afternoon, p. 11-12)

In subsequent questioning, Gates also conceded that he had failed to obtain the reaction of other DO officers who may have been in positions to shed light on Allen's speculation: Clair George, Alan Fiers, the LA Division Chief, and Tom Twetten. According to Gates, "This is one of those areas where I think if I had pursued this more aggressively that those would have been the natural people to talk to. As it was, I was content . . . to pass the information that I had on to Mr. Casey . . . I acknowledge that I should have done more, but I think I was not just sitting around contemplating the matter. There were many other things going on at the time." (Gates, 9/16/91, afternoon, pp. 26-27)

At his 1987 DCI confirmation hearings, Gates had offered the following assessment:

I certainly have thought a great deal about what transpired in October and November. And frankly under those circumstances, I think were I to confront similar circumstances, I would be more aggressive in pursuing the issues . . .

I think in light of this experience of the last few months and all that has flowed from it, I certainly do wish that I

had launched a more intensive investigation at that time.  
(Gates, 1987 DCI Confirm, pp. 101, 132)

In his closing statement at the 1991 confirmation hearings, Gates declared that he would institute new procedures as DCI to improve the handling by CIA officials of information indicating possible wrongdoing:

... as I have gone through these hearings, a further lesson of Iran-Contra for CIA has come through to me. Throughout October and November 1986 different aspects, suspicions, speculation about Iran-Contra were known at very different levels of detail in CIA. Information was conveyed in informal settings almost in passing. What little written information existed was hedged or incomplete. Some believed they had discharged their responsibility by informing their superiors like me, however briefly or summarily. And those of us—me—at a senior level did not know the full weight of the available information.

In this connection, just as I would worry that inadequate coordination and sharing of information might cause CIA to miss an important development abroad, I believe we need further safeguards when it comes to recognizing and acting upon intelligence information raising suspicion of possibility of illegal activities outside of CIA. . . .

While by statute CIA is not a law enforcement agency, I think we have to act conscientiously when information of concern comes to us. Accordingly, if I am confirmed, one of my first acts will be to issue an employee notice that all must be alert to the possibility of illegal actions by others outside of CIA as well as CIA officers. And that any suspicion of such action should be reported in writing to the Director with copies to the General Counsel and the statutory Inspector General for their review and action. They—the General Counsel and the statutory Inspector General—would then be directed to report to the DCI action taken or recommended. (10/4/91, pp. 168-169)

## II. GATES' INVOLVEMENT IN INTELLIGENCE ESTIMATES ON IRAN AND HIS KNOWLEDGE OF THE IRAN ARMS SALES UNTIL OCTOBER 1, 1986

During 1985 and until April 1986, Gates was Deputy Director for Intelligence, responsible for CIA intelligence analysis and production. He also chaired the National Intelligence Council (NIC), which is the senior analytical group through which the U.S. Intelligence Community's National Intelligence Estimates (NIEs) are developed and prepared. In these capacities, Gates had overall responsibility for the national intelligence estimates produced on Iran, as well as responsibility for preparing the intelligence given to Iran under the January 17, 1986 presidential finding.

In April, 1986, after confirmation hearings before this Committee, he was sworn in as Deputy Director for Central Intelligence (DDCI). In this capacity, he gained responsibility, in conjunction with the DCI himself, for all CIA collection and analysis. He also gained access at that time to sensitive, highly reliable intelligence

information on the Iran arms sales that had been collected since September 1985.

(1) *Gates' Involvement in the 1985-86 Intelligence Estimates on Iran*

(a) *May 1985 Fuller Memoranda and the Estimate on Iran*

On May 7, 1985, Graham Fuller, the CIA's National Intelligence Officer (NIO) for the Near East and South Asia circulated a memorandum to Deputy Director McMahon, with copies sent to Director Casey, Gates and others in the CIA, which set forth his concerns about the situation in Iran. As Gates recalled at the confirmation hearings:

[H]e was concerned by the DI, the Directorate of Intelligence paper that had been done in March of 1985 about the growing possibility of instability in Iran even before the death of the Ayatollah Khomeini. I think he saw that there was some evidence that the Iranians were interested for a variety of reasons in trying to improve their relationship with the Soviet Union. What he laid out [in the May 7th memo] was that these events, developments, created the circumstances that the Soviets might be able to take advantage of Iranian difficulties . . .

There were five or six alternatives he laid out. One of them was that the arms relationship and Iran's difficulty in getting arms compared to the Iraqis, created an opportunity for the Soviets, if they chose to sell the Iranians weapons. And that one possibility [for dealing with this situation] would be that perhaps we should have the—loosen up so that the West Europeans . . . perhaps [could be] allowed to see weapons that would not have any strategic effect on the outcome of the war. (Gates, 10/4/91, morning, pp. 87-88)

[Note: In the second paragraph quoted above, Gates appears to be confusing the May 7 memo with a later memo prepared by Fuller on May 21. The May 7 memo lists only one option, and simply posits that "modest improvements in Iranian military capabilities—especially long-range ones—would not seem to decisively affect the present war."]

According to the report of the Tower Board, after National Security Advisor Robert McFarlane received a briefing on May 14th concerning Israeli plans to sell limited quantities of ammunition to Iran, he requested that the NSC staff have CIA revise and update its intelligence estimate on Iran. Donald Fortier, then the NSC staff's senior director for political-military affairs, turned for help to CIA's Fuller, who was in regular contact with the NSC staff and whose views on Iran were known. (Tower Board report, p. B-6) Thus, NSC staff member Howard Teicher later testified that, "In the course of some discussions that I had with Graham Fuller in April of 1985, . . . Graham and I considered other possible courses of action that might help us cope with what we saw as a declining situation in Iran. . . . One suggestion that Graham developed, and which was subsequently codified in a memo from Graham Fuller to

the Director of Central Intelligence on May 17, 1985, and provided to me and several others, included the suggestion . . . that the U.S. should reconsider its policy of preventing any and all arms from making their way to Iran. (87-0057, pp. 10-11)

Thus, on May 17, 1985, after the drafting of the revised estimate had been set in motion, NIO Fuller submitted a similar memorandum to Director Casey, with copies sent to McMahon, Gates, and other CIA officials, two NSC staff members, and three State Department officials, in which he argued that the Khomeini regime was faltering and that Iran would attempt to establish better ties with the Soviet Union. The May 17 memorandum argued that to offset growing Soviet inroads to Iran, the U.S. should remove all restrictions and encourage its allies to sell arms to Iran as a means of establishing Western influence. Fuller later testified that Gates had had nothing to do with his writing this memorandum. (Fuller, 10/2/91, afternoon, p. 89)

On May 30, 1985, the CIA issued a revision of its basic estimate of Iran which largely corresponded to Fuller's views, stressing the competition with the Soviets for Iran's favor. This estimate's preferred course was indirect influence through U.S. allies to help protect Western interests and it envisioned the provision of arms to Iran to blunt Soviet influence.

In his letter to the Committee of March 2, 1987, Gates had stated: "There were no dissents to the Estimate from any agency. The independence and integrity of the intelligence process were preserved throughout."

At his 1991 confirmation hearings, Gates elaborated on this process, stating that the CIA May 30 estimate had been the "direct outgrowth" of an assessment written by a CIA analyst in March, 1985 which had noted various Iranian efforts to acquire Soviet weapons for its war against Iraq. According to Gates, when the estimate was considered at the final interagency review, the sole objection to the estimate was raised by the State Department and concerned, not the potential for Soviet inroads into Iran, but rather an objection that the estimate had overstated the seriousness of the internal situation in Iran. (Gates, 9/17/91, morning, p. 82)

According to Gates, the text of the estimate was changed at the meeting to accommodate the State Department objection, but the State representative was "a second- or third-level official who basically had instructions and no flexibility [to accept the change as satisfying the objection]." (Gates, 10/3/91, morning, pp. 90-91) Thus, Director Casey told State to "take your footnote," i.e. express your objection on this point in a footnote. Gates said that afterwards, at some point:

I apparently called Ambassador Abramowitz (Director of the State Department's Bureau of Intelligence and Research) and talked him out of the footnote. My view was that . . . the change made in the estimate was sufficient that the footnote was kind of pointless . . . it did not add to the policymakers' knowledge on this matter . . . I felt that the view that they had, as they had written their footnote, really didn't represent an alternative view . . . Normally, my practice was to encourage footnotes, although I did, on

occasion, call people to try and discourage footnotes that I thought were frivolous, or did not help the policymakers' understanding of the problem. (Gates, 9/17/91, morning, pp. 83-84)

\* \* \* \* \*

The differences [with the estimate] were so scant that I called Mort Abramowitz and I said, look, take a look at this footnote . . . in essence I tried to persuade him that there was really no difference there . . . Mort's no patsy. So to persuade him I must have made a fairly compelling case. But it sure wasn't that we don't want any dissents or we don't want anything else. (Gates, 10/3/91, morning, pp. 90-91)

Gates also said he later learned that some CIA analysts had disagreed with the estimate in terms of the "potential for Soviet achievement" in Iran, but "they were not excluded from involvement in the estimate. They simply did not have their views accepted. And for reasons that are not clear to me, those analysts did not come to me, they did not go to their immediate supervisor, the Director of Soviet Analysis, to protest their view were not being taken fully into account by the National Intelligence Officer." (Gates, 9/17/91, morning, pp. 82-83)

In his account of this process at the confirmation hearings, Fuller testified that he had been unhappy with, and had rewritten, the portion of the Iran estimate prepared by the CIA Office of Soviet Analysis (SOVA) which "dismissed the possibility that the USSR would even seek to take advantage of the desperate arms need in Iran." According to Fuller, he took the rewritten estimate up with Gates to make him aware that he may be getting objections from SOVA, and Gates informally approved the changes Fuller had made. Fuller said that he cited Gates' approval for his changes at a subsequent interagency meeting to review the estimate. (Fuller, 10/1/91, afternoon, pp. 6-8)

Fuller conceded that SOVA analysts at this meeting undoubtedly viewed his citing Gates as having approved his changes as "stacking the deck" against them, but pointed out they retained the right to take their objections to Gates through CIA channels if they chose to do so. Nonetheless, under questioning, Fuller conceded that, in retrospect, his actions had not been "wise."

That [citing Gates' approval] was a form of hard ball, and I apologize for it if it was meant to have a chilling influence . . . It would have perhaps been much wiser for me to have allowed them to pursue it through their own channels . . . rather than telling them in advance. (Fuller, 10/2/91, morning, pp. 99, 102)

Fuller testified that Gates did not ask or direct him to tell the analysts assembled at the meeting of his position, nor was Gates aware that he (Fuller) had invoked his name at this meeting. (Fuller, 10/2/91, morning, p. 101)

In any case, the extent to which the May 1985 CIA estimate may have provided the justification for the subsequent arms sales to Iran remains unclear. At his February 1987 confirmation hearings,

Gates testified that at the time the estimate was written neither he nor Fuller "had any knowledge of the discussions that were going on in the policy arena about an opening to Iran." (SSCI, 2/17/87, pp. 63) Fuller also testified that he was unaware of the arms sales to Iran, and could not say whether or to what extent his analysis had served the Administration's purposes in this regard. (Fuller, 10/1/91, afternoon, p. 12) The draft NSDD on Iran prepared in June 1985 incorporated Fuller's preferred option of encouraging allied arms sales to Iran, but was ultimately dropped in the face of strong dissents from Secretaries Shultz and Weinberger. Presidential approval for such arms sales by Israel, which was undertaken without benefit of any interagency consensus, did not occur until several weeks later.

In testimony before the Senate Foreign Relations Committee in January, 1987, however, Gates testified that "it is our understanding that [the threat of Soviet inroads into Iran] was, in fact, one of the animating factors for the Administration's initiative." (Quoted at 1991 confirmation hearings, 10/1/91, p. 103)

When asked about this testimony at his 1991 hearings, Gates testified that his statement before the Senate Foreign Relations Committee in January, 1987, was merely "reflecting the Administration's views" at the time. In retrospect, said Gates, while there was "probably a mix of motives . . . In the back of people's minds . . . was the thought that there would be some political benefit in an opening to Iran . . . After all of the investigations and all the work that's been done on Iran-contra, I believe the primary motive was to get the hostages out." (Gates, 10/4/91, p. 105)

The Tower Board raised a different concern with the CIA estimate, finding that the involvement of the NSC staff in the process called into question "the integrity and objectivity of the intelligence process:"

The NSC staff was actively involved in the preparation of the May 20, [sic] 1985, update to the Special National Intelligence Estimate on Iran. It is a matter for concern if this involvement and the strong views of NSC staff members were allowed to influence the intelligence judgments contained in the update. It is also of concern that the update contained the hint that the United States should change its existing policy and encourage its allies to provide arms to Iran. It is critical that the line between intelligence and advocacy of a particular policy be preserved if intelligence is to retain its integrity and perform its proper function. In this instance, the CIA came close enough to the line to warrant concern. (Tower Report, p. V-6)

The Tower Board's comments were based in part on a May 28, 1985, PROF note from Don Fortier to National Security Advisor Bud McFarlane that stated: "We also just got a bootleg copy of the draft SNIE. We worked closely with Graham Fuller on the approach, and I think it really is one of the best yet." The PROF note went on to express Fortier's support for "the Israeli option." (Tower Report, p. B-8)

Gates, in a letter to the Committee dated March 2, 1987, denied that the NSC staff had any role in drafting the May 30 estimate or

that it was allowed to participate in the interagency coordination of the draft. (Quoted in Gates' response to Committee interrogatories, 6/28/91, p. 48) Fuller also has denied any involvement by the NSC staff in the preparation and coordination of the May 20 estimate (Fuller memo to the Acting DCI, 27 February 1987, NIC 00876-87, on file with the Committee).

*(b) August 1985 Fuller Memorandum*

The Fuller memorandum of 27 February 1987, cited above, also makes reference to a memorandum Fuller had drafted which had gone to the DCI "by September of that year" (1985), which stated, in essence, that events in Iran were gradually moving away from the chaotic conditions foreseen in the May SNIE.

In his written responses to the Committee, Gates stated that this probably referred to an August 23rd memorandum which Fuller prepared for the DCI entitled "Toward a Policy on Iran." Gates did not have a specific recollection of the memo and played no personal role in making others aware of it, saying he would have left this to Fuller himself. (Gates response to SSCI interrogatories, 6/28/91, pp. 53-54)

*(c) February 1986 Estimate*

In February of 1986, CIA produced another estimate on Iran in essence reversing the position taken in the May, 1985 estimate, concluding the Soviets were not gaining influence into Iran. Graham Fuller, in his testimony at the 1991 confirmation hearings, stated that this only amounted to "going back in retrospect and recognizing that some of our concerns had not been borne out," rather than suggesting the earlier estimate had been "wrong." (Fuller, 10/1/91, afternoon, p. 10)

In any event, at his 1987 confirmation hearings, Gates was asked why, as Deputy Director for Intelligence, he did not use this new estimate to question the basis for the Iran initiative. He replied:

It's never been clear to me just how significant the role played by either of the estimates or the NIO's [May 1985] paper was in the initiation of the policy with respect to Iran. It seemed to me that the premise which underpinned the policy did not change and that is the importance of establishing some sort of a dialogue with Iran in the hope of having some sort of a future relationship."

\* \* \* \* \*

It seemed to me that the concerns with respect to the strategic importance of Iran, the likelihood at some point that the Soviets would attempt to exercise influence in Iran and establish a position there remain valid even if they didn't do so within the very short time frame of the estimate involved. (February 17, 1987, p. 63)

*(2) Gates' Knowledge of the Iran Arms Sales and Role in Implementation of the January 17, 1986 Finding*

As Deputy Director for Intelligence (DDI), Gates learned in December, 1985 that a presidential finding had been signed retroactively authorizing CIA assistance to a flight which carried arms

from Israel to Iran in November, 1985. He also was advised in late January, 1986 that another presidential finding had been signed which authorized arms sales to Iran and provided authority to share intelligence with Iran. Subsequently he was charged with preparing the intelligence which was provided. Until he assumed the position of Deputy DCI in April, 1986, Gates' received periodic briefings on the progress of the Iran operation.

At his confirmation hearings in April, 1986, Gates made no mention of the Iran findings but was asked no question that would have elicited such information. He did, however, provide certain assurances with respect to reporting information to Congress and to his involvement in the operations of the Agency.

After becoming DDCI in April, 1986, he continued to receive briefings on the Iran operation, some of which took place in meetings at the White House, and was added to the list of senior officials to receive special intelligence reports regarding the operation.

*(a) December 5, 1985 Meeting*

In his previous testimony before the SSCI, Gates stated that his first involvement with the Iran project occurred on December 5, 1985 when he attended a meeting in John McMahan's office at CIA, apparently to prepare McMahan for a meeting he was scheduled to attend on December 7th. (SSCI, 2/87, pp. 12, 45)

In his testimony before the Iran-Contra committees, however, former Deputy Director for Operations at CIA, Clair George, recalled:

In September of '85, Bill Casey had me, John McMahan, Bob Gates in his office, and Bill Casey said, "I've just had a strange meeting in the White House. Bud McFarlane informs me that the Israelis have approached them, the Israelis have established a contact with Iranian interests, and these contacts could lead to an opening of a dialogue with certain Iranians and to release of the hostages. But the Israelis have one demand: CIA not be informed." And there was a twinkle in Casey's eye and he said, "I wonder what in hell this is all about." (Clair George testimony, 8/6/87, p. 214)

Mr. Gates has stated that he does not recall this meeting. (Gates response to SSCI interrogatories, 6/91, p. 39) In testimony at the confirmation hearings, Mr. McMahan also did not recall the meeting alluded to by George, nor whether Mr. Gates participated in such a meeting. (McMahan, 9/19/91, p. 19)

Mr. Gates also indicated in response to questioning at his 1987 DCI confirmation hearing (p. 45) that he was not aware in September, 1985, that the NIO for Counterterrorism Charles Allen, who, at that time, reported directly to Gates as Chairman of the National Intelligence Council (NIC), had been tasked by LTC North to coordinate intelligence collection concerning Iran as part of a U.S. effort involving the hostages. Mr. Gates has stated that he "cannot pinpoint a specific time." when he first became aware that Mr. Allen had been tasked by LTC North to coordinate intelligence collection. (Gates response to SSCI interrogatories, 6/91, pp. 39-40)

At the confirmation hearings, Allen confirmed that North has specifically requested that the special intelligence not go to Gates, and that Director Casey had approved this request:

He [North] delineated it over a secure telephone that it had to be kept to the Director, Deputy Director. He had no objection [to] it being shown to the DDO at the time. He did not want it shown to the DDI [Mr. Gates] . . . I told this to Mr. Casey and he affirmed that that was appropriate procedure because he viewed that period, as essentially totally controlled by the White House . . . (Allen, 9/24/91, morning, p. 89)

In any case, at the December 5, 1985 meeting in McMahon's office, Gates heard for the first time that CIA had earlier provided assistance to the NSC in terms of arranging for an aircraft to fly from Tel Aviv to Tehran, and that there may be requests for further assistance. He also learned that a finding had been signed. Gates described the meeting as follows:

My first, partial involvement in the Iranian project began on 5 December 1985 when I was asked to attend a meeting in the office of the Deputy Director of Central Intelligence, John McMahon. I attended in my capacity as Deputy Director for Intelligence. There were representatives at the meeting from both the analytical and operational elements of the Agency. According to notes taken by the DDCI's assistant, Mr. McMahon asked a series of substantive questions about factionalism in Iran, the Iran-Iraq military balance, Iranian tank strength, whether the Iranians were seeking spare parts to deal with Soviet BEAR aircraft purportedly flying along the Iran/Iraq border, and he asked for a biography of a senior Iranian military official. Those of us from the analytical side answered some of his questions on the spot and went back to him with answers on the rest either that afternoon or the next day, while we were still in the room, Mr. McMahon asked several questions of the operational officers present and there were references to a flight that had taken place a few days earlier, that there were to be other flights and some further discussion of flights. McMahon was told that a finding had been signed. I was unaware of the context, but this was the first indication I had that the U.S. was involved in some way in arrangements related to Iran.

In an exchange at his 1987 confirmation hearings, Mr. Gates was asked whether he had had any role in the development of the Finding he learned about at the meeting. Gates responded:

I had no role whatsoever. In fact when we met in Mr. McMahon's office on the 5th of December without any background, he asked those of us from the analysis side several substantive questions about what was going on in Iran . . . We answered those questions, those of us from the analytical side. And then there were some references to a plane that had flown a week or so before. We didn't know what that plane was or anything about it, but there

was discussion with the operational people in the room about the fact that there were likely to be other such planes. As I recall, McMahon asked one of the operations people if the Finding had been signed, further unspecified, and the operations fellow said it was signed. I'm told that it has been signed. (SSCI 2/17/87, p. 49)

*(b) 17 January Finding and the Passage of CIA Intelligence to Iranians*

Director Casey and General Counsel Sporkin were deeply involved in preparing drafts of what became the Finding of January 17, 1986. Although not involved himself in this process, Gates recalls that, in late December 1985 or early January 1986, White House lawyers were having trouble with the "retroactive language" in the Finding and that a new Finding had been signed on January 17, 1986. The finding authorized, among other things, the provision of intelligence to Iran, and provided that Congress not be notified of its existence.

Gates later recounted when he first learned that intelligence was to be transferred to Iran:

On January 24, 1986 I was called to Mr. McMahon's office and told that at NSC direction we were to prepare some intelligence materials on Iraq to be provided to the Iranians I objected, stating that we were concerned about the Iraqi military situation and that I considered this a very dangerous thing to do. Our objections were overruled, I understood at the time, by Admiral Poindexter. We subsequently prepared information on a segment of the border well away from principal battle areas and where there was little military activity in order to minimize the value of the information to the Iranians. (SSCI interrogatories, 2/87,)

As the record shows, Gates met with LTC North, McMahon, and Twetten on January 24, 1986 to review the intelligence developed at CIA to be provided the Iranians at the next meeting. McMahon had seen Poindexter earlier in the afternoon and had raised serious objection to providing the intelligence. His objections were overruled by Poindexter. These objections were reiterated by both McMahon and Gates later to North. Later in the day, McMahon cabled Casey who was abroad, recounting his objections to the White House both with respect to the provision of intelligence and more generally to the Iran initiative. The message also said there was serious concern with the involvement of Ghorbanifar as an intermediary.

Pertinent portions of the January 24, 1986 McMahon cable to Casey are as follows:

Subject: Present Status In Saga Regarding The Movement Of TOW Missiles.

1. A new dimension has been added to this program as a result of a meeting held in London between North and Ghorbanifar. We have been asked to provide a map depicting the order of battle on the Iran/Iraq border . . .

3. Everyone here at headquarters advises against this operation not only because we feel the principal involved is a liar and has a record of deceit, but secondly, we would be aiding and abetting the wrong people. I met with Poindexter this afternoon to appeal his direction that we provide this intelligence, pointing out not only the fragility in the ability of the principal to deliver, but also the fact that we were tilting in a direction which could cause the Iranians to have a successful offense against the Iraqis with cataclysmic results. I noted that providing defensive missiles was one thing but when we provide intelligence on the order of battle, we are giving the Iranians the wherewithal for offensive action.

4. Poindexter did not dispute our rationale or our analysis, but insisted that it was an opportunity that should be explored. He felt that by doing it in steps the most we could lose if it did not reach fulfillment would be 1,000 TOWs and a map of order of battle which is perishable anyway. . . .

6. I have read the signed Finding dated 17 January 1986 which gives us the authority to do what the NSC is now asking. Hence, in spite of our counsel to the contrary, we are proceeding to follow out orders as so authorized in the Finding.

Gates has stated that he "played no role in drafting Mr. McMahon's cable to Mr. Casey; however, I agreed completely with the position Mr. McMahon set forth, and I believe that my earlier discussion with Mr. McMahon on this topic had some influence on the views he expressed to Mr. Casey. I do not think I saw this cable until the Agency began to gather material for the Select Committee in connection with its investigation." (Gates response to SSCI interrogatories, 6/91, p. 40)

At the confirmation hearings, McMahon testified that "Bob commiserated with me on this [the finding] because he didn't like this operation or the thought of it at all. We just didn't think it had any future . . . [H]e and I were one mind on this, and when I sent Bill Casey that cable . . . on the 24th of January, I had Bob Gates in mind when I said, everyone here in headquarters thinks this is a lousy idea." (McMahon, 9/19/91, p. 19-20)

Asked why the objections of McMahon and himself were not considered when the January 17 Finding was being drafted, Gates responded that they had not been consulted prior to the Finding being drafted. (Gates responses, 6/28/91, p. 40)

Indeed, in questioning at his 1987 confirmation hearing, Gates was asked in retrospect to assess the January 17th finding, given the quality of the personnel that the U.S. would be relying upon, Israeli motivations and interests, weighing the risks of exposure of such a program and analyzing the consequences flowing from the exposure itself, and the reliance on third parties in the transfer. Gates answered that in retrospect, in light of all these factors relating to the Finding, "I would have probably recommended against it." (SSCI 2/17/87, p. 50)

Asked at the 1991 confirmation hearings why he made no further efforts to stop the operation, Gates replied:

The President of the United States made the decision to sell arms for hostages . . . It was his decision . . . It was a policy decision that was protested by the Secretary of State and the Secretary of Defense and the Acting Director of Central Intelligence . . . The President decided to go forward. It seems to me that it is not the role of CIA to question the policy decision . . . it was not up to me . . . to question the policy decision that the President had made. (Gates, 9/17/91, morning, p. 17)

John McMahon, when asked whether he or Gates could have done anything else to stop the operation, replied: "No . . . when you have assurances that the Attorney General said it was legal, when you have a Presidential directive . . . we have little choice but either do it or resign." (McMahon, 9/19/91, p. 24)

In any event, following the initial January 24th transfer of intelligence pursuant to the January 17th Finding, there were three other instances where intelligence was passed. In his written response to a 1987 SSCI questionnaire, Gates described these in a response which has subsequently been redacted for public release:

On 19 February, we provided additional maps [deleted] of Iraqi disposition in the central border area, very near the area in the central sector on which the information was provided in January. The Iranian interlocutors told us at that time that they wanted information on the Soviets.

We were asked in March to prepare a briefing on the Soviet [deleted]. This material was taken to Tehran by the McFarlane mission.

In late September, the NSC switched to a new Iranian contact, who expressed interest in intelligence on Iraq and asked for many details on the Iraqi disposition of forces. In response to the NSC request, CIA prepared one annotated map and talking points on the general locations of Iraqi units. We also provided copies of commercially available maps identical to the ones provided by the U.S. government to Iran 15 years before.

With regard to my reaction to the continued passage of intelligence on Iraq, and what actions I took when I learned on these incidents, I knew of the instances in January, February, and May. While I learned in the Fall that another set of materials was to be prepared for the Iranians, I did not know when that exchange was to take place and I did not see that set of materials until early December. I also said in January 1986 that the only part of the passage of intelligence to Iran I felt had merit was that on Soviet [deleted].

In sum, we consistently objected to the passage of intelligence on Iraq to Iran and expressed concerns, which were overruled by the NSC. All along we tried to scale back the requests for such intelligence while warning that there

could be demonstrable results on the battlefield from the passage of too much detail. Even while complying with the requests, at the front of our minds was the need to deny the kind and level of information that could make a *strategic* difference in the war.

*(c) Additional Involvement as Deputy Director for Intelligence until April 1986*

Subsequent to the preparation of the first intelligence package of January, 1986, Gates, then DDI, continued to have meetings concerning the Iran project.

On January 29, 1986, Gates met with Charlie Allen and received a memorandum for record (MFR) of Allen's January 13 meeting with Ghorbanifar. The memo covered U.S. hostages and provided some background on November 1985 shipment of HAWK missiles.

In February, 1986, Gates saw "a scenario paper" produced by North which set forth his view of the denouement of the arms sales with Iran which would result in the release of American hostages. He was also briefed by NIO Charles Allen on his meetings with Ghorbanifar. Specifically, on February 18, 1986, Gates met Allen and received another MFR regarding Allen's meeting with Ghorbanifar. At this meeting, Gates saw material on alleged terrorists supplied by Ghorbanifar. Also, on February 20, 1986, Gates was on the distribution list for another Allen MFR relating to Ghorbanifar and recommending "we begin to work with the subject."

The record also shows that Gates was involved in two meetings in March involving the preparation of the second intelligence package to be provided for the McFarlane mission to Tehran in May. The first was on March 3, 1986 when Gates asked the Director of Soviet Analysis to prepare a briefing package on Soviet matters for passage to Iranian authorities. The second meeting was on March 10, 1986, when he met with the CIA's Director of Soviet Analysis and George Cave to review this briefing package.

In April, 1986, Gates also received one of two updates on the Iran talks from Allen and/or Tom Twetten, Chief of the Near East Division. On April 16, 1986, Gates may have been updated on talks taking place with Iranian officials by Tom Twetten.

*(d) April 1986 DDCI Confirmation Hearing*

In April, 1986, Gates was nominated to be Deputy Director of Central Intelligence (DDCI). At the time of his confirmation hearing, Gates was aware that a Finding had been signed by the President in January, 1986 authorizing CIA to support the arms sales to Iran, and that the President had specifically determined that the intelligence committees should not be notified of this Finding.

Gates was not asked a question at the hearing that would have reasonably elicited information concerning the Finding. He conceded at his February, 1987 confirmation hearings, however, that the non-notification policy had been a concern to him at the time:

I must say that the one—as I have looked back on that entire period, that the only real regret that I have and the one mistake that I think we at the Agency made and that

I made was in not pressing, beginning toward the middle or latter part of February, for a reversal of the direction not to notify the Congress . . . [I]t was the first time that the President had exercised the authority not to prior notify the Congress on a covert action, and while we knew that the prolonged withholding would create serious problems within the Oversight Committees—and I discussed that with the Director as I indicated earlier, several times—I don't think that people contemplated just how serious the consequences would be . . . (SSCI 2/17/87, pp. 54, 65-66)

When recently asked by the SSCI, why—given his concerns about the non-notification policy—his confirmation hearings did not prompt him to ask the Administration to reconsider its position, Gates responded:

As Deputy Director for Intelligence, I was not informed of the full scope of the Iran initiative until late January/early February 1986; I had no role in the November 1985 shipment of arms; I played no part in preparing any of the Findings; I had little knowledge of CIA's operational role. When I became DDCI, the policy initiative had been underway for many months and the Finding in place for three months. I received updates on the initiative every few weeks. During the summer, I expressed my concerns to Mr. Casey about the effect of non-notification of Congress and about the policy. As deputy, I had no alternative to this other than resignation. I—along with others more senior in the Administration—did not believe the *policy* warranted resignation . . .

Beyond this, our objections at different points to the Iran initiative had been brushed aside. I believed that concerns about non-notification would be similarly received and therefore did not pursue it, apart from expressing my concerns to Mr. Casey, as noted above. (Gates response to SSCI interrogatories, 6/91, p. 43)

At the 1991 confirmation hearings, Gates conceded "I should have pressed harder for reversing the provision in the January Finding prohibiting informing the Congress." (Gates, 9/16/91, morning, p. 120)

Subsequently, he stressed that "we were merely following the President's direction at that time . . . [I]t is important to underscore that the President's authority to withhold notice of a Finding from Congress is provided for in law, in the statute . . . those in the Executive branch were comfortable that the withholding was legal. I've acknowledged on a number of occasions that the length of time it was withheld was a serious mistake. That it ruptured the relationship between the Agency and the intelligence committees. But I think it was a legal action on the part of the President . . ." (Gates, 9/16/91, evening, p. 19)

John McMahon, at the confirmation hearings, also testified that he did not push for notification of the Congress at the time because "I was directed not to by the President of the United States within

the legal authority that Congress invested in him in the [1980 oversight] statute." He also could not recall Mr. Gates having expressed his concern about the non-notification provision of the Finding. (McMahon, 9/19/91, pp. 30, 71)

When asked hypothetically in June 1991 how he would have responded to an inquiry at the April 1986 hearing as to whether there were covert action Findings that had not been reported to the Committee, Gates responded: "This question is difficult to answer in the abstract, but I believe that I would have said that, having not been fully informed of clandestine operations as DDI, I would have to check with Mr. Casey. I would not have misled the Committee." (Gates response to SSCI interrogatories, 6/91, p. 43)

At the confirmation hearings, the nominee was asked whether this response was not itself misleading since he knew what the facts were. Gates replied:

I was under a presidential edict not to inform the Committee at a time when I was appearing before the Committee under oath. The way I would have tried to reconcile that dilemma would have been to go back and say—would in effect have been to defer an answer until I could go back and tell them that I could not in good faith not inform the Committee under those circumstances . . . I would not under any circumstances mislead this Committee. (Gates, 9/16/91, evening, p. 25.)

*(e) Involvement in the Iran Arms Sales as Deputy Director of Central Intelligence after April 1986*

On April 18, 1986, Gates was sworn in as Deputy DCI, and was put on the list to receive the special intelligence reports on the Iran initiative going to selected senior officials.

Gates has described his role in the Iran arms operation after his confirmation as Deputy DCI in April 1986 as follows:

I only recall being advised about the May McFarlane mission to Tehran and being briefed in general terms about what happened there. I was generally aware that TOW missiles and HAWK missile parts had been transferred to the Iranian side but I was not aware of the precise quantities involved. After the McFarlane meeting in Tehran in May, the project entered a quiescent phase. Apart from an occasional update on the state of negotiations with the Iranian side, my next involvement occurred on 1 October. I only became aware of the exact terms of the arms transfers—the quantity of missiles; their cost; our accounting procedures; and other specific related to our support role—in mid-to late November as we tried to pull together a full account of our involvement and prepare Congressional testimony. (SSCI hearings, 2/17/87, p. 12)

The record shows that during May, 1986, Gates was likely briefed at least twice on the Iranian initiative by Charles Allen: the first was on May 3, 1986 when he received another Allen memo concerning Ghorbanifar and the release of the hostages. The second

meeting with Charles Allen took place on May 8, 1986, when Gates was likely briefed on the status of the hostage negotiations and upcoming McFarlane trip. Gates also attended a meeting at the White House on May 29 to discuss the results of the McFarlane mission to Tehran.

There is also a memorandum for the record which Gates prepared which reflects a meeting which he attended with Admiral Poindexter on May 29, 1986, where "[t]here was discussion of current activities relating to Iran." This meeting occurred the day after Robert McFarlane's mission to Tehran had ended. When asked if he could recall any of the discussion that occurred at that meeting, Gates responded: "I note from reviewing my Memorandum for the Record dated 30 May 1986 that there were 11 items discussed at the meeting. I do not recall any detail about any discussion which might have occurred on the topic of Iran, noted in paragraph 2 of my memorandum. (Gates response to SSCI interrogatories, 6/91, p. 41)

In his 2 March 1987 letter to Senator Boren, Gates could identify no other meetings or contacts from May 29, 1986 until October 1, 1986, regarding the Iran initiative, although in his testimony before the SSCI (2/87, p. 46), he stated that he was kept "periodically briefed on the different stages." In response to a recent interrogatory, Gates said that, in fact, his telephone logs disclosed what appeared to be one additional meeting:

I reviewed my logs for this period to respond to this question. A subsequently prepared document indicates that I may have had one other meeting with Charles Allen on July 3, 1986, where I was probably briefed on developments leading to the subsequent release of Father Jenco. I have found no other records of meetings or contacts regarding the Iran initiative between May 29, 1986, and October 1, 1986. (Gates response to SSCI interrogatories, 6/91, p. 42)

On May 28, 1986, Allen sent Gates a memorandum indicating that Michael Ledeen desired to meet with Gates. (A copy of the memorandum is in the Iran-Contra depositions, volume B-1, page 1149). Allen testified (in the same volume, page 759) that he believes this meeting did in fact take place. When asked if he recalled this meeting and what was discussed, Gates responded.

My calendar shows that I met with Mr. Ledeen on June 5, 1986 at 9:30 a.m. in my office. I do not recall any of the particulars of our discussion, and I do not believe a Memorandum for the Record was prepared after the meeting. Mr. Allen asked me to meet with Mr. Ledeen. According to Mr. Allen, Ledeen wanted to "discuss a sensitive matter." In requesting the meeting, Mr. Allen said in a memorandum addressed to me that "I do not know the substantive issue that he wishes to discuss, but he commented that it involved a Soviet defector." (Gates response to SSCI interrogatories 6/91, p. 42)

The record also shows that on June 8, 1986, Casey and Gates met with Poindexter. According to his memorandum for the record on

that meeting (a redacted copy of which is in the Iran-Contra depositions at page 1069), Mr. Casey spoke of privately raising \$10 million to ransom the hostages. When asked to comment on this proposal, Gates replied:

The meeting was probably on 5 June 1986 (our regular Thursday meeting with Admiral Poindexter), although my memorandum was dated 8 June. I do not recall any details about this proposal including its genesis. I have no indication that it was pursued further. (Gates response to SSCI interrogatories, 6/91, p. 42)

Gates testified that from the time he became DDCI in April of 1986 until that Fall, that while the Iran initiative was "a very high risk gamble and I did disagree with a lot of the ways in which it was being carried out," there "was no reason to quarrel with it" because the initiative to establish a dialogue with the Iranians made sense." ". . . [W]hile I may be willing to acknowledge that I didn't want to challenge the program, I believe I would have, had I become convinced that there was wrongdoing or illegality involved." (SSCI, 2/17/87, pp. 84-86)

In testimony before the SSCI on December 4, 1986, Gates was asked "at any time did you advise anyone higher than you in the organization, in the agency, or in the White House that that was a bad policy and that it should be changed?" He responded at the time by stating: "Apart from raising the concerns about the implications of it for our relationship with the Committees in a general sense, no." (printed in SSCI hearings, 2/87, p. 119)

During his 1987 DCI confirmation hearings, however, he recalled several conversations he had with Director Casey during the summer of 1986 where he had raised his concerns with the Iran operation:

. . . I do recall sitting and in fact preparing for these hearings, the NIO reminded me of a meeting we had in September as an example when the additional two Americans were kidnaped at which point I told the Director that I thought the entire activity should be called off—that the whole policy was a bad idea. So I know at least on that one occasion for which I had some corroboration that that was the case. And I misspoke in my testimony on the 4th in talking only about expressing my concerns with respect to prior notification. But I was reminded about that only in the course of preparing for these hearings. (SSCI 2/87, p. 182)

When asked to recall other discussions he had with Director Casey on this point, Gates replied that: "I do not specifically recall times of other conversations on this with Mr. Casey, other than the one referred to in my February 1987 testimony to the SSCI and other than to say that I recall generally—but only in passing—commenting to him on the future costs of continuing non-notification." (Gates response to SSCI interrogatories, 6/91, p. 44)

*(f) Relationship of the DDCI to DCI Casey*

The Committee received considerable testimony at the confirmation hearings, both from the nominee and other witnesses, concerning the management style of Director Casey and how he had related to DDCI Gates and previous incumbents in that position:

Mr. GATES. He was very, shall we say, unbureaucratic. I don't think he would have recognized the CIA organization the first several years he was there . . . He had a tendency to go after the individual, or a job that he wanted done. And he didn't pay much attention to the structure in getting that done." (Gates, 9/16/91, afternoon, p. 67)

\* \* \* \* \*

Mr. GATES. When Mr. Casey came to CIA, he came with a view that he, in essence, would involve himself very deeply in operational affairs. I won't say that he intended to run the clandestine service, because he wasn't organized enough to do that. But, rather, to involve himself very deeply in its affairs . . . Nowhere was this more true than on those issues that were a special passion for him, like Central America, and where he would reach down into the organization and basically ignore all of the bureaucratic aspects . . . [T]he Chief of the Central American Task Force chain-of-command ran directly to Mr. Casey, which meant by-passing not just the Deputy and the Executive Director, the four deputies, but also the division chiefs. So there was a tremendous leap from Mr. Casey down to this task force director. But that was not uncommon for the way he did business. (Gates, 9/16/91, afternoon, p. 69)

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Mr. GATES. [W]hen I was being confirmed for Deputy Director, Mr. Casey and I did talk. And we generally agreed that there would be no areas from which I would be excluded, such as clandestine operations . . . [but] I was a little naive about how much work there was to do, and the degree to which my time would be taken up by a number of other issues . . . toward the end of the summer of 1986, I decided to try to become more involved in operational activities . . . but I have to admit that I moved fairly slowly in terms of involving myself in the clandestine service. There was no secret that there was a certain strain between myself and the clandestine service when I became Deputy Director, coming out of the analytical arena. There was not only an unfamiliarity, but I think a little uneasiness . . .

Mr. Casey's relationships with the DO had been pretty well set by that time . . . And I was reluctant to try and interfere in those relationships. So although I had the highest aspirations in 1986, or the early spring of 1986, that we would be fully integrated, it didn't work out that way. (Gates, 9/16/91, afternoon, pp. 71-72)

\* \* \* \* \*

Mr. GATES. However close we may have been professionally, there was really, despite some of the things that have been written, a certain distance in the personal relationship. Mr. Casey was almost 30 years older than I was at the time, a different generation. His friends were people his own age, basically . . . I'm not saying anything negative about it, I'm just saying that the relationship was essentially a professional one. (Gates, 9/16/91, afternoon, p. 79)

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Mr. GATES. Mr. Casey was not very good at feedback. He would go down to the White House and even when he would have meetings with the President, finding out what had happened was usually something of a chore. He usually would do memoranda for the record if an action needed to be taken . . . It was exceedingly rare to get feedback from him. (Gates, 9/16/91, afternoon, p. 80)

\* \* \* \* \*

Mr. McMAHON. Bill Casey wanted to get answers from the person that he felt had them . . . His approach was that it was not up to him to wander through the chain of command, it's up to those people I talk to to feed upward. That wasn't his job. He was too busy . . .

Every morning I would receive Casey's calendar. And when I saw a meeting scheduled that I was interested in, I would go sit in on the meeting. If I didn't want to go, I wouldn't go. So, I felt I had access to what was going on. What I know was going on was my decision and not his. (McMahon, 9/19/91, p. 25)

\* \* \* \* \*

Mr. McMAHON. You can't know everything [that is going on at CIA] every day. What you do is try to know when it starts, who's doing it, what the framework is, and periodically punch into it. (McMahon, 9/19/91, p. 42)

### III. PREPARATION OF CASEY TESTIMONY FOR NOVEMBER 21, 1986

#### (a) *Initial Actions at CIA*

On or about November 11, 1986, the two intelligence committees asked for staff briefings from CIA on its role in the arms sales to Iran. Reacting to these requests, DDCI Gates on November 12, 1986, prepared a note for the DCI to send to Poindexter, urging that the Agency not provide such briefings unless the existence of the January 17th finding and the CIA's full operational role could be briefed. (See Gates letter, March 2, 1987) In his June 28, 1991 response to Committee questions, Gates recalls that Poindexter's verbal agreement was obtained. Initial briefings were, in fact, provided the staffs of both intelligence committees on November 18, 1986, which encompassed CIA's activities after January 17, 1986.

Prior to November 16, 1986, however, both committees made further requests that Director Casey appear at formal hearings to de-

scribe the CIA's role in the arms sales to Iran. Both hearings were scheduled for the same day: Friday, November 21, 1986.

Casey himself was scheduled to be traveling in Central America during the week of November 17-20, 1986, and Gates took charge of the preparation of his testimony. (DCI Memo to Gates, 11/16/86)

*(b) Monday, November 17th*

While Gates did not personally draft the testimony, he provided "strategic" direction to the CIA effort. The DCI had talked with Gates earlier in the day from Central America to ask that the draft testimony and other materials be brought to him when they were ready. Casey also approved Gates's suggestion that the prepared statement not attempt to defend the Administration's Iran initiative from a policy standpoint (CIA memorandum, 27 February 1987, p. 1; Casey/Gates PRT-250 call, 11/17/86)

At a 5:00 p.m. meeting at CIA on Monday, November 17, 1986, Gates told CIA staff that he wanted to get all the facts out regarding CIA's involvement, but did not want the prepared statement to attempt to defend the Administration's Iran initiative from a policy standpoint. (Gates testimony, SSCI, 2/87, pp. 44, 147) CIA records reflect Gates called LTC North at 6:45 p.m.

An assistant to the Deputy Director for Operations was assigned responsibility to prepare the initial draft of the Casey statement and ask to check it with LTC North.) Gates deposition, 7/31/81, p. 1008; Clarke deposition, Vol. 5, p. 447; CIA memorandum, 27 February 1987, p. 1) He relied heavily upon the chronology put together by the Directorate of Operations for purposes of the congressional staff briefings (which was limited to the period after the January 17, 1986 Finding). Other CIA offices who had been involved in aspects of the operation (e.g. General Counsel) were also asked to pull together relevant documentation from their files. (Clark deposition, Vol. 5, pp. 452-453; Allen deposition, Vol. 1, pp. 865-867)

Responding to this requirement, attorneys from the General Counsel's office met with their former boss, Stanley Sporkin, then a federal judge, on Monday, November 17, 1986 to discuss his recollections of the Iran initiative. (Doherty testimony, p. 10; Makowka deposition, Vol. 17, pp. 617-621) Sporkin, in fact, had earlier reported to Doherty in a telephone conversation before the meeting that the November, 1985 flight had carried arms. (Makowka deposition, 5/15/87, p. 632)

At the meeting with Sporkin, CIA attorney Bernard Makowka also sought to confirm Sporkin's recollections of the finding which had retroactively authorized CIA's assistance to the November 1985 flight. Makowka, who had drafted the December 5, 1985 Finding at Sporkin's direction, testifies he could not find no one else at CIA who could corroborate his recollection. Charles Allen, however, recalls having first raised the finding with Makowka after which he began his file search. (Allen interrogatories, 3 July 1991, p. 10) In any event, Makowka recalls raising the finding at the meeting with Sporkin, who clearly remembered it. With his recollection corroborated, Makowka says he began a search of files which ultimately resulted in locating the Finding in question on a "mag card." (Makowka deposition, 5/15/87, pp. 619-621)

*(c) Tuesday, November 18*

On November 18, DDO Clair George and members of his staff briefed staff from each of the congressional intelligence committees on CIA's role in implementing the finding of January 17, 1986, using the chronology prepared by the DO. No mention was made of CIA involvement prior to this date.

In the afternoon, the Assistant to the DDO who was drafting the testimony and other DO staffer met with North at the White House to go over the results of the congressional briefings. North questioned some of the dates when weapons shipments occurred and provided the CIA officers with a copy of an early version of his own chronology. (CIA Memorandum 27, February 1987, p. 1)

CIA staffers returned and completed the initial draft of the testimony.

In the afternoon, Gates made another call to Casey in Central America, passing on a message from Poindexter that Casey should return earlier than planned so that a meeting to coordinate the testimony could be arranged for Thursday afternoon. Casey decided to return on Wednesday evening so that he might be in the office on Thursday morning. (PRT 250 telephone call, 11/18/86)

Efforts by other CIA staff offices to pull together additional information for the Casey testimony on Friday continued.

*(d) Wednesday, November 19*

At 8:30 a.m. on Wednesday, November 19, the CIA staff officer designated to courier the testimony to Casey left for Central America, taking the initial draft, a copy of North's draft chronology, and other materials related to the testimony. (At his confirmation hearings, Gates testified that he did not believe a copy of the draft testimony had been taken to Casey, however, the Committee has received a copy of the materials taken to Casey which included the draft testimony.)

The materials which were couriered to Casey actually contained two versions of the November, 1985 flight, reflecting the uncertainty apparent at headquarters. The prepared text sent to Casey provided that "no one in the USG learned that the airline hauled Hawk missiles (sic) into Iran until mid-January . . ." Also included in the materials, however, was a separate insert covering the same facts which provided that "we in CIA did not find out that our airline had hauled Hawk missiles (sic) into Iran until mid-January."

Copies of the draft testimony were circulated at CIA headquarters, including Gates. (CIA Memorandum 27 February 1987, p. 2)

By this point, it was apparent that CIA's effort was producing conflicting information as to the facts of its involvement, particularly in the record prior to the January 17, 1986 Finding. CIA records reflect three telephone conversations between Gates and North between 11:00 a.m. and 1:00 p.m. on this day. Then, at 2:15 p.m., Gates convened a meeting with senior CIA officials to discuss the status of the testimony. According to CIA records, Gates again urged that all the facts regarding CIA's role "be laid out." (CIA Memorandum, 27 February 1987, p. 2)

On his way to the meeting, General Counsel Doherty was stopped by Makowka and given a copy of the unsigned December 5,

1985, finding he had discovered. ((Makowka, deposition, 5/15/87, Vol. 17, p. 623) Doherty remembers being "pleased to have found the draft . . . because we believed that it was in the Agency's interest to have obtained a finding as close as possible to the November 1985 flight." (Doherty letter, August 5, 1991, p. 2)

Doherty told Makowka that he would raise it with Gates, and recalls that he did so. Doherty does not, however, recall what Gates did with the draft finding. Doherty does recall, however, having suggested, either at this meeting or a previous meeting with Gates, that the DO officers putting together the draft testimony contact the NSC staff to determine whether they had a record of the draft finding and whether it had been signed. (Doherty sworn letter to Committee, August 5, 1991, p. 2)

Gates testified at the 1991 confirmation hearings that while he had no "direct recollection" of Doherty providing him with a copy of the unsigned Finding, he "assumed that it was." (Gates, 9/16/91, afternoon, p. 44)

Doherty also told Gates at the Wednesday meeting that the facts were "getting shakier" as they went and suggested that the hearing be postponed until they "could get their act together." (Gates deposition, 7/31/87, p. 1008; Doherty, IC interview, p. 8; Clarke deposition, Vol. 5, p. 453) Gates recalls that he considered this suggestion but, given the enormous pressure for the Agency's statement, did not make such a request of the Committees. (Gates letter, 3/2/87)

Of particular concern at the time was whether CIA had known what was on the November, 1985 flight. CIA lawyers who had been involved in preparing the subsequent Finding retroactively authorizing CIA assistance, had a clear recollection that the flight had carried arms. (Makowka deposition, Vol. 17, pp. 632-633) CIA officers overseas reported their recollections that the flight had carried weapons. The DO also had cables saying the crew aboard the flight had told the ground controllers in a country being overflowed that they were carrying military equipment. (See Clarridge testimony, 8/4/87, p. 16) On the other hand, others in the DO clearly recalled that CIA had been advised that the flight was carrying oil drilling equipment. (Clarridge testimony, 8/4/87, pp. 14-16; Allen, Vol. 1, pp. 855-856)

Notwithstanding the uncertainty with regard to the November 1985 flight that was evident in the meeting with Gates, it appears that by mid-afternoon on Wednesday, the Directorate of Operations at least had come to conclude that CIA had, in fact, contemporaneously known the November flight had carried missiles. A new draft of the testimony was produced which came remarkably close to reality. Marked "Latest—1500 19/11" (presumably 3 p.m. on Wednesday, November 19), this draft described the November, 1985 flight as follows:

In late November 1985, the NSC asked CIA for the name of a discreet, reliable airline which could assist the Israelis in transporting a planeload of Israeli Hawk missiles to Iran. The name of our proprietary was given to the NSC which, in turn, passed it to one of the intermediaries dealing with the Iranians.

It is unclear whether Gates ever saw this particular draft of the testimony.

In any case, after meeting with CIA staff, Gates, Clair George, and George's Special Assistant went to the White House at 4:00 p.m. to meet with Poindexter and North to review what CIA had briefed to the staffs of the two intelligence committees the previous day. Gates has no recollection that Casey's testimony was discussed at this meeting (Gates letter, 6/28/91, p. 28) Others at the meeting have recalled that the discussion concerned discrepancies in the chronologies put together by CIA and LTC North. (George dep., Vol. 12, p. 126; DDO Asst. interview, 6/28/91) In fact, following the meeting, North took one of George's staff back to his office to review the NSC chronologies North had prepared to look at what pertained to CIA's involvement prior to January 17, 1986. (DDO Asst. interview, 6/28/91)

According to CIA records, there ensued a "serious disagreement" between the DDO Assistant and North, who insisted that a CIA proprietary aircraft had not been involved in the November, 1985 flight, and stated that the Israelis rather than himself had arranged for such assistance. In fact, it appears that a version of the testimony was subsequently prepared by the CIA staff to conform to North's version of events. An undated version of the testimony located in the DO files reads:

In later November 1985, an aircraft owned by a CIA proprietary airline was chartered through normal commercial contract to carry cargo from Israel. It was subsequently determined that the Israelis . . . used the aircraft to transport 18 Hawk missiles (sic) to Iran. The Israelis were unwitting of CIA involvement in the airline . . . (On file with the Committee)

But North's version of the testimony never was adopted. Upon his return to CIA, the DDO Assistant confirmed North's role in making the request with Charles Allen and Dewey Clarridge, and obtained DDO George's agreement to stick with the CIA version of events. (CIA memorandum, 27 February 1987, p. 2)

Although Gates has no recollection of doing so (Gates, 9/16/91, afternoon, p. 47), it seems likely that at the Wednesday meeting with Poindexter and North, in fact, he did ask about the retroactive finding of December 5, 1985. Doherty testifies that he had given a copy of the unsigned finding to Gates at the meeting at CIA which occurred approximately two hours before the White House meeting. (Doherty letter, August 5, 1991, p. 2) CIA Attorney Makowka testifies that Doherty told him that Gates had raised the finding at a meeting at the White House and that he had been told by North and/or Poindexter that it did not exist. (Makowka, deposition, p. ?)

Subsequently, Makowka passed this information on to Charles Allen who remembers calling North back to ask about the finding himself. (Allen interrogatories, July 3, 1991, p. 11) According to Allen, North "told me very emphatically that the Finding did not exist and that I was mistaken." (Allen interrogatories, July 3, 1991, p. 11) Allen then told Makowka that if CIA raised the matter, it

would be "our word against theirs." (Makowka, deposition, Vol. 17, pp. 620-622)

Very late in the evening of November 19, Casey returned from Central America with the draft testimony he had annotated. (CIA Memorandum, 27 February 1987, p. 3)

*(e) Thursday, November 20, 1986*

According to his Special Assistant, Casey, upon his return to the office on the morning of November 20th, having the draft testimony in hand, pronounced himself pleased with its general thrust, and turned it over to the Special Assistant to make a few changes he had annotated in the margins. At that point, the Special Assistant assumed responsibility from the Directorate of Operations for the copy of record and for any changes that might be made to it. (Statement of Special Assistant to the DCI, on file with Committee)

Although not confirmed by other testimony, Charles Allen recalls a small meeting with Casey on the morning of the 20th at which time to Iran operation was discussed. Although he cannot remember whether Gates was present, Allen recalls having raised the matter of the retroactive Finding authorizing CIA assistance to the November, 1985 flight at this meeting, and being told bluntly by Clair George to drop the matter: "I recall with great clarity Mr. Clair George informing me in a blunt and verbally abusive manner that the Finding did not exist and that I should shut up talking about it." (Allen interrogatories, 7/3/91, p. 11) Director Casey's calendar for November 20, 1986, does, in fact, show a meeting at 0945 with Gates, George, Allen, Twetten, Clarridge, and another member of the staff. (On file with Committee)

Gates, at the confirmation hearings, said that he had no recollection of this meeting, however, "I don't know why there would have been any embarrassment or reluctance to include mention in the testimony of the finding. If it existed, it would have, I think, strengthened CIA's position, not made it look worse." (Gates, 9/16/91, afternoon, p. 49)

In any case, on Thursday morning, the Special Assistant produced a new version of the text based upon Casey's review and comments, designated the "20 November 1200" draft, which was circulated to Gates and others at CIA. (Statement of the Special Assistant, on file with the Committee) It does not appear that the versions of the testimony prepared the previous day by the Directorate of Operations (at least one of which was very close to reality) were considered in preparing this version of the statement, although the "1200" draft was reviewed by the DO staff involved in the drafting. In any case, the description of the November, 1985 flight had by this point been changed to the following:

In late November 1985, the NSC asked our officers to recommend a charter airline, the reliability of which we could vouch for, to carry some cargo from Tel Aviv into Iran . . . When the plane got to Tel Aviv, the pilots were told the cargo was spare parts for the oil fields and was to go into Tabriz . . . On 25 November 1985, the plane dropped the cargo in Tehran without knowing that it was . . . we didn't learn until sometime in January 1986 that

the shipment involved 18 air defense missiles . . . (Iran testimony, 20 November 1986, 1200, p. 3, on file with Committee)

It is unclear precisely who was responsible for the changes to this particular passage. It does appear that this "1200" version was derived from the draft that Casey had brought back with him from Central America rather than being based upon the versions prepared the previous afternoon by the DO staff. Gates himself testified at his confirmation hearings that this version is the last he remembers seeing personally. He added that it had had certain information in it that was subsequently deleted:

It included, for example, the fact that the Israelis had vouched for the reliability of Mr. Ghorbanifar, although he was not named by name. It included the fact that the NSC had in fact asked for use of the proprietary in November 1985. It had the name of the proprietary. It mentioned Mr. Hakim and the fact that he was a designated contact point . . . It included the fact that the Iranians had agreed to provide a portion of the TOWs to the Muhajedin, as part of the deal. It include meetings that had taken place between Mr. North and Rafsanjani's nephew, and between, I think, Mr. Cave and a relative of Khomeini's. (Gates, 9/16/91, afternoon, p. 41)

The Committee's review of the "1200" draft does bear out Gates' description that it constituted a much more detailed description of the operation than the prepared statement that was ultimately delivered by Casey.

In any event, at roughly the same time the "1200" version was being produced, Twetten and George Cave, who had been at the White House assisting North in editing his chronology, had returned to CIA with a new version which is given by Twetten to the DCI's Special Assistant. On the basis of the new North chronology, yet another version of the Casey testimony was produced by the Special Assistant during the afternoon. (Statement of Special Assistant to the DCI, on file with Committee; CIA Memorandum, 27 February 1987, p. 3)

Casey's Special Assistant recalls that one of the drafts had contained a statement to the effect that John McMahon had ordered that a finding be prepared to cover the CIA's involvement with the November, 1985 flight although the statement was silent on whether the finding had been signed. His recollection was that "someone—perhaps DDCI Gates— placed a call to John McMahon in an effort to find out more about the finding issue but my recollection is that John's initial response did not help very much." (Statement of Special Assistant to the DCI, on file with the Committee.) McMahon has verbally advised the Committee that he has no recollection of such a call from Gates or anyone else at CIA.

#### *White House Meeting*

At 1:30 p.m. on the afternoon of the 20th, Casey and Gates went to the White House to meet with Poindexter, North and other Administration officials to discuss the draft testimony prepared for

Casey. At the meeting, Gates recalls objecting to language North had suggested for the statement to the effect that it had been the Israelis (rather than North himself) who had requested assistance in arranging the November, 1985 flight. At his objection, the North language was dropped. (Gates, deposition, 7/31/87, pp. 1010-1011) (The statement ultimately delivered did not mention North personally but rather referred to an "NSC" request for assistance.)

Others at this meeting recall a focus of the discussion being a statement in Casey's testimony to the effect that "no one in the CIA had known that the flight carried missiles until mid-January, 1986."

According to the testimony of Justice Department official Charles Cooper, a participant at the meeting, North urged that the statement be changed to read "no one in the U.S. Government" had such knowledge until mid-January. In the absence of any challenge on this point by those at the meeting, North's change was inserted. It was Cooper's impression that North alone seemed to have any firm recollections at all of the November, 1985 flight. (Cooper testimony, 6/25/87, p. 242)

North had had CIA insert into an early draft of the Casey's statement that "no one in the U.S. Government" knew what was aboard until mid-January. Indeed, this statement was in the draft of the testimony that had been couriered to Casey in Central America earlier in the week. But Casey had stricken this phrase from the statement prior to the meeting with North and Poindexter. Gates recalled, however, that North raised this suggestion again at the meeting, and that Casey had annotated a one-page CIA "chronology" which had brought to the meeting with him with North's suggested language. Gates surmises that others, notably Cooper, may have believed the prepared statement to have been changed to this effect. In fact, according to Gates, the phrase was never reinserted in the prepared testimony (Gates, deposition, 7/31/87, pp. 1011-1015) Allen subsequently testified that Gates had related this incident to him after the meeting. (Allen deposition, Vol. 1, p. 868-869)

North testified that he and Casey had deleted the offensive language from the testimony concerning the November, 1985 flight in Casey's Executive Office Building office immediately after the meeting, and went back to the language that CIA had been told the cargo was oil-drilling equipment. (North testimony, p. 40, 96)

Poindexter, for his part, testified that he did not "surface" what he knew of the November, 1985 flight with people at the meeting, saying that he felt "uncomfortable" discussing the topic in front of Cooper and Gates. (Poindexter testimony, p. 112).

In actuality, the document referred to above by Gates and Cooper appears to have been a one-page insert for Casey's testimony, prepared by CIA, "Subject: CIA Airline Involvement" (Exhibit 33, Meese Testimony, p. 1326; also see Meese testimony at pp. 218-219), which had earlier been taken to Casey in Central America, and was presented to Casey as an alternative to the passage in the prepared statement dealing with CIA's involvement in the November, 1985 flight. Casey apparently took this one-page insert to the meeting to explain what he intended to say about the flight, and changed it at North's suggestion. Casey's Special Assistant has told

the Committee that this insert with Casey's annotation on it was placed by Casey in his inbox when he returned from the White House meeting and was never considered for inclusion in the statement. (DCI Special Assistant Statement, on file with Committee)

Participants have testified that an additional purpose of the November 20, 1986 meeting at the White House was to prepare Poindexter for his meeting with the leadership of the two intelligence committees immediately prior to the Casey testimony. (Poindexter testimony, p. 111) Indeed, according to Cooper, Poindexter used the meeting to prepare an outline of his briefing to the Committees that would correspond with the Casey testimony. (Cooper testimony, p. 251; Meese testimony, p. ) Poindexter aide Paul Thompson testified that it was important that what Poindexter had to say was "complementary to what Casey was going to say." (Thompson deposition, Vol. 26, p. 1003) Gates has stated he does not recall being aware of Poindexter's meetings with congressional leaders immediately preceding Casey's testimony. (Gates letter, 6/28/91, p. 29)

#### *State/Justice Concerns*

Later in the afternoon of the 20th, Poindexter and North met with State Department official Michael Armacost and Legal Adviser Abraham Sofaer to discuss the hearing, at which Armacost was also appearing as a witness. At this meeting, Sofaer was told that the Casey statement had been revised to read that "no one in the U.S. Government knew what was aboard the November, 1985 flight until mid-January, 1986." Upon his return to the State Department, Sofaer confirmed that Secretary Shultz' assistant had written notes reflecting that McFarlane had told Shultz the flight had carried missiles.

Sofaer raised these concerns with Cooper in a telephone conversation on the evening of the 20th, telling him that "he would have to leave the government" if this testimony were given Cooper responded "all of us would." (Cooper testimony, p. 250) Calls ensued to Attorney General Meese at West Point, who then called Poindexter and Casey, while Cooper expressed his concerns personally to NSC lawyer Paul Thompson and CIA General Counsel Doherty. (Cooper testimony, p. 250; Doherty letter, August 5, 1991, p. 4) Although assured by Doherty that the statement of concern had been taken out, Doherty agreed to arrange for Cooper to visit CIA headquarters the next morning to satisfy himself that the offensive language was not in the statement. At a meeting with Casey and Doherty, Cooper was again assured that the testimony no longer included the sentence of concern. Also, during that visit, Cooper was told by a CIA officer that, indeed, the air crew on the November, 1985 flight had told ground controllers during the flight that the plane carried military equipment. (Cooper testimony, p. 247; also at North trial)

Gates has testified that he was unaware at the time of the concerns at State and Justice, the telephone calls to Poindexter or Casey, or of Cooper's visit with Casey on the morning of the testimony. (Gates, SSCI, 2/87, p. 44)

### *Later Actions at CIA*

After the White House meeting on the afternoon of the 20th, at approximately 5:00 p.m., Casey and Gates returned to the CIA to met with 15-20 CIA staff to further review the draft testimony.

Gates described this meeting at the 1991 confirmation hearings as follows:

This meeting took place in the Director's conference room and there were probably 12 or 14 people there. They were all arguing with one another about what the facts were. There was more than a little shouting going on. Casey was writing and tearing up pieces of paper and there was just general pandemonium in the course of this thing and it was very difficult to tell what was going on. (Gates, 9/16/91, afternoon, p. 40)

Others confirmed this description, saying that it was impossible to know what changes Casey was making to the text of the statement. (George testimony, p. 242; Allen, Vol. 1, p. 867; DDO Assistant interview, p. ; Doherty letter, August 5, 1991, pp. 3-4)

Two persons at the meeting (DDO Clair George and General Counsel Doherty) remember Gates having raised the speculation concerning a possible diversion at the meeting, and Casey having replied that he knew nothing about it. (George testimony, 8/6/87, pp. 262-263, Doherty letter, August 5, 1991, pp. 3-4) Doherty, in particular, remembers Gates having asked Casey whether he knew about "any of the funds from the Iran initiative finding their way to Central America," and Casey having answered "emphatically" that he did not. Gates himself does not recall having raised this issue nor does he recall Director Casey's response. (Gates Deposition, 7/31/87, pp. 1018-1020) Charles Allen, who was at the meeting, also does not recall this being raised by Gates or anyone else, although he states "Mr. Gates could have done so without my knowledge." (Allen interrogatories, 7/3/91, p. 13)

Asked why he did not raise his concerns with the possible diversion at the meeting, Allen answered:

I hesitated to raise my views on the likely diversion of proceeds from the Iranian initiative to support the Contras in Central America during the week of 17 November, although I thought of raising the matter on the afternoon of 20 November 1986 when we were meeting in the DCI conference room with Mr. Casey. I felt inhibited in raising the issue before a large number of officials—some of whom had just learned of the effort—and I was uncertain how strongly to characterize my concerns. Both Mr. Gates and Mr. Casey had heard my opinion; they had my memorandum of 14 October 1986 and were aware of my meetings with Mr. Furmark on 16 and 22 October and 6 November and the subsequent memoranda prepared as a result of those meetings. (Allen interrogatories, 7/3/91, p. 13)

Doherty also recalls a discussion at the late afternoon meeting on the 20th of a statement in the prepared testimony that "no one in the U.S. Government knew that the November 1985 flight carried missiles until mid-January, 1986." Doherty, in fact, recalls

commenting at the meeting that former General Counsel Sporkin had a recollection of being briefed on the contents of the flight immediately after it occurred. Doherty recalls "I received a response to the effect that he must be mistaken," and he did not pursue it further at the meeting. (Doherty letter, August 5, 1991, p. 3)

After the meeting, a "final" draft of the testimony, incorporating Casey's changes was prepared by Casey's Special Assistant, working with Charles Allen, and later delivered to Casey at his home at approximately 8:00 p.m. According to Casey's Special Assistant, this "final" version still contained a formulation to the effect that "no one at CIA Headquarters—underline Headquarters—knew the cargo was missiles at the time of the flight." But great uncertainty remained with respect to what could be said about CIA's knowledge. Clearly uncomfortable with how things were left, the Special Assistant conceded "the statement was getting so cleverly worded that I was afraid we would be opening ourselves up to deliberately trying to mislead." (Statement of Special Assistant, on file with the Committee)

In the meantime, while the "final" draft was being put together, Doherty returned to his office and asked Makowka to check once more with Sporkin to confirm whether he was sure that missiles or arms were carried on the November, 1985 flight. Makowka testified that he confirmed this again with Sporkin, who insisted that the statement in the prepared testimony that CIA had not learned what was on the airplane until January, 1986 be changed. Makowka testified that he returned to the Agency at 9:00 p.m. on the evening of the 20th, and raised this with Doherty, who immediately called Casey at home and told him the statement must be changed. Casey agreed, and Doherty relayed this to Casey's Special Assistant. This account was confirmed by Doherty. (Makowka deposition, 5/15/87, pp. 632-633; Doherty letter, August 5, 1991, pp. 3-4).

According to CIA records, the Special Assistant called Casey to confirm his instructions and agreed on new language which simply said that "Neither the airline nor the CIA knew the cargo consisted of 18 HAWK missiles," without mentioning when CIA had come to learn of the cargo. An amended version of the statement, with this change, was delivered to Casey's residence. (CIA Memorandum, 27 February 1987, p. 4)

During the same evening, Poindexter called Casey at his home and told him they should be "cautious" in what they told the Committees the following day, telling them with regard to the November, 1985 flight only that there had been some sort of shipment but they would have to get back to them with the facts. (Poindexter testimony, p. 113)

According to the Special Assistant, Casey himself ultimately struck out the troublesome sentence altogether late on the evening of the 20th after talking with Poindexter, Doherty, and perhaps others. (Statement of Special Assistant, on file with the Committee) A "clean" draft was prepared at CIA at 7:30 a.m. the following morning, incorporating this change. (CIA Memorandum, 27 February 1987, p. 4)

With regard to Gates' knowledge of these developments, Gates himself has stated that while he read early drafts of the testimony, he did not see the final version. Indeed, the last draft of the state-

ment which he recalls having read was marked "20 November 12:00," which was ultimately superseded by several additional drafts. (Gates letter, 6/28/91) He did not see the statement at all after Casey took over editing it at the late afternoon meeting on the 20th. Clair George later testified that he was advised Casey was making changes to the text as he was being driven to the hearing. (George testimony, 8/5/87, p. 242)

*(f) Friday, November 21st*

Director Casey appeared before the HPSCI at 9:00 a.m. on the morning of Friday, November 21st; and appeared before the SSCI at 11:15 a.m. He returned to the HPSCI at 1:30 in the afternoon to continue his testimony. While his prepared testimony to both committees gave a reasonably complete account of CIA's role in supporting the Iran arms sales after the January 17, 1986 presidential finding, it failed to include certain information to which Gates and other CIA officers had been, from time to time exposed. Specifically, the statement—

(1) failed to mention the speculation concerning a possible diversion of funds to the contras or that the arms sales had generated substantial funds that had not been accounted for;

(2) failed to acknowledge that some in CIA believed the November, 1985 flight to have carried missiles to Iran;

(3) failed to mention the December 5, 1985 finding prepared by CIA which retroactively authorized CIA to provide this assistance and which some in CIA knew to exist;

(4) failed to mention the involvement of any private parties (e.g. Secord, Hakim);

(5) failed to mention the involvement of a known fabricator (Ghorbanifar) as interlocutor and the problems with the original Canadian investors; and

(6) failed to specify who had been involved at the National Security Council.

In the questioning which followed at the SSCI, Director Casey gave what appear to have been misleading answers with regard to what was aboard the November, 1985 flight; with regard to the use of private persons; and with regard to those involved on the NSC staff.

Gates did not attend either of the hearings and testified at his confirmation hearings that he did not seek to find out what Casey had said. (Gates, 9/16/91, afternoon, p. 56) Director Casey's calendar reflects that he met with Gates immediately upon his return from the House hearing, and again later the same afternoon. Moreover, Casey held two meetings on Saturday regarding the Iran investigation with Gates and other members of the CIA staff. Gates did not recall that Casey's testimony was discussed. Gates departed on Sunday, November 23, for a series of speaking engagements the following week in the San Francisco Bay area.

Asked twice at his confirmation hearings why he had not been more curious to find out what was said in the prepared statement or what Casey had said in response to questions, Gates replied:

I was really sort of a tag-along that week . . . Certainly the most controversial aspects of all this affected a period

when I . . . had no direct or in any instances even indirect knowledge of the facts that had taken place . . . (Gates, 9/16/91, afternoon, pp. 57-58)

\* \* \* \* \*

I assumed that this testimony he was about to give was just the first step in an iterative process, that there would be repeated testimonies and repeated opportunities to add the facts as we, as we learned them. I don't remember actually making a textual analysis of the last version that I saw and the version he actually delivered, in all honesty, until preparing for this hearing . . . By the time I had returned from California, Attorney General Meese had made his announcement and it was a whole new ball game in terms of additional investigative work . . . and additional information that needed to be made public. (Gates 9/16/91, evening, p. 41)

#### GATE'S ASSESSMENT OF HIS ACTIONS REGARDING THE TESTIMONY

Reacting generally to what he described as an allegation that CIA had participated in a "cover-up" in preparing the November 21st testimony, Gates, in his letter to the Committee of March 2, 1987, wrote:

This [allegation] is particularly outrageous. All available evidence substantiates my testimony that I urged getting all the facts before the Committee, and insisted on accuracy and advising the Committee that we did not yet have all the facts on 21 November and would provide them as they were assembled. A note I prepared for the DCI to send to Poindexter on 12 November . . . urged that CIA not appear [at briefings for the staffs of the intelligence committees] unless we could brief on the finding and CIA's full operational role. I did not know during the period up to 21 November many of the facts of CIA's role and, while coordinating the effort, did not participate in drafting the testimony. The Director changed a good deal himself in the last 24 hours.

While Gates has earlier defended his role in preparing the testimony, saying that he considered it "a fair statement of what we know at the time," (SSCI, 2/87, p. 145), in his March 2, 1987 letter responding to a question raised by Senator Specter, he wrote:

I regret that the DCI's statement of 21 November did not contain a more complete account of CIA's role in the NSC's Iran initiative. In retrospect, we should have sought a postponement of the 21 November hearing until those preparing the testimony had assembled more of the facts related to CIA's role. I did consider doing so, but concluded that a delay would not be politically tolerable [words omitted] [the statement] that was produced for the November 21 hearing was as accurate as we could make it under the circumstances. But we had to deal with problems of compartmentation, the fact that many of our officers involved in earlier stages of the NSC effort had moved on to other

assignments and were not readily available, and the fact that the Director had returned exhausted from an overseas trip less than 36 hours before his scheduled appearance before the Committee . . .

In his June 28, 1991 response to the Committee questions, he reiterated:

I believe that the testimony, through incomplete, was a fair statement of what the drafters of the statement and I knew at the time . . . I did not see, prior to the November 21 hearing, any draft subsequent to the draft labeled "1200 November 20." As I recall, Mr. Casey prepared subsequent drafts himself . . . I learned sometime later that Mr. Casey had changed—indeed, deleted—a good deal of the statement himself, without consulting me, after the last draft I saw.

With respect to his previous testimony addressing specific points involving the preparation of the November 21, 1986 testimony, Gates had made the following statements—

1. *With regard to his personal role in drafting or revising the testimony:*

Senator BOREN. Did you personally urge any revisions in the testimony in its original form?

Mr. GATES. No sir. I did not. The only thing in which I personally participated was: there was a discrepancy between our officers and the NSC, particularly Colonel North, as to who had made the telephone call to the Agency requesting help in establishing or in getting the 22-23, 24 November flight underway. Our officers distinctly remembered that it had been Colonel North that made that call or had made that request. The memory downtown went otherwise. The testimony—our recollection was the one we went with.

Senator BOREN. You suggested no other revisions in the testimony? No suggestions were made by you which were rejected?

Mr. GATES. No, sir. None that I recall. (SSCI, 2/87, p. 45.)

In addition to these comments, Charles Allen made the following general statement concerning the influence of LTC North over the preparation of the testimony:

During the week of 17 November 1986, I and other senior Agency officials were struggling to pull together the facts about the Agency's involvement in the White House-directed Iranian initiative. No one officer had all of the details; few records had been kept . . . We were also constantly reminded by Lt. Col. North that the initiative to free the American hostages was continuing and that every effort must be taken to avoid actions that could bring it to an untimely end—with loss of the lives of the hostages and possibly the Iranians with whom we were in contact. These admonitions were a strong and constant constraint as we prepared Mr. Casey's testimony. (Allen interrogato-

ries, 7/3/91, p. 12; see also Allen, 9/24/91, morning, pp. 22-23, 81-83)

2. *With regard to the failure to mention the diversion.*—On several occasions, Gates has said that he had no evidence of a diversion of funds, only speculation, which he regarded as “worrisome, but extraordinarily flimsy” to justify putting into the Director’s prepared testimony:

. . . [W]e did not know any more about any diversion of funds on the 21st of November, or, in fact, on the 25th of November when the Attorney General spoke, than we did on the 15th of October when we passed the memorandum to Poindexter. What we had were bits and pieces, analytical judgments by an intelligence officer that there was some diversion of funds. 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. (SSCI, 12/4/87, p. 108)

. . . [W]e had so little to go on that apart from warning the White House that we thought there might be a problem, I am not sure it would have been responsible by the Director . . . to pass along suppositions with regard to what might be going on. We really didn’t have very much. We had Allen’s memo, and that was about it. We had Allen’s memo and Furmark’s call to the Director, and that was basically all we had. (SSCI, 12/4/87, p. 109)

3. *With respect to CIA’s knowledge that the November, 1985 flight carried HAWK missiles.*—Gates explains that there was much confusion at CIA in terms of what the flight had carried and that Casey’s testimony expressly noted that they were still attempting to confirm the facts:

. . . [T]here was a reference in an early draft of the Director’s testimony that no one in CIA had known what was on the plane that flew on the 22nd or 23rd of—23rd or 24th—of November, 1985. In the day or so before the hearing, our General Counsel and others involved began to get information that suggested that in fact some of our overseas officers had known or suspected what was on the plane. And the more information we got, the less confident they became about the text. And so my understanding from the people who drafted the text was that that sentence was removed from the text on our own initiative, based on information and concerns expressed by our General Counsel that he couldn’t say that. (SSCI, 2/87, p. 44)

4. *With respect to omitting any mention of the December 5, 1985 Finding:*

*At the 1991 confirmation hearings:*

[At the time the testimony was prepared] I had completely forgotten about the December 5, 1985 meeting in Mr. McMahon’s office, when I had still been Deputy Director for Intelligence. And I was not reminded of that meet-

ing until his assistant reconstructed her notes of the meeting about 1 week after Mr. Casey's testimony.

As we have tried to reconstruct the putting together of Mr. Casey's testimony, it is clear that there was a major dispute over this finding, and whether it had existed, whether it had been signed, what its status was. And the net result of it was tremendous uncertainty and a general sense on the part of most people that, in fact, there had been no such finding . . . (Gates, 9/16/91, afternoon, p. 45)

\* \* \* \* \*

I had no independent recollection of the December 5th finding or the meeting that I had had, that several of us had had with Mr. McMahan on the 5th of December. There was a lot of discussion about the December 5th finding, but there was enormous uncertainty about whether the darned thing had ever been signed or not . . . So I think that those who had been involved or who had seen it perhaps thought of it as being part of the process leading to the January 17th Finding. In any event I don't recall . . . anyone stating in my presence that there ought to be, that that ought to be written up in the testimony. Maybe that is the case, but I don't recall it. (Gates, 9/16/91, evening, pp. 33-34)

\* \* \* \* \*

*At the 1987 confirmation hearings:*

Senator SPECTER . . . Wasn't it important for Director Casey to tell us that a covert action had been conducted without a Finding? Is there anything more fundamental on the law relating to covert activities than that there be a Finding and the CIA had undertaken a covert operation without a Finding?

Mr. GATES. Senator, the judgment at the time and to this day by our Attorneys at the Agency was that the role our officers played in facilitating the flight on the 22nd and 23rd of November, 1985 was not an illegal action and did not require a Finding . . .

Senator SPECTER . . . My question to you is shouldn't the Intelligence Committee have been informed that a covert action was undertaken without a finding?

Mr. GATES . . . Well, I would have to talk to those who drafted the testimony to determine what rationale there may have been for not putting it in. My guess would be that it was because it was not determined to be an activity for which a Finding was required.

Senator SPECTER . . . But you did know that [former CIA General Counsel] Sporkin prepared the [December 5, 1985] Finding?

Mr. GATES. Yes, sir.

Senator SPECTER. And you did know that it was omitted from the November 21 testimony . . .

Mr. GATES. Senator, we were trying to get all of the facts that we knew into the testimony. There were a number of

facts and a number of details that we did not know. In my view, we did not know any of the details about our involvement in the November activity . . . in terms of the role of our officers in the field and what they knew at the time, when the testimony was put together . . . The Director acknowledged in his testimony that we were still gathering facts, and that more information would be made available. And as we learned those facts and that additional information, it has been brought to the attention of this committee. (SSCI, 2/87, p. 148)

In addition to Gates' testimony, former CIA General Counsel David Doherty, in a sworn statement to the Committee, explained:

It is my understanding that the Director's written testimony on November 21, 1986 did not refer to the 1985 draft finding because the Agency had either been advised that it had not been signed or had been unable to determine that it had been signed, and, accordingly, it appeared that it had not become an effective finding . . . To my knowledge, the Agency first learned with certainty that the draft finding was actually signed when Admiral Poindexter so testified during the Congress's Iran/Contra hearings in 1987. (Doherty letter to Committee, August 5, 1991, p. 2).

5. *With respect to other operational details omitted (e.g. use of Secord and Hakim, Ghorbanifar, problems with the Canadian investors, etc.).*—Gates has said that he personally was unaware of the details at this point and the decision to include or omit them was simply a matter of judgment on the part of those drafting the testimony as to what level of detail was appropriate for the Director's prepared statement.

[W]e had a very difficult time that week. We only had a few days for our officers to pull together information. And I think it is worth stressing and you can talk to any of those involved in the testimony. My guidance was to put all the facts we knew into that speech . . . I was not in a position to know what a lot of those operational details were." (SSCI, 2/87, p. 145)

\* \* \* \* \*

Senator SPECTER. Well, Mr. Gates, I consider it indispensable to focus on November 21, 1986 to see if your participation in the preparation of that testimony contained adequate disclosure in terms of the specific commitment which you made to this Committee on April 10 . . . I have a long list of important facts which were omitted by Director Casey in his November 21st testimony. I can't go into all of them . . . I mention the one as to Ghorbanifar. A critical factor, a key man, fails two polygraph examinations . . . and the Intelligence Committee is not told about it when the Director comes to testify. Why not?

Mr. GATES. Senator, I can't correct what I don't know. And what we have done since the 21st and the Director said in his testimony of the 21st that we are still assem-

bling the facts, we were still trying to get the information together . . . We have not tried, the Director did not try on the 21st, nor have we tried at any point subsequently to shield or hold back from this Committee one piece of information about this entire affair.

Senator SPECTER. So what you are saying is you did not know that Ghorbanifar had failed two lie detector tests?

Mr. GATES. I knew that Ghorbanifar was mistrusted . . .

Senator SPECTER. You knew he'd failed one polygraph?

Mr. GATES. Yes, sir.

Senator SPECTER. Well, why didn't Director Casey's testimony say that . . . ?

Mr. GATES. Senator, I think that we tried to put all of the information into the speech about which we were confident and about which those who were involved in the operation made the judgment that it was relevant . . . If we left out an operational fact in that speech, in my judgment, it was not at all an effort, and I am confident that it was not an effort to mislead or misguide this Committee but rather simply a matter of the drafting . . .

Now, in terms of the judgment of what was or was not in the testimony and taken out by the Director as he worked over the drafts is something that frankly would have to be addressed, I think, with the people who actually participated in the drafting of the testimony. I did not. There were a lot of details I did not know. I got a note from one of the people involved that I was probably unaware at the time of the first draft retroactive Finding at the time of the November 21 hearing. There were a lot of things I didn't know at the time . . . I don't believe there was an attempt by any of those involved in preparing the speech to deliberately mislead or to leave information out. There was a judgment made presumably in the course of drafting about what to put in and what to leave out and all I can say is that I don't know what those judgments were. (SSCI, 2/87, pp. 168-171)

#### IV. KNOWLEDGE OF U.S. OR CIA INVOLVEMENT WITH PRIVATE BENEFACTORS

Statutory limitations on U.S. assistance to the Nicaraguan contras began in 1982 when Congress added an amendment to the Defense Appropriations bill for fiscal year 1983, prohibiting CIA use of funds "for the purpose of overthrowing the Government of Nicaragua." In action the following year on the FY 84 Intelligence Authorization bill, the amount of CIA aid for the contras was limited to \$24 million, far short of what was needed. The harbor mining disclosures occurred in the spring of 1984, contributing to action on the omnibus appropriations bill for FY 1985 cutting off aid to the contras altogether by "agencies or entities . . . involved in intelligence activities." The following year, in action on the Intelligence Authorization bill for FY 1986, Congress provided \$27 million in humanitarian aid for the contras, but prohibited any lethal assist-

ance: This restriction ended on October 1, 1986. On October 18, 1986, Congress passed a bill authorizing \$100 million, \$70 million of which could be used for "non-humanitarian" purposes.

These limitations led the Reagan Administration to take certain actions to maintain the contras as a military force. In the spring of 1984, the first solicitations were made of third countries to contribute funding. At roughly the same time, LTC North was organizing this private network (e.g. Secord, Clines, Rob Owen, etc.) to begin dealing with contra leaders and addressing their logistical needs. In late 1984 and early 1985, the first arms shipments procured through Secord were delivered to the contras. The private network also purchased during this period a Dutch freighter, the *Erria*, to make certain of these arms deliveries. North also during this time period received intelligence from CIA which he passed on to the contras (in a period when CIA itself was prohibited from doing so). In May, 1985, contra leader Calero placed an order through General Singlaub rather than Secord, whose prices were too high. Additional Solicitations of third country support were made by Singlaub. In August, 1985, the Secord group organized its own resupply effort, and North went to Costa Rica to explore opening up a "southern front" in the war. An airfield for use in the resupply operation was planned. In the fall of 1985, the resupply operation acquired assets and set up operations. The first lethal deliveries took place in March, 1986 and continued periodically until the Hasenfus flight was shot down on October 5, 1986.

Gates was the Deputy Director for Intelligence at CIA (in charge of production and analysis) from January, 1982 until April, 1986, when he became Deputy Director of Central intelligence. While he had no responsibility as DDI for CIA operational activities, his directorate produced a voluminous amount of analysis on developments in Central America during the period in question. When Gates became DDCI in April, 1986, he gained supervision over the Directorate for Operations (DO), which managed CIA's operational activities in Central America, including relationships with the Nicaraguan opposition. At this point in time, the private resupply network was providing active support to the contras. Shortly after Gates became DDCI, however, the House of Representatives voted \$100 million in aid to the contras to begin in the new fiscal year (October 1, 1986), and planning began in earnest within the Administration for the restart of the program.

Within CIA, principal responsibility for Central American operations was lodged with the Central American Task Force (CATF), an element within the Latin American Division of the DO. In October, 1984, Director Casey had personally selected Alan D. Fiers, Jr. to run the CATF. Fiers served in this position until March, 1988, when he retired from CIA. According to the organizational charts, the Chief, CATF, reported to the Latin American Division Chief, who, in turn, reported to the Deputy Director for Operations, who reported to the Director and Deputy Director of Central Intelligence. In practice, however, Fiers had frequent direct, personal contacts with Director Casey, leaving Fiers to ensure that his superiors in the DO, i.e. the LA Division Chief and the DDO himself, were subsequently apprised of the DCI's instructions or position. Fiers also had direct, personal contracts with Robert Gates, initial-

ly as DDI and more frequently after Gates became Deputy DCI with wider responsibilities for approval of operational plans and for interagency coordination.

*1. Gates' Knowledge of Provision of Intelligence to the Contras*

In November, 1984, North requested intelligence from CIA on the location of the HIND helicopters in Nicaragua which he passed to contra leader Calero. North, however, in a memo to Poindexter denied having revealed this purpose to CIA. (See McFarlane Exh. 31, p. 463) There is also testimony from Robert Owen that North in February, 1985 gave him maps that had come "from across the river," meaning CIA, to deliver to the contras (Owen testimony, p. 332)

These events took place when Gates was DDI, in charge of CIA analysis and production. There is no testimony or documentary evidence that the Committee is aware of, however, to indicate that Gates personally had knowledge that North was providing intelligence he received from CIA to the contras during a period which CIA itself was prohibited from providing such intelligence.

*2. Gates' Knowledge of Private Benefactor Support Prior to Becoming DDCI in April, 1986*

In previous testimony before the SSCI, Fiers stated that CIA began to see deliveries of arms to the contras from the private benefactors as early as January, 1986, with the air delivery system coming on line in March, 1986. (Fiers testimony, 12/9/86, p. 23., in possession of Committee)

According to the Statement of Facts filed by the Government to support the plea bargain agreement in the Fiers case, Fiers became aware in February, 1986, that LTC North was involved specifically in coordinating flights carrying lethal supplies to the Contras from Ilopango air base in EL Salvado. (p. 6) He learned this from North himself and from his interactions with two individuals involved in the resupply operation: Richard Gadd and Felix Rodriguez.

At the suggestion of North, a meeting was arranged between Fiers and Gadd at a restaurant in McLean, Va. in February, 1986. Fiers learned that Gadd, who was a contractor of the Department of State's Nicaraguan Humanitarian Assistance Office (NHAO), was also arranging for aerial deliveries of lethal supplies to the Contras. (p. 6) In his testimony at the confirmation hearings, Fiers stated that it was at this meeting that "I felt I got out too far. That I rubbed elbows with the [private benefactor] operation, got direct knowledge of the operation. Because I was debriefing him essentially." (Fiers, 9/19/91, p. 33)

According to Fiers' plea bargain agreement, during the same month, Fiers had a confrontation with Felix Rodriguez. Fiers learned that Rodriguez had authorized a resupply flight to which Fiers objected on the grounds that it "would have compromised United States Government objectives in the region." Rodriguez then told fiers tht North had authorized the flight in question. fiers then called North and told him the flight would have to be cancelled. The following month, Fiers learned from North that NHAO flights were being used to drop lethal supplies to the Contras in southern Nicaragua. (p. 7)

It is also clear from the Committee's review of CIA cable traffic from Central America that CIA officers had been put on notice as early as February 7, 1986 that LTC North may have had contracts with the private benefactor operations. A cable of that date reflects a report from a Charge' de Affairs at a U.S. Embassy in Central America that Felix Rodriguez had told him that he (Rodriguez) was coordinating his activities with Ollie North. The comment from the CIA reporting officer was: "What is going on back there?"

CIA Officers were also aware as early as March, 1986, that the aircraft under contract with NHAO were being reloaded with lethal supplies for delivery to the contras. These same CIA officers also were passing word to CIA headquarters that they occasionally were told that the lethal resupply flights were being coordinated "by Washington." (3 March 1986 cable; 26 April 1986 cable, on file with Committee)

Initially, the NHAO flights were not permitted to fly directly from the U.S. to the contra camps in Honduras, but rather were required to stop first in Ilopango airfield in El Salvador. In March 1986, however, the Honduran government permitted direct flights, and NHAO moved out of Ilopango, leaving the aircraft and crews under the control of the private benefactors in Ilopango, where they operated to move private benefactors in Ilopango, where they operated to move lethal supplies to the contras inside Nicaragua until the Hasenfus crash in October. While CIA monitored these private benefactor operations, its operatives in the field were instructed to stay away from the people involved (Fiers transcript, 12/9/86, p. 49, in possession of Committee)

During the "early spring" of 1986, LTC North told Fiers that Israel was selling arms to Iran and "kicking money into the Contras pot." According to the account in the Fiers plea bargain agreement, shortly after receiving this information, he reported it to his immediate superior, referred to herein as LA Division Chief #1. On May 1, 1986, LA Division Chief #1 was routinely reassigned and LA Division Chief #2 was appointed. (p. 3)

LA Division Chief #1 to whom Fiers says he made the disclosure has no recollection of Fiers' having made the statement in question, although he does not dispute that Fiers may have done so. He does not think it would have caused him any particular concern or that he would have communicated it to others. He was generally aware that other countries were thought to be supporting the contras. Moreover, he was not aware at the time of the finding authorizing U.S. arms sales to Iran, or that the U.S. was involved in any activities of this nature. (Interview with LA Division Chief #1, p. 1)

In testimony at the confirmation hearings, Fiers said that he did not tell Gates of this information, nor was he aware that any other person had told him. (Fiers, 9/19/91, p. 14)

Indeed, prior to his becoming DDCI in May, 1986, Gates testified that "[a]s Deputy Director for Intelligence, I had no direct knowledge, or need to know, nor did anyone come to me with, information about the private benefactor effort in support of the Contras." (Gates 9/16/91, evening, p. 11)

This statement is borne out by other evidence. Although Fiers testified that he began working with Gates "in a meaningful way"

in early 1986, these contracts were primarily to discuss substantive intelligence issues related to Nicaragua, and did not touch on the private resupply operation. (Fiers, 9/19/91, p. 123) In his interview with the Committee, Fiers had no recollection of reporting any of the information he acquired from January through March, 1986, to Gates. (Fiers interview, on file with the Committee)

Indeed, the Committee found no documentary evidence to suggest that prior to becoming DDCI, Gates was made aware of what Fiers or CIA officers in the field had reported, concerning the use of NHAO aircraft to make lethal deliveries or that "Washington" was somehow involved in the coordination of the resupply flights.

### *3. Initial Involvement with Nicaraguan Situation in April-May, 1986*

By the time Gates became DDCI on April 18, 1986, the private benefactor resupply operation was well off the ground. Operating primarily out of Ilopango Air Base in El Salvador, the private benefactors were using old C-123 and C-7 aircraft to air drop supplies to the Contras operating inside Nicaragua. Both the U.S. Military Group and CIA officers in the field monitored the items being shipped. Indeed, throughout the period when the U.S. assistance was restricted (1984-1986), CIA assiduously monitored the nature and quantity of assistance being provided the Contras from outside sources. (CIA Memorandum, 23 October 1986, on file with the Committee). For example, from January 1, 1986 until the cessation of the private benefactor resupply effort in October, CIA field offices sent 65 separate intelligence reports to headquarters on the subject of Contra resupply, providing detailed information on the private benefactor airdrops. These reports did not, however, identify the source of the supplies in question.

Soon after becoming DDCI, Gates began to be called upon to explain or defend the Agency position with regard to Nicaraguan matters. On April 22, 1986, four days after being sworn in, Gates met with Fiers in his office. On April 30, Gates was called upon to brief the SSCI on the Nicaraguan situation, and talking points were provided him on the communications assistance being provided the Nicaraguan resistance. (DDCI Talking Points, 30 April 1986) CIA records also reflect background papers prepared for Gates on Nicaragua for two luncheons in May with senior State Department officials. (CIA memoranda, on file with the Committee) On May 28, 1986, he received a staff memorandum regarding the agency's experience with resistance leader Eden Pastora in order to deal with congressional proposal to make more use of him. (CIA memo on file with the Committee)

### *4. Discussion of "Ollie's Ship"*

In early May, Gates attended a meeting at the White House with North and Poindexter where, according to a memorandum of the meeting prepared by the NSC staff, "the status of Ollie's ship" was discussed. (See Poindexter exhibit 49) The CIA had needed a ship to conduct a covert action unrelated to Nicaragua, and Secord offered the *Erria* to the CIA on a contract basis. The CIA resisted the effort based apparently on the cost of the contract and on the previous involvement of a former CIA employee with the ship.

North tried to get Poindexter to have the CIA change its mind. Eventually, Director Casey supported the recommendation by the Deputy Director for Operations that the CIA not use the *Erria*. (See Appendix A, Vol. 2, Iran-Contra source documents, p. 963).

According to former NSC staffer Vince Cannistraro, who prepared Poindexter for the meeting, CIA had insisted that the *Erria* matter be added to the agenda because of a desire to put this issue to rest officially and to ensure North was acting with authority. Cannistraro had no specific knowledge that Gates was aware of North's connection with the *Erria* or of its being used to make arms deliveries to the contras. (Interview with Vince Cannistraro, p. 2, on file with Committee)

Asked about the incident, Gates could only remember that there had been a need to obtain a ship because the Navy could not fulfill the convert action requirement. He was "not aware of any specifics of the ship being proposed by LTC North for charter or acquisition" and was "unaware at the time that the *Erria* had been used to deliver arms purchased through General Second to the contras in 1985." (Supplemental Questions, 28 Jun 91, p. 31). Gates' principal executive assistant was asked about the issue and said he recalled discussion of the availability of the ship, but did not recall any connection with North. (Gates Executive Assistant interview, 8/2/91, on file with Committee)

##### 5. Problems with Fernandez

Also, in May, 1986, CIA headquarters personnel, visiting Central America, became aware that a CIA officer, Joseph Fernandez, had been providing the private benefactors at Ilopango air base with information from UNO/SOUTH to support the air resupply operation in Southern Nicaragua. Since there was no UNO/SOUTH communicator at Ilopango, there was no means of relaying information from their headquarters to the private benefactors. (See C/CATF testimony, p. 110) Fernandez had acted as intermediary. This resulted in a cable being sent from CIA headquarters on May 28, 1986, reiterating CIA prohibitions on assistance to the private benefactors, but expressing satisfaction with the conduct in the field thus far. (See C/CATF testimony, p. 111.)

Initially, CIA had approved a request by Fernandez to assist UNO/SOUTH in locating a communicator and secure communications equipment at Ilopango, but after reconsideration, CIA headquarters sent a second cable, dated July 12, 1986, denying the request and telling Fernandez his proposal would "change CIA policy" towards the private benefactors. (See C/CATF Exh. 33, p. 648) It was headquarters' understanding that Fernandez had worked out an arrangement with UNO/SOUTH for a communicator at Ilopango without CIA's assistance. (CIA Memorandum, December 29, 1986, on file with Committee)

Gates does not recall seeing either of the cables sent from CIA headquarters, and says "it is unlikely that I would have seen them." (Supplemental Questions, 6/28/91, p. 35)

In his interview with the Committee, Fiers had no recollection of Gates having been informed of the Fernandez situation. (Fiers interview, on file with the Committee)

### *6. Restart of the Contra Program in June*

It is clear that beginning in June of 1986, Gates became increasingly involved in the "restart" of the contra aid program. On June 5, Gates attended a White House meeting where the terms of a proposed new program, under consideration in the House of Representatives, were discussed. (Gates Memo, June 6, 1986) On June 6, Gates met with Casey and Fiers to discuss upcoming testimony before the HPSCI on the proposed program. On June 25, 1986, in fact, the House of representatives voted \$100 million in aid for the Contras to begin on October 1, 1986, and it became clear that a new U.S. program would likely be authorized a few months hence. On June 30, Gates had lunch with the Deputy Secretary of State to discuss the new program. (CIA memo, on file with the Committee.)

### *7. Cannistraro Matter*

In the meantime, Gates became concerned with a personnel matter involving a CIA employee, Vince Cannistraro, who had been assigned to the NSC staff. Poindexter had requested that Cannistraro be extended and assume responsibility for the NSC'S Central American account. According to Cannistraro, with the start of the new contra program, he felt the NSC staff component for intelligence (rather than North) should have primary NSC responsibility. (Cannistraro interview, p. 4)

According to Fiers' testimony at the confirmation hearings, Gates asked him whether Cannistraro should be extended. Fiers said he replied that "if Vince is extended, and if he takes over the Central American account, he can't have the same relationships with the private benefactors that Oliver North has. That would get us in a place we don't want to be." (Fiers, 9/19/91, p. 26)

Gates apparently reiterated these same concerns at a meeting on July 10, 1986 with Admiral Poindexter. In a July 11, 1986 memorandum of the meeting written by Gates, he notes that he told Poindexter to make sure that Cannistraro "had nothing to do . . . with the private sector people Ollie had been dealing with. . . ."

Cannistraro could not recall ever specifically discussing North's activities with Gates, but said he assumed Gates knew what North was doing since it was common knowledge on the NSC staff and at the CIA Directorate of Operations. Cannistraro thought Gates was concerned that there be no hint of a CIA link to North's operation because Cannistraro was subject to the Boland Amendment. Thus, Gates was reluctant to have Cannistraro take over North's account. (Cannistraro interview, pp. 4, 6)

Asked recently to explain what it was about North's activities that would not be appropriate for a CIA employee, Gates replied: "In accordance with my concern that all CIA employees comply not only with the letter but with [the] spirit of the Boland proscriptions, I wanted to make it very clear to Mr. Cannistraro and to the NSC that I did not want even the appearance that CIA was in any contact with the private American benefactors" [Supplemental Questions, 28 Jun 91, p. 32-33].

8. *Gates Knowledge of North's Role vis-a-vis the Private Benefactors, Generally*

At his deposition before the Iran-contra committees, Gates was twice asked what he had understood North's role vis-a-vis the private benefactors to have been:

Q. Did [Casey] ever say anything to you which led you to believe that he knew about Colonel North's role in supporting that [private benefactor] operation?

Mr. GATES. No. My impression from comments that Mr. Casey made to me was that his level of knowledge was along the lines that in fact have been suggested in the press, and that is that there was encouragement of private fundraising, advice to the contras, but nothing suggesting an operational role.

Q. So . . . you gathered that he saw Colonel North's role as one of encouraging private contributions and providing general advice to the contras, but not as coordinating the resupply operation in the way he described it in his testimony?

Mr. GATES. That would be my impression, yes, that it was not a tactical role at all. (Gates Deposition, Vol. 11, p. 968)

\* \* \* \* \*

Q. What did you know about Colonel North's role concerning the private benefactors as of October 10?

Mr. GATES. Well, most of what I knew I knew from allegations in the newspapers. My understanding of what he was doing at the time was that he was basically holding the hand of the resistance leaders, offering political advice and staying in touch with them, that he was encouraging, with presumably others in the White House, encouraging private Americans to donate money to the contras, and I presumed that he had a role putting those two groups in touch with each other. And that was basically my understanding of his role . . .

Q. C/CATF has testified in a deposition to the Committee that he knew as of October of 1986 that Ollie North was in some way connected with the private benefactors. Did he ever tell you that as of October 1986?

Mr. GATES. Not that I recall . . .

Q. Were you aware of any connection between North and the private benefactors as of October 1986 . . . other than North's general involvement with fund raising?

Mr. GATES. And in an advisory capacity, no, certainly not in an operational sense. Let me put it that way. (Gates deposition, Vol. 11, p. 992)

At his confirmation hearings, Gates elaborated on his understandings:

I had no idea that there was anything improper or inappropriate going on. I had a view of Admiral Poindexter that he was a completely straight arrow and a completely

straight shooter. I wasn't suspicious that he was involved in criminal activity or wrongdoing of any kind . . . Based on the information that I had at the time, I didn't see anything, it didn't set off any alarm bells for me. (Gates, 9/17/91, morning, p. 28)

Fiers was twice asked at the confirmation hearings whether Gates' description of his knowledge was accurate. He responded:

I don't have any reason to take strenuous objection to the description that you just put forward of Mr. Gates. I can't be in his mind and I don't know the extent of detail. I suspect it did not go very far . . . [F]rom the general ambient that we lived in . . . I concluded that along with many other people in the Administration, Bob Gates understood the framework that was taking place. I have no reason to believe, in fact I am sure, he did not know the details . . . I put no knowledge in Bob Gates' head . . . I never talked with him in any specific detail about what Oliver North was doing or not doing . . . I didn't take them to Director Casey. They stopped with Clair George and even then not in the detail I knew them . . . I have no reason to call into question or to question the characterization that Bob Gates has put in front of this Committee. (Fiers, 9/19/91, pp. 26-29)

\* \* \* \* \*

[A] broad array of people had an understanding of what was happening. Not the diversion, not the sales of weapons to Iran, but that a private benefactor support network for the Democratic Resistance or the Contras in Nicaragua had been established and was being quarterbacked by Ollie North. I think in my own mind, and this is speculation, that Bob Gates was in that broad universe . . . But within that [universe], I have serious reason to doubt that Bob Gates had extensive detail. He was late to the game. It was not something that was talked about openly. At that point it was more understandings between people and I think he got glimpses and snatches into it, enough so that he knew that it was a problem. Someplace—there were shoals out there the Agency had to stay away from and . . . as best I understand it, that was his intent. (Fiers, 9/19/91, p. 70)

Fiers went on to describe how Director Casey had previously treated North's operational activities in Central America. In October, 1984, after Fiers, who was new on the job, had raised questions about North's activities in Central America, Fiers was asked to attend a meeting in Director Casey's office with North, Clair George, and the Chief of the Latin American Division. As Fiers described it:

the Director looked at Ollie and said, Ollie, Alan tells me you are operating in Central America. Is that true? And then the Director looked at me and said, Alan, tell Ollie what you told Clair . . . So I, somewhat of an awk-

ward situation, I rounded the edges a bit, and repeated the same story, feeling slightly uncomfortable with sort of that confrontation. Then the Director looked and said, Ollie, are you operating . . . in Central America?

Ollie looked at the Director and said "no". The Director said 'good, I want you to understand that you are not to operate in Central America.

We walked out and Clair and I went back to his office. I was somewhat—I was left incredulous. And he said Alan, you have got to understand what happened in that meeting just now. Sometime—and I am quoting now, I remember this meeting like it was yesterday, 'Sometime in the dark of night, Bill Casey has said, I will take care of Central America, just leave it to me. And what you saw go on in there was a charade.' And I looked at Clair, and these were my words, and please excuse me for profanity, I said '[deleted] if that is true then this will be worse than Watergate, if it ever comes out in the open. (Fiers, 9/19/91, pp. 31-32. [Note: In a letter from Fiers' attorney Stanley Arkin to the Committee, dated 9/24/91, Fiers amended this statement to say that he recalled George speculating that Casey had told the President that he would "take care of Central America."])

Fiers testified that Gates was not at this 1984 meeting. He cited the meeting in an effort to explain why he had not thereafter been more forthcoming to Gates and others in terms of discussing North's operational activities.

Fiers also testified that at the time it was unclear whether North's activities were illegal:

I don't know that anyone knew categorically that for the White House to do what it did was contrary to the law of the land. We knew for CIA to be involved in it was contrary to the law of the land . . . I asked Ollie North, is what you are doing legal? Have you got a legal opinion? He assured me on two occasions that he did and that it was legal . . . I'm not certain that Bob Gates had enough knowledge to conclude that it was illegal. I can't speculate on it one way or another. (Fiers, 9/19/91, p. 73)

### *9. Sale of the Private Benefactor Assets of CIA*

When it became clear in the summer of 1986 that the U.S. program to assist the Contras would resume in the fall, North made a concerted effort to have the CIA purchase the aircraft and equipment used to conduct the private resupply effort in Central America. The CIA resisted because the equipment was old and was also "tainted" by its use during the period of restrictions of U.S.-furnished aid. North asked Poindexter to intervene with the CIA to convince them to purchase the equipment. On July 26, 1986, Poindexter sent a note to North summarizing his effort: "I did tell Gates that I thought the private effort should be phased out. Please talk to Casey about this. I agree with you [that the CIA should purchase the assets of the private operation]."

Asked later about this, Poindexter twice testified that he told Gates that the assets from the private benefactors were available and that the CIA should look into taking them over. He remembers Gates responding something to the effect of, "Let me check into it" (Poindexter Testimony, pp. 260-261, Poindexter deposition, p. 1182)

Gates does not remember this conversation with Poindexter, but recalls that after the \$100 million had been approved by Congress that the White House had concluded "the private benefactor effort to help the contras would no longer be necessary." Gates did not respond to a question about what, if anything, he otherwise recalls about North and Poindexter's efforts to arrange the sale of these assets to CIA. (Supplemental Question, 6/28/91, p. 34)

In his testimony at the confirmation hearings, Fiers recalled that North had had Gates talk to him about it:

Oliver North wanted me to buy the assets of the private benefactors. He talked with me about it, he had others talk to me about it. One of those people . . . was Mr. Gates. And he asks me, Alan, why aren't you buying these assets, what's wrong with them. He didn't force me, he didn't say I want you to buy them. He just asked a question. I gave him the logic, the reason: they're old, they're not the right type, they're heavy on maintenance, heavy in fuel, don't carry the load, they don't have the range, and besides . . . I don't know their background and I don't want to taint this upcoming program with anything that is questionable . . . I had that conversation. The details, the specificity of it, I can't be sure of, but I am certain what we had that exchange . . . (Fiers, 9/19/91, p. 26)

Gates testified that he did not recall such a conversation with Fiers, but that even if it had taken place, "it would not strike me as particularly suspicious or difficult to understand that they would approach the government to say, as of the 1st of October, how about taking some of these assets off of our hands."

Gates' calendar for July 29, 1986, three days after the Poindexter PROF note to North, does show that Gates met with North at his office at noon. (This is the only private meeting with North that appears on Gates' calendar as DDCL. The subject of the meeting is not noted.) Gates advised the Committee that he had no recollection of this meeting.

NSC staffer Cannistraro also recalled "absolutely" that North had called Gates on a secure phone about CIA taking over the private benefactor infrastructure. He believes North may have been appealing lower-level views. (Cannistraro interview, p. 6, on file with the Committee)

#### *10. Gates' Involvement in the Nicaraguan Program: July/August*

North's effort to have CIA purchase the assets of the private benefactors was only part of the "fall-out" from the congressional decision to restart the contra program.

During July, 1986, the Administration was actively engaged in developing a new National Security Decision Directive to implement the new legislation. At a meeting attended by Gates at the

White House on July 10, 1986, the Executive branch organizational arrangements for overseeing the implementation of the program were discussed, as was a proposal for training of the contras. (CIA memoranda on file with Committee) On July 11, Gates discussed the restart of the contra program at a luncheon meeting with the Deputy Secretary of State. (Gates Memo, on file with Committee) At the confirmation hearings, Gates testified that none of the interagency meetings he attended during this period involved detailed discussions of the private benefactors:

In no case did these conversations [with other agency heads] involve conversations about the private benefactor effort in any detail or in any way that would be improper or inappropriate. And no one came to me with the view that there was anything improper or illegal going on or even the suspicion of that. Again, the focus was completely on the future. (Gates, 9/16/91, evening, p. 12)

Gates also testified at the confirmation hearings that toward the end of July, he instituted a series of regular meetings with the CATF "to get briefings on how [the program] was going, and what kind of interagency problems they might be having and so on." (Gates, 9/16/91, p. 7) Gates' Special Assistant advised that the meetings were used by Gates to keep himself current on matters that might affect the restart of the Nicaraguan program. (Statement of Gates' Special Assistant, on file with the Committee.) Others who participated in the briefings said that they were sometimes short updates. (Interview with Deputy Chief, CATF, p. 1)

In any case, Gates was on vacation from August 1 until August 15, during which time the pace of activities related to the restart of the contra program appears to have accelerated. On August 13, Casey attended a meeting at the White House to discuss issues related to the draft NSDD on the restart of the Nicaraguan program. On August 14, Casey approved a separate CIA proposal going to the White House related to the restart of the contra program.

Upon his return from vacation, Gates' weekly briefings with the CATF began. Based upon his calendar, it appears these briefings were routinely scheduled for 10:30 on Tuesday mornings with the first such meeting of this nature taking place on August 19, 1986 with Alan Fiers. [Subsequent calendar entries include 26 August 1030 (LA Division Chief); 2 September 1030 (Deputy Chief/CATF); 9 September 1430 (Central American Task Force); 23 September 1030—Fiers cancelled, Gates TDY; 29 September 1700 (Fiers); 21 October 1030—Fiers cancelled, Gates TDY; 28 October 1030—Fiers cancelled, Gates TDY; 4 November 1030 (Fiers); 25 November 1030—Fiers cancelled, Gates TDY; and 2 December 1030 (Fiers).]

On August 20, 1986, Gates approved a staff proposal for intelligence-related training for the Resistance (contingent upon staff certifying the curriculum would be consistent with law and regulations). (CIA Memoranda on file with the Committee)

In his testimony at the confirmation hearings, Fiers also said it was during this period that Gates insisted he have weekly meetings with the CIA Comptroller to ensure that the financial aspects of the Task Force operations were sound. (Fiers, 9/19/91, p. 51)

### *11. Concerns with Felix Rodriguez*

While Gates was becoming increasingly involved in Administration and Agency actions related to the restart of the contra program, Fiers grew concerned about the activities of the private benefactors, notably Felix Rodriguez, whom he saw as jeopardizing passage of the new legislation.

On August 6, 1986, Rodriguez and a Salvadorean General took an aircraft belonging to the private benefactors out of Miami and flew it to El Salvador, claiming it belonged to the Nicaraguan Resistance. This was disputed by another of the private benefactors, Rafael Quintero, who threatened to file a lawsuit against Rodriguez. (See Iran-contra report, pp. 73-74)

In a call made to a senior CIA officer in Central America on August 6, 1986, Fiers states that he has learned that Rodriguez and a Salvadorean military officer have stolen the aircraft at Miami, prompting the owner to bring legal action against Rodriguez for air piracy. Fiers says that Rodriguez is "out of control", "a loose cannon on the deck", that "he is muddying the waters in the Nicaragua pot and must be gotten out." Fiers says that he has talked to the Vice President's office about Rodriguez and they tell him Rodriguez "has no writ to do anything with the Nicaraguan Resistance." Fiers says that Rodriguez "does have a certain writ" [from the Vice President's office] and he intends to "try to get rid of that writ" as well. Fiers says he intends to get with the Vice President's staff and get them to bring Rodriguez back up to Washington to discuss this. (PRT 250 call, 8/6/86, in possession of Committee)

On August 8, in fact, Rodriguez returned to Washington and met with Donald Gregg, national security advisor to Vice President Bush, and set forth a number of complaints about the Secord group, (e.g. their relationship to Tom Clines, Ed Wilson, overcharging for weapons, etc.) and made Gregg aware of North's involvement in the resupply operation. (See Iran-contra report, p. 74)

According to Fiers' plea bargain agreement, he attended a meeting on August 12, 1986, in Gregg's office, in which Rodriguez' complaints about the lethal resupply operation were discussed. In attendance at the meeting were LTC Robert Earl, North's assistant at the NSC staff, and the U.S. Ambassador to El Salvador, Edwin G. Corr. Corr said that Rodriguez had been instrumental in the resupply operation because of his personal friendship with the commander of Ilopango air base. Fiers stated that CIA was not interested in using the resupply assets at Ilopango once CIA was authorized to provide lethal assistance to the contras and asked that Earl inform North of this. (pp. 7-8)

Fiers had his first update meeting with Gates on August 19, six days later. In his interview with the Committee, however, Fiers did not recall having briefed Gates at this meeting or on any occasion with respect to his concerns with Rodriguez or about Rodriguez' relationship with North or Gregg. (Fiers interview, on file with the Committee)

### *12. Fiers' Report of Diversion*

According to the Statement of Facts supporting the Fiers plea bargain agreement, "by late summer of 1986" North told Fiers that

the United States was selling arms to Iran and using the proceeds from the sales to aid the Contras. Fiers reported this information to his immediate superior, the LA Division Chief, who instructed him to report this information immediately to Clair E. George, the Deputy Director for Operations. Shortly thereafter, Fiers reported this information to George, who informed Fiers that, "Now you [Fiers] are one of a handful of people who know this."

In testimony at the confirmation hearings, Fiers said that he did not report North's comment to Gates, nor did he know whether Gates was among the "handful of people" mentioned by George. He had no reason to think that anyone had reported North's information to Gates. (Fiers, 9/19/91, pp. 15-17)

Fiers testified that he had understood Clair George's remark "to go more to the sale of weapons to Iran . . . than I did to the diversion . . . I understood it was information I was to file and not to make reference to." Fiers went on to say that he had never again discussed the matter with George nor had he ever discussed it with Director Casey (pp. 15, 17)

The former Chief of the Latin American Division, to whom Fiers says he reported North's information, testified in a deposition to the Committee that he had no specific recollection of a "diversion," but did recall Fiers having asked him what to do if he had learned something about a very sensitive operation:

Alan came to me and said a very conjectural kind of thing. He said that if I were to know something, either very sensitive or important or scandalous or something about this whole program we are involved in, who should I talk to about it . . . I can't remember the wording he used, but it was clear to me that the conversation had nothing to do with the Agency. I don't remember what I told him back but I think I would have told him something like, if it's something that's illegal, you'd better tell the lawyers, or if it's something that's a politically hot potato, I would take it to the seventh floor [the senior management floor at CIA headquarters]. (Former Chief, LA Division, deposition, 9/10/91, p. 19)

Fiers, at the confirmation hearings, stated that he did not doubt that the former LA Division Chief recalled the incident in the way he described it, but said the reason he (Fiers) recalled it so well was that "it laid on my heart like a shot for five years." (Fiers, 9/19/91, p. 20)

Gates, at the confirmation hearings, denied ever having heard any report of North's comment to Fiers, either from Fiers himself, Clair George, the Chief of the Latin American Division, or any other person. (Gates, 9/16/91, afternoon, p. 22)

### *13. Downing of the Hasenfus Plane: Assurances to the Intelligence Committees*

On October 5, 1986, one of the private benefactors' C-123 resupply aircraft was shot down by Nicaraguan anti-aircraft fire. Three U.S. citizens and a Nicaraguan translator were on board. Only one American, Eugene Hasenfus, survived.

According to the Fiers' plea bargain agreement, Fiers called North after the crash and asked him whether the downed aircraft was his. North told Fiers that the plane had been part of his operation, and that the operation was being dismantled. (p. 8)

At the confirmation hearings, Fiers testified that he never made Gates aware of this information and had no reason to believe that Gates "knew specifically that that plane was part of a North-White House operation in specific detail." Fiers said that there were only two people at CIA that North would have confided this sort of detail to: himself and Director Casey (Fiers, 9/19/91, p. 21)

At his confirmation hearings, Gates denied ever learning that the Hasenfus aircraft was part of North's operation. (Gates, 9/17/91, afternoon, p. 38)

Whoever at CIA may have been aware of North's role in the flight, both the President and Secretary of State made public statements on October 8th and 7th, respectively, denying there was any U.S. Government involvement. (See Iran-contra report, p. 145)

Appearing before the SSCI on October 8th on another subject, Gates reassured the Committee in questioning that, as far as he knew, the CIA was not involved in the Hasenfus flight. He described previous associations between the men on the aircraft and the CIA, but, based upon what he had been told, denied that a current relationship existed. He told the Committee he would check this further and report back his findings. (Gates testimony, Hasenfus Plane briefing, 8 Oct 86, pp. 6, 8).

In an interview made public in Nicaragua the next morning, Hasenfus stated that he believed that he was working for "Max Gomez" and "Ramon Medina," whom he believed to be employees of the CIA.

The CATF at CIA headquarters immediately sent cables to the field asking whether they had knowledge of any of the persons aboard the flight. (Note: the cables did not solicit information about the private benefactor resupply operation per se, but rather were confined to what the field knew about the crew of the downed plane.) Answers were received the same day or day after generally indicating that field personnel did not know or have relationships with any of the crew members. One of the reply cables did note two previous contacts with Felix Rodriguez and acknowledged his role in the resupply operation, but made it clear that CIA officers had steered clear of him. (Cables on file with the Committee.)

In any case, confronted with an uproar over the Hasenfus statement in the morning of October 9th, Gates sought explicit assurance from North at a luncheon with Casey which occurred the same day that, indeed, CIA had had no involvement with the private benefactor operations. (Other details of this October 9th luncheon with North and Casey are contained in part I above). North replied that the CIA was "clean." Gates returned to his office and prepared a memorandum for record regarding his question and North's reply (Tower Commission, 12 Jan 87, pp. 22-23; Gates testimony, p. ).

Asked twice at his confirmation hearings why he had sought assurances from North that CIA had not been involved in the Hasenfus crash if he had not thought North had any operational role in the private resupply operation, Gates replied.

I was trying to cross every 't' and dot every 'i', and I knew that Mr.—Colonel North was in touch with the private benefactors and I was just pursuing a long shot that perhaps one of these people had said something about a proprietary or something like that, that might give some indication or that he might have heard about. There was nothing more to it than that . . . I worked on the NSC under who I regard as the three most powerful National Security Advisors in post-war history—Kissinger, Brezinski, and Scowcroft—the idea that a junior NSC staffer would be involved in the kind of thing that later was revealed, frankly, was—totally amazed me. (Gates, 9/17/91, afternoon, pp. 41-41)

\* \* \* \* \*

It [the question to North] was purely in connection with knowing that he was in touch with the private benefactors. The idea that he was quarterbacking this thing or running it, frankly . . . [it] just never occurred to me, quite honestly, that he was at the hub of this entire operation . . . (Gates, 10/1/91, morning, p. 82)

In the later congressional testimony, North cited his categorical assurance to Gates at the luncheon as but one instance of his insulating CIA from the contra resupply operation. In particular, he affirmed his belief that Casey had wanted Gates to be the deputy in charge of day-to-day operations of the agency and insulated from the contra operation. (See North testimony, 7/13/87, pp. 117-118)

According to North's testimony at his own trial several years later, Casey told him at the October 9th luncheon that Roy Furmark "knew there was a connection between the Iranian initiative and the Nicaraguan Resistance. . . . to start cleaning things up, to get rid of things that weren't necessary." North said he was specifically told by Casey to start pulling the resupply airplanes out of Central American and get the crews out. North could not recall whether Gates had been there at the time Casey made these statements to him (North transcript, April 12, 1989, pp. 7553-7556)

Gates has no recollection of hearing the statements ascribed by North to Mr. Casey (Gates replies to Committee questions, pp. 9-10)

In any case, after receiving North's assurance and responses from CIA headquarters personnel, Casey and Gates met informally with the leaders of both of the intelligence committees later in the afternoon of October 9th, and reiterated the assurances of "non-involvement" made earlier by Gates. (Gates deposition, Vol. 11, p. 984)

#### *14. Testimony to Congressional Committees on the Hasenfus Flight*

On October 9th, the same day that Hasenfus said he was working for the CIA, CIA received requests for briefings of the Senate Foreign Relations Committee (SFRC) and the HPSCI. The SFRC briefing was requested for the following day, Friday, October 10th. The HPSCI requested an initial staff briefing following the SFRC hearing, with a formal Committee hearing to be held the following week on Tuesday, October 14th.

According to the statement accompanying the Fiers' plea bargain agreement, Fiers met with DDO Clair George on October 9th to discuss these requests. It was agreed that George would read a prepared statement and Fiers would respond if detailed questions were asked. According to Fiers' account, he told George that they would have to acknowledge that "Max Gomez" was Felix Rodriguez, because Fiers knew that to be a fact. Fiers also told George that they should describe how the NHAO operation at Ilopango had metamorphosed into the lethal resupply operation. (p. 9)

According to the statement, George informed Fiers that neither topic would be discussed. They were still gathering information on Rodriguez, and he also wanted to avoid giving the level of detail suggested by Fiers about the genesis of the lethal resupply program. George told Fiers the information should not be disclosed because it would "put the spotlight" on the Administration and thus reveal North's involvement in the operation. Fiers acquiesced and has the draft opening statement revised to delete the information identified by George as troublesome. (pp. 9-10)

In substantiation, the Committee has been able to review each of the drafts of the DDO testimony for the SFRC and found in the final (3rd draft) the following sentence deleted: "Subsequent to the 1984 cutoff, Ilopango airfield in San Salvador was used to support the democratic resistance as a transit point for congressionally authorized humanitarian assistance." The statement made no mention of Max Gomez *per se* but contained the following assurance:

I can say categorically that CIA has not been involved directly or indirectly in arranging, directing, or facilitating resupply missions conducted by private individuals in support of the Nicaraguan Democratic Resistance. Furthermore, I can state categorically that the crew of the C-123 aircraft which crashed 5 October in Nicaragua are not CIA employees or work for us in any way.

According to the CATF attorney who drafted the testimony, the principal problem at the time of the Hasenfus crash was that the bill with the \$100 million to restart the contra program was on the Senate floor, and Senators Kerry and Harkin were threatening a filibuster. CIA's agreement to appear at the October 10th SFRC hearing was intended to placate Senator Kerry by giving him an opportunity to pursue his concerns. (CATF attorney interview, p. 2)

While the documentary evidence does not indicate that either Casey or Gates actually saw the draft testimony, Casey's calendar shows that he met with George and Fiers at 10:10 a.m. and 2:30 p.m. on October 9th; and that Casey, Gates, and head of congressional affairs met with George and Fiers regarding the testimony at 6:25 p.m. on October 9, 1986.

According to Fiers testimony at the confirmation hearings, the 6:25 p.m. meeting on October 9th was "largely a pro forma meeting to make the final decision as to who the witness—the lead witness—would be the following day." The real decision, according to Fiers, had already been made by Casey at his 2:30 meeting with George and Fiers. In any case, Fiers testified there was no mention made at the 6:25 meeting of any White House role in the operation, nor any instruction to withhold information to protect the White

House. He had no reason to believe that Gates ever became aware of Clair George's directions to him to limit the testimony. (Fiers, 9/19/91, pp. 38-39, 79)

Gates himself denied over learning of George's alleged directions to Fiers. (Gates, 9/17/91, afternoon, p. 37)

In any case, at the SFRC hearing the following day, Assistant Secretary of State Elliot Abrams categorically assured the Committee that the U.S. Government had no involvement in the Hasenfus crash. George provided similar assurances on behalf of the CIA (see above). George and Fiers were also asked questions concerning the identities of the Americans involved in the private resupply operation, and responded either that they did not know or would be investigating further. At one point in the hearing, Senator Kerry produced a news clipping saying that Max Gomez was rumored to have been reporting to Vice President Bush's office. George and Fiers said they had nothing on this. (CIA Memorandum, on file with Committee.)

Similar statements were made later in the day to the staff of the House Intelligence Committee. According to the CIA notes of that meeting, Fiers disavowed any knowledge of Felix Rodriguez' activities since he left the CIA. (CIA memo, 16 October 1986, on file with the Committee). Similar statements were made at the hearing before the Committee on October 14th, with both George and Fiers denying any knowledge of "whose airplane" was involved in the Hasenfus crash. They did, however, confirm that "Max Gomez" was former CIA officer Felix Rodriguez. (CIA Memorandum, on file with Committee).

Testifying some months later before the Iran-contra committees, George and Fiers said that they had been surprised by Abrams' categorical denials of U.S. involvement since each knew that LTC North was in some way involved in the activities of the resupply network. (George testimony, p. 117; C/CATF testimony, p. 120) But they did not interject themselves at the time and question Abrams statements. Abrams later conceded his statements had been inaccurate, explaining that he did not know about North's involvement in the private benefactors operation at the time of the hearings. (See Abrams testimony, pp. 63-69)

On October 15th, the day after the HPSCI hearing, Fiers met privately with Senator Kerry to brief him on the personalities involved in the Hasenfus matter, and, with the threat of Senator Kerry creating problems on the floor, appears to have given him a more forthcoming account of Rodriguez. According to notes taken at the meeting by the CATF attorney, while Fiers did not provide all he knew about Rodriguez, he did tell Senator Kerry that Rodriguez may have had contacts with Don Gregg in the Vice President's office. (The CATF attorney who prepared the notes indeed confirmed that Fiers had told Senator Kerry about the August 12 meeting with Rodriguez in Don Gregg's office. (CATF attorney interview, p. 3)). His notes of the meeting seem to suggest, however, that Fiers explained that Gregg had wanted Rodriguez to reapply for employment with CIA, but that the Office of Security had turned him down. (CIA Notes from Senator Kerry Briefing, on file with the Committee.)

### 15. *Southern Air Transport Investigation*

On October 15, 1986, the same day that Fiers met with Senator Kerry, Gates met with CIA General Counsel David Doherty to review with him for the first time the problems that were developing with the Iran initiative. At the meeting, according to the testimony of Doherty, Gates told him that it was his understanding that as a result of the Hasenfus flight, the FBI had initiated an investigation of Southern Air Transport, a former CIA proprietary, and expressed his concern that since Southern Air Transport had earlier been involved in transporting arms to Iran, that the FBI might stumble onto the Iran operation. Doherty said he told Gates there was little that CIA could do or should do about such an investigation. (Doherty testimony, p. )

Gates does not recall specifically discussing the FBI investigation of SAT with Doherty. (Gates letter, 6/28/91, p. 36) CIA received a request from the FBI, dated October 21, 1986, asking for a response to media allegations that CIA had some involvement with the Hasenfus plane. (CIA reply, in Committee files)

### 16. *Knowledge of the Activities of Joseph Fernandez*

According to CIA records, Fiers left for a trip to Central America several days after his meeting with Senator Kerry. On one of his stops, which occurred on October 20, 1986, he met with Joseph Fernandez, Chief of Station in Costa Rica, who told Fiers that in September he had resumed passing on information concerning the resupply flights from the private benefactors in El Salvador to UNO/SOUTH, and stated that he had a KL-43 secure communications device which he was using for this purpose. Fernandez explained that since no UNO/SOUTH communicator had ever been located in San Salvador to pass flight information onto the private benefactors, he had had to do this himself.

When Fiers returned to Washington on October 23, 1986, he reported this to the LA Division Chief and to Clair George. The LA Division Chief then ordered Fernandez immediately back to headquarters for discussions, and directed that he bring the KL-43 with him. Fernandez remained in Washington during October 24-28, 1986.

On November 6, 1986, during a trip to Costa Rica by a CATF attorney to explain the new legislation, Fernandez asked for a private meeting where he provided apparently new information concerning his contacts with the private benefactors, i.e. Fernandez believed his name would be surfaced in the press linking him to a safe house in San Salvador used by the private benefactors. He admitted having taken calls from the private benefactors from this location. Fernandez was told to put his complete account in writing and cable it to CIA headquarters. Fernandez sent a cable on November 8, but it mentioned only the press story and denied having received calls from the private benefactors from San Salvador.

The staff attorney pointed this out to Fiers on November 10, and explained that the Fernandez contacts belied the assurances that he and George had made to the HPSCI several weeks before. (CIA memoranda, on file with the Committee) The LA Division Chief (apparently briefed by Fiers) related the Fernandez situation to

DDO Clair George, who instructed the Division Chief to follow up and obtain more details.

On November 16, Fiers accompanied Director Casey on a trip to Central America which included Costa Rica. There is no record at CIA, however, that the subject was officially briefed to Casey during the trip.

On November 18, while Casey and Fiers were away, the LA Division Chief told the CATF staff attorney, who raised the issue of briefing the Fernandez problem to Congress, that the DCI himself had yet to be informed.

On November 26, the LA Division Chief sent a memorandum to the DDO officially recounting the Fernandez situation and suggesting a legal review by the Office of General Counsel.

On December 2, 1986, DCI Casey received his first official briefing on Fernandez from Clair George. It is unclear whether Gates attended this meeting, although his calendar does reflect a meeting with Fiers on this date. (According to the DCI's calendar, Casey had two meetings with George on December 2: one included Gates and the CIA congressional affairs chief; the other was private.) In any case, further efforts ensued during December to pin down the facts. On December 29, 1986, a report was made by the CIA to the HPSCI on the Fernandez situation, acknowledging that the previous testimony of George and Fiers "does not reflect what we now know." (CIA Memo, 29 December 1986, p. 3)

George later testified to the congressional Iran-contra committees that at the time he made the categorical denials of CIA involvement, he was unaware of the activities of Joseph Fernandez and expressed an apology to the committees concerned. (George testimony, p. 216). Fiers similarly testified that while he had been troubled by what he had known of previous Fernandez' contacts with the private benefactors, he had not believed at the time of Clair George's denials of CIA involvement that Fernandez' activities had been in violation of the law. He testified he learned for the first time on November 25, 1986 that Fernandez had been part of the communications network of the private benefactors, and was taking direction from North. (C/CATF testimony, pp. 120-128) Gates, in his recent responses, also said that at the time Mr. George made the assurances in question, "I believe CIA senior management was not yet aware that Mr. Fernandez had been in unauthorized contact with private benefactor supporters and LTC North." (Gates letter, 6/28/91, p. 37)

Fiers testified at the confirmation hearings that in either December, 1986 or January, 1987, he was meeting with Clair George to discuss his concerns that Joseph Fernandez may have lied to investigators about his activities when Bob Gates walked into the office:

Clair turned to Bob and said, Alan says that Joe Fernandez had better get a lawyer and take the Fifth Amendment. And Bob looked and said, well, if he does that, he is fired . . . It impacted [on me]. It set a certain posture in my head . . . it set a tone . . . It meant that if you exert your privilege, if you take the Fifth Amendment, you are out of here . . . And, secondly, I interpreted it to mean that if you hire a lawyer to represent you, then it is an

acknowledgment that you have some legal problem . . . and might impact on your ability to continue to function in your official capacity. (Fiers, 9/19/91, pp. 90-91)

Gates subsequently recalled:

I was mad. I was very made. For several months, I had believed that everyone in CIA had told the truth about what had happened with Iran-contra and Hasenfus and everything else, and here I was, being informed that presumption was likely not true. I was furious and I said that, because, in essence, what they were telling me was that it looked like somebody had lied.

Now, the facts are that he [Fernandez] did get a lawyer . . . and I allowed [him] to remain on administrative leave until he was eligible to retire. So it is obviously not my policy—if any agency officer gets into trouble, he obviously will have all of his constitutional rights and I will be more careful around whom I get angry. (Gates, 10/4/91, morning, pp. 69-70)

#### *17. Knowledge of the Illegal or Improper CIA Assistance to the Contras*

Finally, several episodes of the CIA's providing illegal or improper assistance to the contras surfaced in 1987 when Gates was Acting DCI.

As a result of the CIA Inspector General investigation of the CIA's role in Iran-contra in the spring of 1987, it was determined that CIA officers in the field had transported by helicopter certain lethal supplies to the contras during the spring and summer of 1986, and from October 1986 until February 1987, in violation of the congressional restrictions in place at that time. While these activities took place during a period when Gates was Deputy DCI and/or while he was Acting DCI, they appear to have come to the attention of CIA headquarters only in February 1987.

In April, 1987, two additional episodes came to light. A CIA officer had provided parachute training to the private benefactors in mid-1986. (CIA Memo, 21 April 1987, on file with Committee) A CIA officer had also ridden on private benefactor aircraft on two occasions in mid-1986. (CIA cable, 25 April 1987, on file with the Committee)

There is no evidence to suggest Gates himself was made aware of these activities prior to receiving these reports in 1987.

#### *18. Gates Testimony on Avoiding Knowledge of the Private Benefactor Efforts*

On several occasions, Gates testified that the CIA actively avoided information concerning the nature of private benefactor support being provided to the Contras.

At the October 8, 1986 hearing before the SSCI when the Hasenfus flight was discussed, Gates said, "I will tell you that I know from personal experience we have, I think, conscientiously tried to avoid knowing what is going on in terms of any of this private funding, and tried to stay away from it." (transcript, p. 9)

After the Attorney General's revelation on November 25, 1986, that money from the Iran arms sales may have been illegally diverted to the Contras, Gates testified at a December 4th SSCI hearing:

. . . [F]irst of all we didn't want to ask him [North] factual questions about what he was doing with the funds. . . . Because we knew he was involved, or we assumed . . . that he was involved in efforts involving private benefactors to get money for the contras, and this was one of those areas where we did not pursue obvious lines of questioning because we didn't want to get involved in knowing about his sources of funding . . . when it came to funding of the contras Agency people . . . actively shunned information [SSCI, 4 Dec 86, pp. 109, 111].

At his recent confirmation hearings, Gates reiterated his previous rationale but expressed regret at his earlier characterization of the CIA's attitude:

It was Agency policy to keep as great a distance as possible between ourselves and the private benefactors. There were clear prohibitions in the Boland Amendment in terms of our relationship with the private benefactors. And my initial reaction was . . . that we weren't supposed to know, we weren't supposed to have any contacts, it was basically none of our business who was giving money to the contras or how much. (Gates, 9/17/91, morning, p. 29)

One of the few things that I said in [the 1987 confirmation] hearing that I regretted was the statement that we didn't want to know and we shunned information . . . I chose to repeat what I had been told by others in the Agency had been their approach . . . But I don't think there's any example in the record . . . of somebody coming to me from the agency and reporting wrongdoing or an impropriety during that period . . . (Gates, 9/17/91, morning, p. 30)

John McMahon, at the confirmation hearings, also conceded that "most of the employees, if not all the employees at CIA didn't want to know what any American was doing in support of the contras, and I can recall myself as well as Bill Casey in testifying in Congress that we didn't want to know because if we were ever called in and asked the question, we would tell what we knew, and that is why we avoided it." (McMahon, 9/19/91, pp. 12-13)

This purposeful avoidance of information was acknowledged by other senior CIA officials. The CIA Chief of the Central American Task Force affirmed at a Senate Foreign Relations Hearing on October 10th that the current policies caused them to "draw back from intelligence-gathering operations" that they "otherwise might have carried on." At the same hearing, the CIA Deputy Director for Operations said, "We are so sensitive to what happened to us in April 1984 [the Nicaraguan harbor mining incident] that, yes, let me be very specific, we were frightened of this activity." [Chief/LA deposition, p. 3; Sen For Rel, 10 Oct 86, pp. 96-97].

At his February 1987 confirmation hearing, Gates related why a concerted effort had been made to avoid understanding too much about the private benefactors' operations. The restrictions on the nature of the support that could be provided to the Contras caused the CIA leadership to "... not want to get as close to the private benefactors as would have been required to collect such information because we did not want to do anything that could be misinterpreted as a CIA violation of the statutory prohibitions." Soon after the passage of the Boland Amendment, said Gates, the field was told: "We are going to be under very close scrutiny on this question and we must take every precaution to ensure that we are not in violation of Congressional prohibition either in fact or in spirit." Wholesale restrictions on collecting information were preferable to allowing field operators to try to interpret legislation "where the Congress in some cases can't even figure out exactly what we're prohibited from doing without an exchange of letters between the Chairmen of the Committees." Gates said the objective was "to build in as big a buffer as possible so that we wouldn't get cross threaded with either the law or the Congress" [SSCI, 17 Feb 87, pp. 13-14, 48-49].

### *19. Whether Gates Was Privy to Information Known to Casey*

At the confirmation hearings, Fiers testified to his unique relationship with Casey:

I felt I had a direct relationship where Casey would call me and ask me to come up, give me directions, ask me to do things, give me instructions. And it evolved to the point where it was really quite close. Sometimes he would call me up and just say come up and have lunch with me, or I could go to his executive secretary and say I need to talk to the boss for 5 minutes and I could do that. It is a matter of some concern and some angst. Clair jumped on me more than a few times about that relationship. But it was there and it was both personal and professional. (Fiers, 9/19/91, p. 49)

A CIA Inspector General report prepared before the Iran-contra disclosures in November, 1986, leveling sharp criticism at the CATF for violating the organizational chain-of-command, bears out Fiers description. It noted that the CATF was "semi-autonomous" and that the DCI preferred to deal with Fiers directly rather than through the normal chain of command. While the report noted that Fiers tried to keep his superiors informed, there was a serious potential for things to "fall through the cracks."

The direct, personal relationship between Fiers and Director Casey, referred to in the Inspector General report, is borne out by an examination of Casey's and Gates' calendars. While it is clear that Fiers had contacts with both Casey and Gates that were not reflected on their official calendars, Casey's calendar from April 18, 1986—the date when Gates was appointed as DDCI—until November 25, 1986—the day the Iran-contra affair was disclosed, reflects 14 private meetings with Fiers, and 41 additional meetings where Fiers was present. Of the 41, Gates was shown to be present at 10.

In addition to the 10 meetings reflected on Casey's calendar, Gates' calendar for this same period reflects three of four private meetings with Fiers (one is shown only as "CATF"), and three additional meetings where Fiers was present.

Fiers himself testified at the confirmation hearings that he viewed it as "quite possible" that Casey would not have confided "sensitive, non-sanctioned" information to Gates "because it was not a CIA endeavor." (Fiers, 9/19/91, pp. 114-115)

#### *20. Improper Use of Intelligence Reporting on U.S. Contacts with Nicaraguan Officials*

At the confirmation hearings, Fiers confirmed that CIA occasionally received intelligence reports obtained as a result of U.S. intelligence collection operations targeted against the Sandinistas which involved contacts by Members of Congress and their staffs with Sandinista representatives. Fiers said he personally recalled seeing "5, 6 or 7" of these reports and raised 2 or 3 of them with his superiors. (Fiers, 9/19/91, pp. 129-130)

In fact, one of these involved a member of Congressman Barnes' staff, and led Casey to approach Barnes and warn "that information that was inappropriate to be transmitted to the Sandinistas may, in fact, be transmitted . . ." (Fiers, 9/19/91, p. 126)

Fiers stated that Gates was "probably" aware of these intelligence reports. He went on to say that "several times, I called to the attention of the leadership, Clair George, Casey, and maybe, I don't recall clearly, maybe Bob Gates after he became DCI, the existence of these reports, the inappropriate nature of the contact and urged, probably with some emotion, that something ought to be done about it." (Fiers, 9/19/91, p. 127)

[For a discussion of the Committee's review of this subject, see Part III, paragraph 2]

#### *Part 2: Allegations Relating to the Distortion of Intelligence Estimates for Political Purposes*

Allegations were received by the Committee that the nominee—first as Special Assistant to DCI Casey, then as Deputy Director of Intelligence (DDI) and Chairman of the National Intelligence Council, and finally as Deputy Director of Central Intelligence—had used his authority to ensure that intelligence estimates conformed to a preconceived political viewpoint, i.e. that he had "politicized" intelligence.

Initially, these allegations were made by several former CIA analysts, notably Melvin Goodman, formerly with the Office of Soviet Analysis. The Committee pursued these allegations by reviewing the documentation at CIA relating to each of the alleged cases of politicization and by interviewing witnesses who had been involved in each of the alleged cases.

These inquiries led the Committee to still other allegations of politicization made by other analysts, both present and former employees of CIA.

Six of these current and former analysts, three on each side of the issue, were asked by the Committee to testify, first in closed session and subsequently in public session:

Melvin Goodman—a former mid-level manager and senior Soviet analyst with the CIA's Office of Soviet Analysis;

Graham Fuller—a former National Intelligence Officer for Near East and South Asia with the DCI's National Intelligence Council;

Hal Ford—a former CIA analyst and former Vice Chairman of the National Intelligence Council;

Larry Gershwin—the National Intelligence Officer since 1981 for Strategic Programs;

Jennifer Glaudemans—a former analyst with CIA's Office of Soviet Analysis; and

Douglas MacEachin—formerly the Director of the CIA's Office of Soviet Analysis.

In addition, the Committee asked nine other analysts who had knowledge bearing upon certain of the allegations to submit sworn statements:

Carolyn McGiffert Ekedahl—formerly with the Office of Soviet Analysis (Statement dated September 30, 1991);

Kay Oliver—with the Office of Soviet Analysis (Statement dated September 30, 1991);

Mark Matthews—formerly Special Assistant to DCI Judge Webster (Statement dated September 30, 1991);

Lance W. Haus—formerly Branch Chief with the Office of Global Issues (Statement dated October 1, 1991);

David Cohen—formerly Director of the CIA's Office of Global Issues (Statement dated October 3, 1991);

John Hibbits—with the Office of Soviet Analysis (Statement dated October 3, 1991);

Thomas Barksdale—with the Office of Near East and South Asia Analysis at CIA (Statement dated October 7, 1991); and

Wayne P. Limberg—formerly a Branch Chief with the Office of Soviet Analysis (Statement dated October 10, 1991);

John E. McLaughlin—with the Office of European Analysis (Statement undated);

As a result of the public testimony on these allegations, still other analysts submitted affidavits on each side of the controversy, and additional documents bearing upon the issues were, in most cases, located.

After the public testimony of the analysts had taken place, the nominee was given the opportunity to respond in public session. He chose to address 20 points raised in the prepared written statement of Mr. Goodman. In some cases, his response cited documents which were not in the Committee's possession. Further, while his response covered most of the key cases, it did not encompass all of the allegations of politicization which were produced at the hearings, nor did it squarely address all of the allegations made by Mr. Goodman.

To present this material fairly in this report, the discussion is broken into three parts:

Part A contains a discussion of politicization in general: what it means, what causes it, and how to deal with it;

Part B contains a summary of the evidence related to the "20 points" raised by Goodman and specifically addressed by Gates in rebuttal; and

Part C contains a summary of the evidence related to 11 other allegations of politicization which were not addressed by Gates in his "20 points."

#### A. POLITICIZATION, IN GENERAL

A number of witnesses spoke to the general issue of politicization during these hearings: how one defines it, what causes it, why it was perceived in recent years, and what can be done to correct either the perceptions or reality of it.

The testimony in each of these areas is summarized in this section.

#### *What Is "Politicization?"*

Each of the witnesses agreed that politicization of intelligence, in general terms, involved "cooking the books," or slanting analysis to fit a particularly policy perspective. Douglas MacEachin observed that this charge was particularly powerful because such meddling runs directly counter to the intelligence officer's professional ethic: "Tell it like it is." Similarly, Jennifer Glaudemans testified that efforts to slant intelligence products ". . . [violate] the analyst's credo, To Seek the Truth . . ."

Hal Ford in effect defined politicization by describing its opposite: "The strong tradition among older CIA officers, one of stress upon the need for integrity of judgment and action, a generation of officers raised on the need for strict independence of judgment, of a premium on telling it like it is, of going where the evidence takes one and then candidly so telling the senior policymakers, whether they find such judgments congenial or not—the aim being to enlighten them about the true shape of the world, not to please them or to cater to their preconceptions."

On the other hand, MacEachin noted politicization is a difficult charge to prove or disprove, once made:

It's right out of Franz Kafka. Because once you are accused, the Inspector General will never come back and say you're absolved. You will never be definitely acquitted. They will say we found no evidence to substantiate it. Charged but not indicted. Ostensibly acquitted.

Melvin Goodman defined politicization as ". . . the systematic slanting of analysis to serve policy interests." He observed that it can take several forms:

- imposition of intelligence judgments not supported by evidence;
- suppression of intelligence that does not support the policy agenda;
- manipulation of the analytical process,
- misuse of the directorate of operations to influence the analytical work of the directorate of intelligence; and
- personnel management that ensures responsiveness to policy interests.

Kay Oliver, an analyst in SOVA, objected to what she perceived as a bias in Goodman's indicators of politicization; they seemed to her to be too weighted toward politicization by senior management.

Common sense would suggest a simpler definition, namely the deliberate suppression or distortion of intelligence information and assessments to serve some policy agenda. Such a definition includes not only along these lines by top CIA managers, but also by mid-level managers and analysts, who may sometimes be tempted to lean on one side or another to counter perceived policy errors of the Administration or intelligence assessments from other quarters.

She noted that while Goodman's definition seemed reasonable at first blush, "... taken literally in the real world conflicts, they may beg some big questions and provide the rationale for a narrow, intolerant, proprietary approach to intelligence analysis." Oliver put the blame for politicization squarely on the shoulders of those who professed to be fighting it:

Nothing is more poisonous to the atmosphere at the CIA, more destructive to the process of debating issues on the merits than the casual accusing colleagues of conspiring in or being duped into politicizing intelligence.

Jennifer Glaudemans and a number of other present and former DI officials contended that the most serious and insidious form of politicization occurred when managers and analysts engaged in self censorship in anticipation of reactions by the "Seventh Floor [i.e., CIA senior management]." This was variously described as the "halo effect" or as "a fog." Using the fog metaphor, Glaudemans suggested that it could seep throughout the bureaucracy even if intelligence is actually slanted or misrepresented only occasionally:

The means by which politicization occurred is not readily documented. There is little paper to evidence the continual and subtle pressures applied to analysts to make them comply. Because it is virtually impossible to collect a paper trail, evidence quickly becomes one person's word against another's. But let me suggest to you that politicization is like fog. Though you cannot hold it in your hand or nail it to the wall, it is real. It does exist. And it does affect people's behavior.

Although she said she believes that Mr. Gates did not politicize every Soviet issue that came across his desk, there were sufficient instances of politicization to create both the perception and the reality.

Indeed, Glaudemans would not limit politicization only to instances where direct orders were given to skew a product. She described the atmosphere in the Office of Soviet Analysis where she worked as "politically charged" and noted that analysts were keenly aware of what both Mr. Casey and Mr. Gates were saying publicly about Soviet foreign policy in the Third World, most of which she believed was at odds with intelligence. She added, "Not only could we feel Mr. Gates' contempt, we could sense his party line. No one in SOVA [the Office of Soviet Analysis at CIA] was a Soviet apologist. But the atmosphere that was created over there and . . . just the existence of that label made it extremely difficult to work in."

Richard Kerr, Acting Director of Central Intelligence, suggested that accusations of politicization by upper management cannot be supported by reference to "fog," but rather must involve deliberate efforts to change the conclusions of analysts to suit a particular policy. Kerr stated that although the charge of politicization has "always been around," in his experience, it was not accurate. "I have never been told what to write, told to change my conclusion."

### *Motivations for Politicization*

While all witnesses agreed that politicization destroys the integrity of the intelligence process, the perception of what motivated such practices during the 1980s differed.

Those critical of Gates regarded what they perceived to be his efforts to skew intelligence as motivated by his desire to curry favor with policymakers within the Administration and to suit the view of Director Casey. Goodman and others pointed to several of Gates' strongly-worded public policy speeches as evidence that he wanted to be known as advocating the Administration's positions.

Kerr expressed skepticism about this motive given the range of views of the high-level policymakers one would have to please or at least avoid alienating, in any Administration:

I think the idea that somehow we are going to twist the analysis—for one thing, in my judgment, I would not know how to twist it because I do not know who—what the customer is I am going to twist it for because there is no agreement across our customer line about what the answers are either.

Douglas MacEachin similarly testified that given the centrality of the Soviet threat:

. . . [I]t has seemed impossible at times to put out an estimate on a major Soviet issue without running cross ways from somebody. And that somebody nearly always includes a person of consequence, a senior figure of some sort who has access to alternative views and analysis and the media.

Glaudemans suggested that politicization was used as a bureaucratic instrument simply to suppress informed internal dissent, or keep contrary points of view from surfacing. Referring to previous testimony by Fuller that in the early 1980's the "seventh floor," [i.e. CIA senior management] believed SOVA had too benign a view of the U.S.S.R., she stated:

I believe these statements [of Fuller] . . . that there was a benign view that needed correcting, confirms that the seventh floor was imposing its own biases on analysis. I heard terms such as "soft on the Soviets" and 'Soviet apologist' thrown in certain people's direction. And in an environment such as CIA's where employees must pass a polygraph question about their loyalty to the United States, that can be an extremely inhibiting managerial tool.

Goodman said that bias on the part of management quickly filtered down to the analytical level as the "intelligence line" that had to be hewn to if an analyst wanted to advance up the career ladder at CIA.

Others, however, pointed out that politicization can emanate from the "trenches" as well as from the top, seeing the SOVA analysts' hostility toward upper management's "correcting" efforts as the defensiveness typical of an analytical "counter-culture." Kay Oliver asserted that, deliberate or not, the source and thus the motivation for politicization came from SOVA, not upper management, and that it may have been an unintentional by-product of a certain bureaucratic style:

It is important that our substantive discussions take place with an understanding that honest people can disagree and the realization that few on this side of Heaven had a monopoly on truth. Unless these basic ground-rules of civilized discourse are accepted, substantive conflicts can easily escalate into *ad hominem* attacks on the character and competence of those who find themselves on the wrong side of the issues.

Graham Fuller, a former NIO, said that he believed upper management's efforts were designed to improve analysis in SOVA that was itself perceived to be biased:

SOVA in my own personal observation seemed inclined towards a highly benign vision of Soviet intentions and goals, at least in the Third World. . . . I too was frankly uncomfortable with much of SOVA's approach to Third World issues. . . . I personally felt that many SOVA analysts may perhaps have been expert on Soviet writings on Third World issues, but few of them had gotten their feet dirty, so to speak, in the dust of the Third World, had not watched Soviet embassies work abroad, and were far less familiar with the political environment of the specific countries whose relations with Moscow they were following.

Wayne Limberg commented on Gates' apparent indifference to the consequences—whatever the motivations—of politicization.

Nor did Mr. Gates work to ease the atmosphere of fear and intimidation that gripped the directorate. Contrary to his testimony, during my years in SOVA, he never met with the analysts or managers, despite the fact that he knew he had problems in that office. He also let it be known that he suspected SOVA and that its work was subject to special scrutiny. The result was that morale fell, production declined, and analysts, rightly or wrongly, began to censor themselves. More than once I had to argue with analysts to do a piece because they were convinced 'Gates will never let it out.' More and more attention was paid to the 'packaging' of our product and to long-term research rather than current intelligence because it was 'safer.' In short, Bob Gates' leadership, we became less creative analysts and more cautious bureaucrats.

### *The Perception of Politicization*

In testimony on 3 October, Gates expressed frustration with the elusive nature of politicization:

Again and again, Inspector General Reports reports and studies by the Directorate's Product Evaluation Staff found pockets of perceptions of politicization. More often in the Soviet Office than elsewhere. But [they] searched in vain for evidence of slanting in our products. Evidence of politicization was always elusive but the perception was always a worry. I'd ask analysts . . . if their work had been distorted . . . [T]he answer was virtually always no. But they had heard that that had happened for sure in the next branch over.

Gates and other witnesses thought that the perception of politicization stemmed largely from analysts having their work rejected:

I was absolutely convinced that the refusal to accept my analysis was politically motivated by the people on the seventh floor at the Agency.

No analyst who considers himself or herself to be the best informed person on a subject likes to be challenged . . . to be told that your specific subject, or the way you present it, is irrelevant to policymakers or is not persuasive is hard to swallow.

Admiral Inman similarly testified:

That . . . is the analyst's first complaint when someone challenges their analytical judgments. Bound to be political. Can't be because they are wrong. I may even have been guilty of that a time or two myself as a young analyst.

Glaudemans found this explanation simplistic and patronizing, warning that it is too easy to dismiss charges of politicization by rationalizing that analysts are "too finicky, too egocentric, too whiney, or too academic." She found Gates' explanation that politicization resulted only from analysts who had had their feelings hurt as "the most smug, condescending, and callous answer to such a sensitive question I could possibly imagine."

Fuller suggested in his testimony that senior analysts often take approaches which are perceived as politicization by junior analysts. As an example, he cited past analytical efforts to predict the future when there was little empirical evidence. In these situations, said Fuller, "forecasting the unknowable" inevitably involved intuition and other non-empirical factors. He said that some junior analysts dismissed such work altogether while others perceived it as "politicized:

Topics should not have been dismissed so contemptuously just because CIA analysts have no evidence that the Soviets were involved in one or another activity. This is one of the dilemmas of good intelligence work. It is not good versus evil. How much should we rely on intuition judg-

ments and experience in appraising the likelihood of events . . .

Is wisdom couched exclusively at lower levels with the hard facts? Or does it reside, perhaps nearer the top with senior, experienced officials who have seen much of the world and a lot of politics—and indeed some of whom may also have their own agendas as well . . .

[While total reliance on facts is] . . . a safe and perhaps appropriate position for a junior analyst, it cannot be the only product of an effective intelligence community.

Whatever the reasons, it was the consensus of most witnesses that the perception, if not the reality, of politicization had increased during the tenure of Director Casey. Indeed, in an exchange with Senator Nunn, Gates himself conceded this point:

Senator NUNN. . . [W]ould you say that there are a number of people who would have reason to believe that there was a great deal of policy driving the product in the 1980s?

Mr. GATES. I think that Mr. Casey's strong views and his inclination to involve himself in policies, yes, did contribute to that impression.

Several senior CIA officials who served under Casey testified that this perception was based more on Casey's personality than on his actions.

Admiral Inman said Casey "made his fortune on writing books. He considered himself a consummate writer and an editor. And, as soon as he arrived, he wanted to start reading the rough drafts of things that came. And he was not gentle in his criticism. But if you probed, it was very much separated. One was what are your ideas and the other is how'd you put them down on paper . . ." Inman expressed confidence in this judgment of Casey because he closely watched what he did on estimates. Casey encouraged debate but did not feel bound by its limits. If he disagreed with the product's conclusions, he put his own views in cover notes. "If you're going to do that, you don't try to twist somebody else's judgments and statements."

John McMahon testified:

Bill Casey had a policy bent to him. You can't deny that. But he also had an open mind. And if you could give him evidence to the contrary, he was a big enough man to accept that . . .

McMahon did cite two episodes where he thought analysts may have gotten the impression that that Casey was politicizing intelligence. The first involved Casey once asking a policymaker to comment on a draft estimate. "[Y]ou don't do that," stated McMahon, "you don't suck the policymaker in." Second, McMahon cited the pipeline case as an example where analysts "thought that Casey on the side was taking the intelligence and saying the wrong words to the President." Casey had strong views against the U.S. permitting the sale of pipeline equipment but let the intelligence community reach its own contrary conclusion. That the President ultimately

chose not to act on the Intelligence Community's judgment had little to do with Casey, but the perception that it did "caused uneasiness in the DDI" and led to charges of politicization.

Kerr also agreed with McMahon's view of Casey, observing that ". . . (i)f you you could persuade him, he would side with you on conclusions that went against his initial views on something." Kerr used similar words to describe Gates' performance under Casey:

I believe what he [Gates] did [was to aggressively push analysts], and push people, and have them check their own evidence and their own assumptions. And he had strong views about various issues but he also was quite willing to listen to the views of others when presented with a comprehensive case and presented with evidence. But he would certainly test peoples' arguments . . . I have found him quite willing to change his views when given a good argument. (Sept 24; p. 223)

You can push people if they are willing to be pushed. If they are willing to modify their judgments because they cannot stand up to your own arguments, you can push them around in that regard. Good, [tough] analysts stand up, argue their cases, and win their cases. In my judgments they won their cases as often as not with Bob Gates as they did with anyone else.

Fuller testified:

At no time was I ever told what either the Administration or Gates or Casey 'wanted' to come out of an estimate, or what it should say, or what conclusions it should reach. not only was I never told what to say, but I would have regarded it as outrageously improper to even hear the suggestion, and I would have rejected it forthright.

Witnesses who opposed Gates nomination were adamant that they were dealing with reality, not erroneous perceptions. Glaudemans, for example, stated explicitly that ". . . these perceptions did not stem from either sour grapes of analysts who did not have their views accepted or from jealousy of those who resented Mr. Gates' rapid elevation to senior management . . ." Although not denying that these feelings can lead to perceptions of politicization in certain circumstances, she felt strongly that the problem that she experienced in the 1980s was real, not perceived.

Harold Ford testified:

[I]t's one thing to have intuition and so on, and another thing to present that to the reader that this is a national intelligence estimate and this is the way it is—rather than, this is the way I and somebody else think it might be, or I and some other senior person think it might, but we have conned the others into silence. My view that Bob Bates has ignored or scorned the views of others whose assessments did not accord with his own would be okay if he were uniquely all-seeing. The trouble is, he has not been.

Others analysts expressed similar feelings. Former SOVA analyst, Carolyn Ekedahl in her sworn affidavit wrote:

The culture in the intelligence directorate changed radically during the Casey/Gates years, and that culture continues to define the process. Whereas the pre-Gates ethic emphasized analytic independence and objectivity, the new culture is that of the 'hired pen,' loyal to the current leadership and its views. Whereas intelligence production should be based on informed and objective analysis of the available evidence, in the Gates' culture, it is based on the anticipated reaction of senior managers and officials.

SOVA analyst John Hibbits wrote:

I observed during those years . . . that relations between SOVA and both Gates and the NIC [National Intelligence Council] were adversarial rather than collegial; the DDI [Gates] was highly critical of the SOVA product and papers regularly came back from the 7th floor with strong correctives of substance as well as style that seemed to go beyond what would be expected in a "tough review."

Over time, managers and eventually analysts in SOVA understood what would and would not get through the front office and there developed within the office, divisions, branches and minds of the analysts a self-censoring atmosphere . . . At the same time, offices outside SOVA, knowing Casey was consumed by the Soviet problem, began writing about Soviet activities, often duplicating effort and wasting resources . . .

I believe the people who worked there then—the vast majority of analysts and managers—believe that Gates subverted the intelligence process.

#### *Preventing Politicization—Perceived or Real*

In his testimony, Gates pledged himself to dealing with politicization, whether perceived or real. The new DCI, said Gates, must foster "intellectual adventuresomeness," open minds, and objectivity throughout the Agency. And while the DCI may, as the President's senior intelligence officer, be expected to have a personal view, it is ". . . his first responsibility to ensure that the views of the institution, the analysts, are accurately and faithfully reported, together with dissents and alternatives."

To accomplish this goal, Gates pledged that, if confirmed, he would implement eight measures to improve the intellectual climate at the Agency:

1. Codify the professional ethic and make it part of daily work. "I would candidly and quickly address these issues for all analysts. I would stress the importance of integrity and objectivity of the product. The importance of insuring that divergent views are heard . . . I would ask for a restoration of collegial civility . . ."

2. Incorporate these principles and values into the standards for performance evaluation against which all managers of analysis are evaluated.

3. "Direct the statutory Inspector General to pay special attention to the problems of analytical process and to serve as a

focal point for analysts and analytical managers concerned about process and the integrity of the product.”

4. Ensure training courses for analysts and managers to deal with issues relating to “. . . integrity of analysis, relationship with policymakers, and managing different points of view”

5. Encourage the Intelligence Committees of Congress to re-establish “something like their old analysis and production subcommittees that can focus oversight on the analytical process.”

6. Ask the President’s Foreign Intelligence Advisory Board for help in this area.

7. Consider “. . . creation of analysis council of retired former senior officers that could advise the DCI and DDCI and the Deputy Director for Intelligence about the problem . . .”

8. “(S)olicit from the analysts, and the managers of analysis themselves, their own ideas on how to re-build morale, ensure integrity, and independence.”

MacEachin testified that the responsibility to deal with the problem rested with those “in the trenches” as well:

If you are a manager, you are responsible for the product, you have to satisfy yourself that you can stand behind the judgments. If you have questions about it, you have a responsibility to resolve those questions. If you believe the evidence is not laid out or if you believe there is an alternative that hasn’t been addressed, or if you know that there is another view out in the consumer community that is violently, vehemently opposed to what you are going to say, you have an obligation to say, look, we’ve got to show very carefully why this other view doesn’t fit the evidence. . . . [and] why are there people [analysts] who find it remarkable that when you go to your boss with a judgment that contradicts the boss’s view or which gets your boss crossways with his boss, that you really have to have your act together. (10/2/91)

## B. THE NOMINEE’S “20 POINTS” IN REBUTTAL

### Point 1: The Papal Assassination Attempt

GATES. “I am alleged to have believed the Kremlin was behind the attempted assassination of the Pope in 1981, to have ordered a study with no look at evidence of Soviet non-involvement, to have rewritten personally the key judgments and summary removing all references to inconsistencies and anomalies, to have dropped the scope note advising that the paper made no counter-arguments against Soviet complicity, and to have written a covering transmittal note, unknown to the authors, saying that the Soviets were directly involved and portraying my views as CIA consensus.”

#### *Background*

In May, 1981, Pope John Paul was wounded in an attempt on his life. The attack was unanticipated by the Intelligence Community

although analysts, as early as 1978, had foreseen the problems that a Polish Pope might have for the U.S.S.R. However, by 1981, analysts had become convinced that Moscow had a working arrangement with the Pope to moderate Polish unrest in return for Soviet promises of non-intervention. The general view was that the Soviets would have little incentive to destroy this relationship, even if it was not as productive as they would have liked.

Though speculation about possible Soviet involvement continued to percolate through the Agency, the CIA initially tended to downplay Bulgarian or Soviet involvement and did not immediately pursue a formal assessment of Soviet complicity. In February, 1983, then DDI Robert Gates stated before the Senate Intelligence Committee that the CIA still had an open mind on the case and was not ruling out Soviet complicity.

In May, 1983, Gates' Intelligence Directorate produced "The Papal Assassination Attempt: A Review of the Record," its first "comprehensive assessment" of the likelihood that Moscow was involved in the assassination attempt. The conclusion of this study, which has been criticized as incomplete and poorly coordinated and documented, was that the Soviets *were not* behind the effort. According to the 1983 analysis, the tradecraft involved was not typical of Bulgarian or Soviet operations. However, others within the Agency remained unconvinced.

In 1984, the Directorate of Operations began to acquire new information that Soviet military—not the KGB—was behind the assassination attempt. The following year, Claire Sterling came out with her book, *The Time of the Assassins*, which claimed Agca was in collusion with the Bulgarians. Director Casey was impressed.

In a 1985 meeting chaired by the DCI, Casey expressed his view that the Soviets were behind the attempted assassination. John McMahon, the DDCI, disagreed. According to Douglas MacEachin, then head of the Soviet Analysis Office, who also attended the meeting, Gates suggested that SOVA be tasked with putting together everything the Agency had, including circumstantial evidence, to see what the case for Soviet involvement looked like.

Two SOVA analysts, Kay Oliver and Mary Desjeans, collaborated on a portion of the study, whose principal author was Beth Seeger from the Office of Global Issues, which had the lead role in drafting all analysis on this topic. The SOVA analysts understood their task to be an unusual one: developing the best case that could be made for Soviet involvement using all the available hard and circumstantial evidence. Doug MacEachin recalls that he and Oliver wrote a preface or disclaimer at the beginning of the document to clearly indicate that the study was an effort to make the case for Soviet involvement. MacEachin had concerns about the potential for the assessment to be abused or misunderstood.

After a preparation of the assessment, MacEachin remembers a visit from Gates, who asked if MacEachin could have a critique drafted. At MacEachin's request, John Hibbits prepared a memo strongly criticizing the assessment for placing undue emphasis on factors suggesting Soviet involvement while playing down contrary evidence. The four and one-half page critique was entitled, "Agca's Attempt to Kill the Pope: The Case Against Soviet Involvement."

MacEachin sent the critique to Gates, apparently unaware that the assessment had already been disseminated.

In his cover memo accompanying the assessment, copies of which were disseminated to the President, the members of the NSC, and Anne Armstrong at the President's Foreign Intelligence Advisory Board, Gates had said:

Attached is CIA's first comprehensive examination of who was behind the attempted assassination of Pope John Paul II in May 1981.

This analysis is based upon our examination of evidence gathered by the Italian magistrate's office, the many leads surfaced by various journalists and scholars, independently acquired intelligence information, and related historical and operational background information . . .

While questions remain—and probably always will, we have worked this problem intensively and now feel able to present our findings with some confidence.

The paper begins with a very short review of the principal conclusions. This is followed by a several page overview of the findings and evidence, which is keyed to the major sections of the paper.

After receiving a copy of the Hibbits critique, Kay Oliver wrote a point-by-point rebuttal indicating that Mr. Hibbits had not understood the objective of the assessment and in a number of instances had inaccurately characterized it. The objective of the assessment, according to Ms. Oliver, was not to implicate the Soviet Union, but to examine “. . . the extent to which the evidence supports the hypothesis of Soviet involvement.” Ms. Oliver also defended the use of source material and disputed the accusation that contrary information was buried in the text and absent from the key judgments and summary. While Ms. Oliver conceded that “perhaps” there should have been a scope note on the assessment, she ended up saying, “But the writers challenge the reviewer to construct a scenario more plausible and more consistent with the evidence than the case for Soviet-Bulgarian complicity.”

At about the same time, in May 1985, Gates asked Ross Cowey to head a team to review the Agency's complete record of analysis on the Papal assassination attempt, to include all products on the subject produced since 1981. In describing his motivation, Gates stated in response to a question from Senator Glenn that he was “uneasy . . . with the way the Directorate had handled the entire attempted assassination of the Pope.” The resulting report (hereinafter referred to as the “Cowey report”) criticized both the 1983 and 1985 assessments as incomplete. The Cowey team called the 1985 study “an impressive compilation of the facts and marshaling of the reasoning for Soviet involvement” but criticized its inadequate treatment of alternative scenarios, failure to incorporate a scope note, improper coordination, and inadequate qualifiers regarding the reliability of the sources used.

The Cowey report also noted that the procedures followed in the preparation of this assessment contributed to concerns that the views of upper management were tainting analysis. According to the CIA post-mortem, although the CIA leadership may not have

activity directed certain conclusions, the *perception* that upper management had a bias may have skewed the final judgments in this case. In that regard, the report states, “. . . we found no one at the working level in either the DI or the DO—other than the two primary authors of the paper—who agreed with the thrust of the IA [Intelligence Assessment].”

### *Summary of Testimony*

Goodman accused Gates of (a) ordering the preparation of a deliberately skewed intelligence assessment designed to conclude there was Soviet complicity in the attempt on the Pope's life; (b) personally rewriting the key judgments of the initial draft in order to make the impression of Soviet complicity more forceful; (c) dropping a “scope note” alerting consumers to the unusually one-sided nature of the assessment; and (d) attaching a misleading cover memo to the completed assessment falsely portraying the quality and reliability of the assessment.

Gates has responded by reference to the statements of Mr. Lance Haus, Seeger, and Oliver, who were the key analysts involved in preparing the 1985 assessment on the assassination of the Pope. (Mr. Goodman was not involved.) Their sworn statements indicate that Mr. Gates was “agnostic” on the issue of Soviet involvement and that to the limited extent he altered their work, it was to soften the tone of the assessment. Haus indicates that he wrote the cover memo that accompanied the assessment when it was transmitted to consumers. He and the others also indicate that they were responsible for dropping the scope note.

Gates testified that he: (a) had signed the memo of transmittal; (b) assumed that the same transmittal memo went to all the senior policymakers who received the report; and (c) that it was his belief that the note also indicated that questions remained. Further, he said he was troubled that the paper did not thoroughly examine all the available alternatives. Under questioning, he agreed that, in retrospect, the transmittal letter should have warned policymakers that there were other alternatives not included in the assessment. He added a caveat that when the paper came to his desk, it appeared that the paper was fully coordinated within the Agency and represented the CIA's best views on this subject.

### Excerpts from Relevant Testimony

#### *Testimony of Mel Goodman*

“Casey and Gates believed that the Kremlin was behind Ali Agca's attempt to assassinate the Pope in 1981. They tried unsuccessfully for several years to get the DI to find the ‘smoking gun’ to establish Soviet complicity. On the basis of a new report in 1985 from second and third-hand sources as well as untested subsources, Casey instructed Gates to prepare a DI study to show Moscow's direct involvement in the assassination attempt. Gates ordered that the study be prepared *in camera* and that there should be no attempt to examine evidence that documented Soviet non-involvement. Three analysts with limited experience in Soviet foreign policy were given the task, and Soviet experts on the topic were excluded from preparation and review of the assessment.”

"Even with such rigid ground rules, the analysts could not document Soviet involvement, and noted various inconsistencies and anomalies in the key judgments and summary of the assessment. Gates' personally rewrote the key judgments and summary, removing all references to inconsistencies and anomalies and dropping a 'scope note' that stated the paper made no attempt to examine counter-arguments against Soviet complicity. Gates unambiguously stated in a cover note to the assessment, unknown to the authors of the study, that the Soviets were 'directly involved' and portrayed his own views as a CIA consensus. Thus he manipulated both the evidence and the analysts responsible for the assessment."

"An internal CIA study, commissioned by Gates after severe criticism of the paper, concluded that the assessment was poorly sourced and lacked balance, and that the seventh floor (i.e. Gates) had stacked the deck and 'overwhelmed' the analytical line of the assessment. The Directorate of Operations concluded that the study was 'not professional' and conceded that it was based on reporting that would not have been released if there had not been high-level interest. Neither DO nor DI experts on the subject agreed with the paper and, over the past ten years, no reasonable evidence has linked the Soviets to the attempted assassination."

"The important thing here is that when Gates received the assessment, he was not satisfied with it. In fact, the senior Soviet analyst told me that she tried her hardest to give Gates what he wanted but it still wasn't enough. After all, I might point out that her assessment did at least note the inconsistencies and anomalies in the evidence."

*Statement of Elizabeth Seeger*

"I was the principal author of the 1985 intelligence assessment on the question of Soviet involvement in the attempt to assassinate the Pope . . .

"Mr. Gates never attempted to manipulate me or my analysis on the Papal case. He never told me what or how to investigate the case, nor did he tell me what to write or what conclusions to reach. He never expressed or even hinted at his own personal view on the question of alleged Soviet involvement, frequently characterizing himself as 'agnostic' about the case. According to all the evidence available to me, Mr. Gates never engaged in any types of manipulation or politicization of this issue. His attitude affirmed my sense that I was a 'free agent' as I went about the task of examining the multitude of information on the case . . . The final report was a thorough and honest treatment of the subject. Indeed, even critics agreed it was well-done and comprehensive. I wrote the assessment—with contributions from two SOVA analysts—after having examined all of the available evidence, and after levying requirements on the DO for additional information on the case . . . In contrast to Mr. Goodman's recent statement on the subject, the DO never expressed any hesitation in the use of its sources."

"I can recall instances when Mr. Gates made specific efforts to ensure that the analysis was *not* misrepresented in any way. Prior to publication, for example, an individual on the seventh floor urged that the paper's title be altered to strengthen the link between the assassination attempt and the Kremlin. Mr. Gates re-

fused to change it. He clearly did not want the title to go beyond what the paper could honestly say . . . Assertions by Mr. Goodman to the contrary, the study was not prepared secretly. No relevant offices or analysts were excluded from participating in the examination of the case or in the production of the final report . . . We were discreet in preparing the study, principally in deference to DO concerns about source sensitivity, but also because of concerns that the U.S. not be seen as interfering in matters under consideration by the Italian judiciary. Nevertheless, standard Agency procedures were followed . . .”

*Statement of Kay Oliver*

“I am here primarily because I co-authored the 1985 paper on the papal assassination attempt . . . I do not have any first-hand knowledge of the 7th floor’s handling of the paper since at no point in the process did I talk to Gates or other top managers about the paper.”

“. . . I would point out that it is not unusual for a paper dealing with sensitive reporting to be held closely. I can assure the Committee that the paper was coordinated by the Chief of the regional Issue Group in SOVA, and I believe by the Chief of the Third World Division. Contrary to his claim, I do not believe that Mel Goodman himself was in a job that would have made him a natural person with whom to coordinate.”

“I regarded and continue to regard the writing of a paper examining the case for Soviet involvement as a legitimate undertaking . . . New information that has surfaced since 1985 about past Soviet use of political violence reinforces the view that the possibility of Soviet involvement in the papal assassination attempt had to be thoroughly examined.”

“The paper did not simply make the case, but weighed the case, concerning Soviet involvement. Certainly in the SOVA contribution no relevant data that I know of fearing on the pros and cons of Soviet involvement were suppressed, contrary to Mel Goodman’s claims . . .”

*Statement of Lance Haus*

“. . . from 1983 to 1985, I was in charge of OGI’s terrorism analysis effort. Specifically, I was the line manager who oversaw the research, writing, and coordination of the 1985 intelligence assessment of the possible Soviet role in Mehmet Ali Agca’s attempt on the Pope’s life . . . I want to say up front that our intention was to produce as accurate, analytically sound, and honest an intelligence report as we could. That was my goal; . . . and I have no reason to believe it was not the goal of the two most senior managers involved, Mr. Cohen and Mr. Gates . . . Most certainly, no one ever suggested or even hinted to me that I and the others had engaged in what some might label—incorrectly—an example of politicized analysis . . . Much of what I have heard recently charged about how we did this report is, based on my personal experience, just flat wrong . . .”

“. . . At no point did Mr. Gates specify or suggest what our finding should be . . . Mr. Gates repeated that he was agnostic about the issue—and I had no reason not to believe him . . . Second, the

paper was fully coordinated . . . Third, the analysis was balanced and sound, in my judgment, and anchored in the full body of information available on the case . . . Fourth, Mr. Gates made no changes to the draft submitted to him other than fairly minor editorial ones. Indeed, I believe he also added a few additional caveats. His concern, if I remember correctly, was that we not go beyond where the intelligence information would carry us. Let me be very clear on three related points: Mr. Gates did not drop any scope note—I doubt he ever saw the prefatory paragraph eliminated if after consultation with Kay Oliver, during my first review of the paper . . . Though he reviewed them, Mr. Gates did not draft or redraft the key judgments—I did with help from Beth Seeger and Kay Oliver. Finally, Mr. Gates did not draft the transmittal notes—although he certainly reviewed them. Again, I did. This was standard procedure . . . Fourth, at no point in this process did I feel that the authors of the report or myself were being manipulated to a predetermined end.”

*Statement of David Cohen*

“As Deputy Director of the Office of Global Issues (OGI) from 1981 through 1985, I was the senior Directorate manager and reviewer for that paper and associated research . . . Directly or indirectly the study was initiated as a result of new information that was coming to us in late 1984 and early 1985, including information involving possible foreign involvement in the assassination attempt . . . There was a solid consensus among the senior managers as well as first line officers and analysts that the report should examine the plausibility of Soviet involvement . . . The committee should be aware that at no time in the discussions did I or anyone above my level encourage or pressure anyone implicitly or explicitly to ignore any evidence regarding any aspects of the case . . . It was not prepared in secret—or in camera—as alleged in earlier testimony . . . Normal procedures for review and coordination were observed . . . Highly qualified analysts were responsible for the study . . . The so-called scope note was an introductory paragraph appended to the SOVA contribution to the paper. Ms. Oliver for SOVA and Mr. Haus for OGI agreed between themselves that a scope note was not needed given the title of the paper. Consequently, one was never forwarded to me or Mr. Gates as part of the reviewing package. It has also been alleged that Mr. Gates rewrote the key judgments, rewrote the summary, and added his own cover note that no one saw. All of these allegations are false.”

*Statement of John Hibbits*

“. . . [W]hen I was Chief, Foreign Activities Branch in SOVA, Doug MacEachin came into my office in May 1985 with some special tasking. As best I can recall he told me that a compartmented paper had been drafted on the papal assassination attempt of 1981 and it was about to be disseminated. He asked that I do a quick assessment of the paper looking critically at the case being made for Soviet involvement.

“. . . I remember having just a couple of days and nights to put my comments together . . . One of my criticisms was that it was speculative and did not make clear to the reader that this was so.

It did not meet the usual standards for a SOVA paper: it did not contain alternative scenarios, analysis or views, and the key judgments were not fully representative of the body of the paper . . . MacEachin immediately hosted a meeting in his office with all involved and a rebuttal by the authors was attached to my critique. I was told that Gates would decide what to do next . . . That was the last I heard of the incident until now."

### *Testimony of Bob Gates*

"The Committee has two sworn statements from those who were directly involved in the preparation of this paper, Mr. Lance Haus and Ms. Kay Oliver. Their sworn statements make the following statements. That the paper did examine both sides of the argument for Soviet involvement, that the paper was appropriately coordinated, and that the removal of the so-called scope note, the drafting of the Key Judgments and drafting of the cover memos were all handled by, and at the initiative of, lower levels of the CIA. With no direction from me.

"What I think you have here is the contrast between those with first-hand experience, those who were directly involved in the events, and those who are hearing second-hand about what happened. And I think the difference here is that Mr. Goodman was not directly involved and the two analysts who have submitted sworn statements to this Committee, were in fact those who were in charge of the project and actually did those things. I think that's the difference . . .

"I told Haus that Casey was convinced of Soviet involvement in the assassination attempt, but that I was agnostic, and I expected him to be agnostic also . . . And that was the view I took before this Committee when I testified here in February of 1983."

"Mr. Haus acknowledges that he killed the scope note as no longer relevant . . . [he also] wrote the transmittal letter—a letter which incidentally did not state unambiguously or any other way that the Soviets were directly involved. Indeed, the letter specifically says that questions remain and probably always will . . ."

"Several participants recall that I was the one who urged adding the section of the paper pointing out that the inconsistencies, weaknesses, anomalies and gaps in the case for Soviet involvement, and that I was worried about the need for greater balance . . .

"The same participants recall no orders from me or anyone else on the seventh floor to build a case against the Soviets. Rather, the suggestion in light of new reporting was simply to look at the evidence with a focus on the Bulgarian connection . . ."

"I did not rewrite the key judgments."

"Based on the evidence, the allegations that I drove this paper to its conclusions and then knowingly misrepresented it to policymakers are false."

With regard to his transmittal note:

"I have to take Mr. Haus' word for the fact that he drafted it and I didn't. I did sign it, that's for sure . . . I only assume that all the transmittal letters were the same. That was usually the practice when a covering note or slip was attached going to several different policymakers on a particular study. I think it is important to note, as I indicated in my testimony, that the transmittal

note also indicated that questions remain, and probably always would remain. It stated that it was our most comprehensive look and I think that it was. I think the view of the authors is that it still is probably the most comprehensive thing the Agency has done.

"The thing that troubled me about the whole process—and obviously I think you know in retrospect the covering notes probably should have indicated what in fact was the primary deficiency of the paper, and that was that it did not thoroughly examine all of the alternatives that were available . . . But in a way, that paper was the culmination as that study points out, of the Agency and the Directorate, not very effectively dealing with the Papal problem from the very beginning and the attempted assassination."

Asked whether he felt the transmittal letter should have raised more warning flags to the policymakers that there were other alternatives not included in the document, Gates responded:

"I think that's probably the case. But I would add to that that when the paper came to me it was certainly represented as being fully coordinated within the Agency. So it would have represented the Agency's best view."

Committee members questioned Gates about his reaction to the Cowey Report. Specifically, Gates was asked why he didn't take any action to alert policymakers that the Cowey Report had found inadequacies in the assessment process. In testimony on October 3, Gates pointed out, ". . . the transmittal note, as I indicated earlier, said that questions remained and probably always will." Gates admitted he had, "concerns about the process." Yet, when asked directly why Gates didn't take any other action, or alert the policymakers that the original estimate findings might be incorrect, Gates said, "I know that the inclusion of this section of the paper pointing out the deficiencies in the evidence, the gaps and inconsistencies that we had, had put the policymakers on notice as to the concerns we had. The transmittal note talked about questions remaining." Yet Gates admitted he was referring to a section of the transferral note which pointed out questions remained, but which also stated CIA had "worked" the problem intensively, and could present the findings "with some confidence."

## Point 2: Soviet Use of Chemicals in Afghanistan

[COMMITTEE NOTE.—This issue is difficult because both the allegation and the rebuttal use the general term "lethal chemicals." There was, in fact, no real dispute concerning whether lethal chemicals had been used in Afghanistan and Southeast Asia. There was a dispute whether man-made trichothecene mycotoxins (including "yellow rain") had been used, particularly in Afghanistan.]

GATES. "It has been alleged that I introduced into Agency publications without supporting evidence that the Soviets used lethal chemicals in Afghanistan."

### *Background*

During the 1970s, the United States began to receive reports of chemical weapons use in southern Asia. In the late 1970s, press reporting on the subject increased, including alleged attacks by the

Vietnamese against the Cambodians and, along with the Laotians, against the Hmong tribesmen. After the Soviet invasion of Afghanistan, reports of chemical weapons use also began to appear in that country.

In 1981, an interagency working group was formed to investigate these charges. Shortly after its establishment, Secretary of State Haig announced that the U.S. Government had acquired physical proof that the Soviets were guilty of supporting or employing chemical warfare in Southeast Asia and Afghanistan. In particular, the U.S. charged that the Soviet Union used trichothecene mycotoxins (produced by a kind of fungi) and other lethal agents against the Afghan resistance forces between 1979 and the end of 1982.

On June 17, 1982, President Reagan accused the Soviet Union of providing and using chemical weapons in violation of the Geneva Protocol and the Biological Weapons Convention.

In fact, the matter was much in dispute. The debate that ensued concerned the origin of the toxins identified in refugee reports and collected samples from affected areas. While some believed the evidence was conclusive that chemical weapons had been used (strongly implying Soviet involvement), others were uncertain or persuaded that the presence of mycotoxins could be explained by natural phenomena. For example, the presence of pollen in certain samples from Southeast Asia gave weight to the theory that "yellow rain" was in fact a naturally contaminated bee excrement. A 1987 study, published in *International Security*, which reviewed the relevant public record, concluded that "the only positive physical evidence (linking mycotoxins with organized warfare) the United States obtained from Afghanistan was a gas mask acquired in Kabul in September 1981." The surface of this mask showed the presence of mycotoxins, suggesting perhaps, the organized use of this toxin in this area.

A February 1982 Special National Intelligence Estimate (SNIE) concluded that the Soviets both had used and supported the use of chemical weapons in Southeast Asia and Afghanistan.

With regard to Southeast Asia, the SNIE concluded that the most likely hypothesis was that the trichothecene mycotoxins were developed in the Soviet Union, provided to the Lao and Vietnamese either directly or through transfer of technical know-how, and weaponized with Soviet assistance in other countries. While the evidence on the Soviet role does not constitute proof in the scientific sense, the Intelligence Community found the case to be "thoroughly convincing." With regard to Afghanistan, it went on to conclude that Soviet forces in Afghanistan had used lethal and casualty-producing agents on Mujahideen resistance forces and Afghan villages since the December 1979 invasion. As for mycotoxins, specifically, the SNIE concluded that their use was "suspected" but uncertain. Volume II of the SNIE is nearly 100 pages in length and contains 22 pages of photographs and analysis of all-source intelligence on Afghanistan showing why the analysts were led to their conclusions.

### *Summary of Testimony*

In his prepared statement, Goodman said that Gates introduced into Agency publications without supporting evidence that the Soviets used lethal chemicals in Afghanistan. In verbal testimony,

Goodman changed the charge alleging that the Directorate of Intelligence provided misleading information on Soviet responsibility for the use of chemical agents in Southeast Asia. Under questioning, Goodman changed the charge back to the Soviet use of chemicals in Afghanistan but conceded he had no first-hand knowledge of Gates participating in any effort to link the Soviets to the use of chemical weapons or in directing the findings that the Soviets were involved in their employment.

In answers to questions for the record, Gates indicated that documents show that, beginning in 1974, the Office of Scientific and Weapons Research began receiving reports on toxic agents attacks in Laos. Reports continued to be received—including reports of attacks in Afghanistan—and in 1982, a multi-volume SNIE concluded that the Soviets had used and supported the use of chemical weapons in Southeast Asia and Afghanistan.

### Excerpts from Testimony

#### *Statement of Mel Goodman*

In his written statement, Mr. Goodman noted,

Other judgments that Gates introduced into agency publications without supporting evidence were Soviet use of lethal chemicals in Afghanistan, . . .

#### *Testimony of Mel Goodman*

In his public testimony of October 1, 1991, Goodman stated:

. . . [Charging Soviet complicity] is similar to international terrorism in that you had a charge from Secretary of State Al Haig, without evidence, that the Soviets were responsible for the use of chemical agents in Southeast Asia.

Goodman did not lay the blame specifically on Gates but stated that embassies were encouraged to “spread this line about Soviet use of chemical agents.” He concluded by saying that the U.S. embassy in Bangkok set up its own investigation, found no evidence to support the charge, and stopped making the charge about Soviet involvement.

When questioned the following day on his chemical weapons testimony, Goodman stated that “a major concern was not Southeast Asia. It was Afghanistan.” He said that he had made calls around the intelligence community and believed that “there really was no evidence to support” the conclusions that the Soviets had used chemicals in Afghanistan. He ended the questioning on his issue by agreeing that he had no first-hand knowledge of Gates participating in linking the Soviets to the use of chemical weapons or in directing the findings that the Soviets were involved.

#### *Testimony of Robert Gates*

Gates initially said, in his testimony before the Committee on 4 October, that “. . . as best we can reconstruct there was one item in the National Intelligence Daily in the late summer of 1985 suggesting this possibility (of Soviet use of chemicals in Afghanistan). I

was out of town at the time. The item was initiated by analysts in the Soviet office and I had nothing to do with it.”

In response to questions for the record provided on October 8, 1991, Gates recognized the full nature of the allegation and expanded on his comments to include reference to analyses on chemical use in Southeast Asia.

Gates summarized the arguments supporting the conclusions on the Soviet use of mycotoxins starting in 1974 and ending with the February 1982 SNIE. He stated in part:

The issue was controversial, but other analysts disagreed with SOVA and had a good evidentiary basis for their views. Analysts in the Office of Scientific and Weapons Research (OSWR) began receiving sporadic reports on toxic agent attacks in Laos starting in 1974. By 1976, the reports had become regular. . . . Reports of similar activity from Kampuchea began in 1978 and from Afghanistan in 1979. . . . in March 1981, OSWR analysts concluded that the mycotoxin attacks were the result of military action by the Soviets and their surrogates and reported this conclusion in the National Intelligence Daily beginning in 1981. The assessments were clearly performed at the analytical level, with judgments passed to high-ranking officials; not from the top down.

### Point 3: Analysis on Contras

GATES. “It has been alleged that I introduced into Agency publications, without supporting evidence, information portraying increased Contras successes between 1984 and 1986.”

#### *Background*

Goodman charged Gates with distorting intelligence assessments of the Contras in Nicaragua during the 1984–1989 time-frame. He claimed that an independent Inspector General’s report had confirmed this allegation.

Gates replied that two key national estimates produced in February 1985 and March 1986 describe “serious Contra problems and forecasts of further declines in effectiveness and an unlikelihood of real improvement in Contra performance.” He also noted that articles in the National Intelligence Daily during 1985 and 1986 continued to highlight Contra problems.

The CIA Inspector General (IG) did, in fact, perform an investigation of these allegations in 1990, and the Committee has examined that report. The IG report strongly faulted the operation of an analytical cell which had been set up within the Central American Task Force (CATF) of the Directorate of Operations (DO)—finding it guilty of “warping and hyping” intelligence and saying that it had “an unhealthy influence” on production and dissemination of intelligence. Nonetheless, the report concluded that CIA’s finished intelligence products—the National Intelligence Daily and the President’s Daily Brief—had continued to provide balanced, objective analysis on the Contras, but that the CATF tactical intelligence analysis depended too heavily on deductive reasoning rather than an objective presentation of the facts.

While the IG report also faulted the Directorate of Intelligence for its "laissez-faire approach to CATF's intrusion into and disruption of, the finished intelligence process," it does not associate Gates personally with the "warping and hyping" of analysis produced in the CATF. It does report a widespread perception that Gates had entered into a "midwives" agreement with Alan Fiers, Chief of the CATF, that allowed prior DO review of DI analysis on Nicaragua.

Mr. Fiers confirmed he had met with Gates on this issue, but did not specifically discuss the question of CATF pressures on DI analysis:

. . . The DO and the DI were having some serious differences of opinion about analysis that related to Central America. I . . . was doing most of the policy briefing with policymakers, Members of Congress, and it was—what I was briefing was at some variance with what the DI was writing.

The Director told me to meet with Bob Gates and work to reconcile the differences. And I began those meetings. And I would characterize Bob Gates' dealings with that problem as very efficient and very businesslike. He assigned a senior DI officer to work with me. We began to do briefings in tandem. I think many of the Members have had those briefings that we started and we reconciled the problems.

And without a lot of acrimony, without heavy handedness, Bob dealt with that problem. He dealt with it efficiently and fairly. And adjudicated in a way that I thought made both sides comfortable. (Fiers, 9/19/91, pp. 104-105)

#### Excerpts from Testimony

##### *Statement of Mel Goodman*

"In order to exaggerate the success of the Contras, Gates allowed a DO officer to take part in the drafting of current intelligence on Nicaragua. DI analysts eventually filed a formal complaint with the Inspector General (IG) regarding the inaccurate and tendentious analysis that was being produced from 1984 to 1986 as a result of DO involvement. DCI William Webster commissioned an IG study in 1989 that confirmed the charges."

In his spoken statement to the Committee on Wednesday, September 25, 1991, Goodman elaborated that Webster had secretly asked the IG to prepare a special study, and that the IG "confirmed the charges with regard to the tendentious reporting on Nicaragua."

##### *Statement of Robert Gates*

Gates refuted this allegation by referring to various National Estimates and articles in the National Intelligence Daily during 1985 and 1986. He said these publications describe in their key judgments, "serious Contra problems and forecasts of further declines in effectiveness and an unlikelihood of real improvement in Contra performance." Specifically, he cited:

A 1985 National Estimate—Nicaragua: Prospects for Sandinista Consolidation

March 1986 National Estimate—Nicaragua: Prospects for Insurgency

Articles in the National Intelligence Daily (NID) during 1985 and 1986

The 1985 National Intelligence Estimate referenced by Gates judged that the Sandinista intention to create a Marxist-Leninist one-party state in Nicaragua, closely patterned on that of Cuba and aligned with the Soviet Union, faced obstacles posed by a persistent insurgency, popular discontent, the internal political opposition, the Catholic church hierarchy, a worsening economy, the need for Western political and economic support, and fear of U.S. intervention.

However, the estimate concluded that none of those factors prevented the Sandinistas from pursuing a gradual consolidation of a system that would retain little more than symbolic remnants of political pluralism and an increasingly shrinking and beleaguered private economic sector.

The first key judgment in the 1986 NIE cited the failure of either the Sandinistas or the Contras to achieve a decisive military advantage. It noted a number of problems encountered by the Contras that prevented them from expanding their forces inside Nicaragua and that forced them to keep a large proportion of their troops in Honduras awaiting resupply.

Mr. Gates also provided the Committee with 12 National Intelligence Daily (NID) articles published during 1985 and 1986. Five articles published between February and May 1985 emphasize insurgent logistical and supply problems—ammunition shortages, cash flow problems, fragile logistical trains—and recount improved anti-resistance activities on the part of the Sandinistas. One of these—published in late May—also discussed infighting among the anti-Sandinista forces in the south as a factor contributing to the difficulties faced by the Contras in opening a two-front war.

In June 1985, the analysis shifted focus. One article asserted that recently arrived supplies had improved Contra morale and capabilities to increase fighting. An October 1985 special analysis cited a fragile aerial resupply capability as a factor contributing to improved Contra operations, but these were largely offset by greater Sandinista resources and superior manpower. A December article discussed the rebels' new willingness and capability to operate on more than one front simultaneously—attributed in part to recent resupply.

Two May 1986 articles discussed improved Contra performance but noted rebel dependence on external aid, which could soon run out. One article concluded with a judgment that a long interruption of aid would probably result in reduced combat operations inside Nicaragua, lower morale, and the demobilization of some fighting units, while the other discussed low morale and a continuing drain on human resources.

An August 1986 item noted that resupplied Contras had scored a number of successes but were facing intensified counter-insurgency operations and judged that resupply remained the key to the insurgents' ability to press the fight. In October, the downing of an air-

craft plane provided by private benefactors was cited as a blow to aerial resupply efforts. A November piece focused on Contra activities in central Nicaragua.

#### Point 4: Analysis Linking Drug Dealers and Terrorists

GATES. "It has been alleged that I wanted an intelligence product that linked drug dealers and terrorists."

##### *Summary of Testimony*

Goodman alleged that both Robert Gates and William Casey, then Director of Central Intelligence, were guilty of "judge-shopping"—seeking analysts to do their bidding. He gave as an example a case where he says an analyst was given the task of demonstrating a link between drug dealers and international terrorists. When this analyst could not do so, Gates found an analyst who would.

Gates denied the allegation. He recalled that he had heard outside experts contend such a linkage between terrorists and drug dealers existed and that he had asked DI analysts to look into it. He reported that the conclusion of assessments done in 1983, 1985 and 1986, was that terrorist groups were not systematically involved in drug trafficking and were less likely to be so than were insurgents.

#### Excerpts from Testimony

##### *Testimony of Mel Goodman*

"Now I want to talk about the manipulation of the system. What I call judge-shopping in the court house. Because you can always get someone to do your bidding in a situation such as this. Let me tell you one anecdote. A senior analyst was called in by Bob Gates and told that Bill Casey wanted a memo that would link drug dealers to international terrorists. This senior analyst looked at the evidence and couldn't make those conclusions. The evidence wasn't there. He was told to go back and look again. He did that. Said the evidence wasn't there. Gates took the project away from him and gave it to another analyst. I believe there is an ethical issue here."

##### *Statement of Robert Gates*

Gates disputed having "shopped" for an analyst to provide the conclusions he wanted.

Gates did recall hearing the opinions of outside experts that this linkage may exist, and that he asked DI analysts to look into it. He cited several assessments, however, showing that CIA had not established the linkage.

Documentary evidence provided the Committee included the following:

A 27 September 1991 CIA memorandum notes that, after a thorough review of the files, only three documents were found that comprehensively addressed the relationship between terrorists and drug-traffickers. The fairly consistent baseline judgment of these documents emphasized that terrorist groups were not systematically involved in drug trafficking. One of these documents, the 1983 Intelligence Assessment, "Drug

Trafficking: The Role of Insurgents, Terrorists, and Sovereign States," states that urban terrorist groups do not seem to be involved systematically in illicit drug trafficking.

The November 1985 NIE, "The International Narcotics Trade: Implications for U.S. Security." This document refers to reports of episodic involvement between some terrorist groups and drug traffickers, adding that urban terrorists are less likely to become directly involved in drug trafficking than are insurgents. However, it is noted that profits from even one consignment could contribute significant capital to small terrorist cells.

The March 1987 Intelligence Assessment, "Political Stability: The Narcotics Connection." This document concludes that terrorist groups have shown relatively little interest in drug trafficking, perhaps reflecting the lack of opportunities in this area. Although financial incentives exist, most terrorists obtain sufficient funds from other sources. Nevertheless, some groups, including Palestinian terrorist organizations, occasionally participate in drug deals.

As a whole, the documentary evidence suggests that the Intelligence Community gave serious consideration to the relationship between drug trafficking and terrorism. The Community consistently concluded that no strong links existed between these activities, although such linkages could develop if financial needs of terrorist groups were to grow or if their recruitment efforts were to extend to criminal elements for low-level (courier) functions. The documents do note the need for additional information on the subject.

#### Point 5: Analysis on Iranian Support for Terrorism

GATES. "It has been alleged that in response to my pressure in 1985 and 1986, Directorate publications in November '85, January '86 and May '86 said that Iran support for terrorism was down substantially and that Iran was becoming more pragmatic—all with a view to creating a climate for selling arms to Iran.

#### *Summary of Testimony*

Goodman alleged that Gates, as Deputy Director for Intelligence, had introduced into Agency publications key judgments on a variety of subjects which were not supported by the evidence. Among the alleged distortions were judgments regarding reductions in Iranian support for terrorism between 1985–1986. The motive was ostensibly to create a climate for selling arms to Iran.

In reply, Gates cited a number of intelligence community publications which stressed that Iranian-sponsored terrorism in 1985 remained at a high level, and that Iran remained a major terrorist threat, particularly to the United States. He stated that the allegation that he directed an abrupt departure from previous DI analysis on this issue was false.

The NIO for Counterterrorism during this period Charles Allen also submitted a sworn statement to the Committee disputing Goodman's charge that Iranian support for terrorism was seen as declining. On the other hand, a CIA management study made available to the Committee noted several publications during the

time period in question which discussed the apparent reduction in Iranian-sponsored terrorism.

### Excerpts from Testimony

#### *Statement of Mel Goodman*

"Gates also wanted to change the line that the Agency was taking with regard to Iran's support for terrorism. Now remember, we're talking about a very delicate period here; we're talking about November 1985 right before the delivery of Hawk missiles to Iran . . . And I would also remind the Committee in 1987 that Secretary of State Shultz told the Iran-Contra hearing that he had great doubts about CIA intelligence. In fact, I believe it was before this Committee that Bob Gates was asked if he thought he knew what Shultz was talking about, and I believe Bob Gates answered, yes, I think he was referring to the Philippines and to Lebanon and to issues like that.

"Well, there's no mystery. George Shultz said what he was talking about. He was talking about Iran and he was talking about terrorism. He said that in Iran-Contra, and I've seen it in declassified documents that he gave the same message to the President of the United States . . .

"I have done just a cursory review of CIA publications, and I found three instances—November, 1985; January, 1986; May, 1986—where a CIA DI publication said that Iran's support for terrorism was substantially down, and that Iran was becoming more pragmatic. Believe me, the senior Iran analysts on Iran did not believe this."

#### *Statement of Charles Allen*

"There were, in fact, fewer international terrorist incidents that could be traced to Iranian support in 1986; this indisputable fact was reflected in 'Patterns of Global Terrorism, 1986,' which was published in January 1988 by the US Department of State. In particular, there was less terrorism by Iran against American interests . . .

"At no time, however, did I, or any other Community intelligence officer, attribute this decline to any decreased willingness on the part of Tehran to use terrorism—quite to the contrary . . .

"There was no 'swerve' in the Community under my leadership on Iranian terrorism."

#### *Statement of Robert Gates*

"The facts are as follows: In November 1985, the publication of our Near East Office, a publication by the office that I did not review as Deputy Director, said that if the Iranian radicals won in an internal power struggle there would be an upsurge in Iranian sponsored terrorism which had dropped off substantially in 1985. A more formal assessment by our Near East Office in January 1986 noted that direct Iranian involvement in terrorism reached a peak in 1983 and '84, but since then had seemed less directly involved. The *Terrorism Review*, another publication I did not review, of January 13, 1986 clarified the picture by noting that while the level of Iranian supported terrorism was high in 1985—high—the number

of incidents directly linked to Iranian supported groups dropped compared to 1983 and 1984 . . .

"In sum, these and other publications during this period repeatedly stressed that Iranian sponsored terrorism remained at a high level in 1985, and that Iran remained a major terrorist threat, particularly to the United States. The allegation that I directed an abrupt departure from previous DI analysis on this issue is false."

The Committee has reviewed the documents cited by Gates and has confirmed that each includes statements suggesting that Iran remained a major terrorist threat to the United States. While some documents take note of a decline in the number of terrorist incidents attributed to Iranian-supported groups in 1985, and point to less direct Iranian involvement in terrorist operations, there are also references during this period to the prospect that Iranian government officials would be increasingly willing to resort to terrorist attacks in the aftermath of the perceived success in using terrorism to drive the United States from Lebanon.

### *Documentary Evidence*

The Committee has obtained a copy of a memo from the Product Evaluation Staff concerning the issue of DDI reporting on Iranian support for terrorism. The memo indicates that during the winter of 1985-1986, several DI products reported that terrorist incidents by Iranian-sponsored groups had declined in 1985 from the peak year of 1984. The memo does not challenge the accuracy of these assertions, but is critical of the fact that the methodology used to assess terrorist activities was not made explicit in these reports. The memo also indicates that by 1987, analysts were again predicting an increase in Iranian sponsored terrorism. At the same time, the documents referred to in this memo that have been reviewed by the Committee do not leave any doubt about the fact that the Iranian government was still active in supporting terrorism. Further, at least one document published during this period points out that the earlier withdrawal of U.S. personnel from Lebanon would strengthen the view among Iranian leaders that terrorism is an effective instrument of policy.

The Committee requested the November 1985 review cited by Gates, but the CIA has not been able to locate this document.

### Point 6: Analysis of Soviet Support for Syria-Libya-Iran Entente

GATES. "It is alleged that in 1985 I wanted an Agency document to assert that Syrian, Libyan and Iranian support for state terrorism was coordinated by Moscow, and that over the objections of senior Soviet analysts I endorsed a National Estimate and a monograph by an independent contractor to accuse the Soviets of coordinating terrorist activities."

### *Background*

In 1984 or 1985, the National Intelligence Council headed by Gates contracted with an outside expert, Avigdor Haselkorn, to prepare a paper on Syrian, Libyan, and Iranian cooperation, and how the Soviet Union might be encouraging such cooperation. CIA

provided the Committee with two papers prepared by Haselkorn in this timeframe which address this issue.

### *Summary of the Testimony*

Goodman alleged that Gates had wanted an estimate produced to show that Syrian, Libyan, and Iranian support for terrorism was being coordinated by Moscow. Over analysts' objections, he had an estimate and a monograph prepared by an outside expert to reach the result he wanted.

Jennifer Glaudemans appeared to allude to this incident in her statement where she spoke of the coordination process for an April 1985 estimate involving the three countries mentioned. She stated that the draft estimate had been prepared to reflect the views in the paper prepared by the outside expert which vastly overstated the Soviet's influence. SOVA was placed in the position of making a strong case just to limit the damage.

Graham Fuller responded in open session to Glaudemans' charges. He testified that the topic had come up as a result of an on-going contact with Haselkorn which had been established by the previous Middle East NIO. Haselkorn—whom Fuller identified as an Israeli with a "highly prolific and creative mind"—was an outside analyst who specialized in relationships between radicals in the Middle East and the Soviets. Fuller believed that, although "quite wrong on a number of issues," Haselkorn's analyses were "invariably thought-provoking, even when I did not agree with them."

Fuller brought Haselkorn in to discuss his research and ideas with Agency analysts, who met him with open hostility because, "His views strayed too far out from the well-trodden lines of in-house analysis." Casey asked for an estimate on the topic, which was entirely appropriate. Fuller also testified that Haselkorn had nothing to do with drafting the estimate—which was written within the DI—and never saw the results. The ultimate product included little evidence to support the concept of significant coordination among the three radical states and the Soviet Union. However, Fuller believed the estimate was "an interesting and thought-provoking exercise." He concluded that, "For many analysts, however, the outrage consisted in that they were asked to consider the thesis at all—one that they perceived as serving a right-wing agenda."

Another SOVA analyst, Wayne Limberg, submitted a sworn statement also recalling how uncomfortable he was with the estimate. Limberg recalled being told there could be no DI footnotes, i.e. disents, to the final estimate, and CIA had to rely on State to make their objections.

### Excerpts from Testimony

#### *Statement of Mel Goodman*

"In 1985, Gates wanted an agency document to assert that Syrian, Libyan, and Iranian support for state terrorism was coordinated by Moscow. Despite the objections of senior Soviet analysts, he endorsed an estimate and a monograph by an independent con-

tractor to accuse the Soviets of coordinating terrorist activities. There was no reliable evidence of such Soviet involvement."

*Statement of Jennifer Glaudemans*

"[There was a judgment in the 1985 estimate that] . . . the USSR was somehow coordinating and directing the sinister activities of these countries. The NIC [National Intelligence Council] had hired a contractor from the outside to write his own paper on the subject, (I do not recall, but he may have written the first draft of the estimate), and his thesis was basically the Soviet Union was directly responsible for every evil in the world. To me, the signal was clearly sent that if you did not write what the seventh floor wanted, they would go out and hire their own pens. In any event, this was the starting point of the coordination meeting and SOVA had to try to argue the judgment back. Not only did SOVA analysts vehemently argue the substance of this issue, particularly with regard to Moscow's abilities to direct Iran, they pointed to the lack of evidence supporting the original assertion . . . I believe SOVA was ultimately able to 'limit the damage' (as opposed to 'telling the real story') on this issue because of the determination of the branch chief to take a stand. Had he not been removed, or had he been replaced by someone with equal bureaucratic courage and substantive expertise, perhaps none of this would have gotten worse."

*Statement of Wayne Limberg*

"I had a similar experience in March 1985 coordinating a Special National Intelligence Estimate on Libyan, Syrian, and Iranian support for international terrorism. We in SOVA were uncomfortable with it because we felt it overrated Soviet influence. Once again we were told that we could take no footnotes. We had to depend on State/INR to make our case. In a sense, this estimate set the stage for the new infamous 1985 estimate on Iran."

*Statement of Robert Gates*

Gates rejected the charge, stating the facts as follows:

He, Gates, did approve a proposal to have an outside analyst examine the idea that Syria, Iran, and Libya were collaborating to harm U.S. interests, and that the USSR was encouraging this.

The drafter of the NIE itself was an experienced CIA analyst, not the outside contractor.

The April 1985 Special National Intelligence Estimate entitled "Iran, Libya, Syria: Prospects for Radical Cooperation": documented increased efforts for cooperation among them on matters of common interests; pointed out the differences among them; stated that the USSR derived benefit from anti-U.S. activities of these three states even while recounting the drawbacks to the Soviets of getting too close to them; reviewed what the Soviets would and would not do to support them.

The only intelligence agency to dissent was the State Department's Intelligence and Research Bureau.

Gates added that the estimate was, in his view, carefully drafted to avoid overstatement and was useful.

In response to the statement of Wayne Limberg, Gates stated in his October 22 letter to the Committee.

Mr. Limberg complains that he was told he could take no footnote and leaves the implication I was responsible. Yet, he never mentions me in this paragraph, nor anyone else. I recall no SOVA desire to take a footnote being brought to my Attention.

Questioned subsequently during the hearings about whether his statement that Goodman's charge was false also applied to Glaudemans testimony, Gates replied:

[T]he allegation that I was keying from when I addressed that issue did not include Mrs. Glaudemans' testimony but rather Mr. Goodman's presentation to the Committee. and his allegations was couched in different terms. . . [H]e framed the allegation in a very different way that implied (a) that the contractor had drafted the estimate, (b) that I had dictated the terms, and (c) that I had required that it come to the conclusion that Syria, Libya and Iran, being organized by Moscow, were—and that was the premise against which I was drafting my response. (10/4/91)

### *Documentary Evidence*

Accompanying the draft estimate that was sent to DCI Casey for review was a set of proposed talking points dated March 22, 1985. These noted that there was little clear evidence that Iran, Libya, and Syria were engaging in formal joint operations, especially on a trilateral basis, although there were numerous indications of bilateral cooperation. Also, the talking points noted that the Soviets could not generally control the foreign policy of Syria and Libya although it maintained close ties with them and that Moscow was shut out of any close relationship with Iran.

Subsequent to the DCI's review, a memorandum was produced, dated March 28, 1985, from the Vice Chairman of the National Intelligence Council to the National Foreign Intelligence Board Principals. The memorandum indicated that the DCI had amended the key judgments to stress that the three radical states shared certain common purposes; they were willing to consult regularly and to pursue numerous goals in tandem. The memo also noted the State Department's disagreement with the conclusion that there was a "pervasive" connection between the three countries, and noted State's view that the Soviets appeared to deal with each country separately.

The 1985 SNIE, as it was finally issued, asserted that these three radical states had been pursuing anti-American policies and noted that although their independent actions posed the greater challenge to the U.S., their mutual recognition of common purposes and willingness to consult to pursue numerous goals in tandem increased the overall threat to American interests. The estimate predicted that the three countries would continue to find opportunities to cooperate on an ad-hoc basis, although this cooperation generally took the form of bilateral, rather than trilateral, activities.

The SNIE continued that Iran, Libya, and Syria differed sharply in their ideologies, radicalism, and leadership style, and that all continued to pursue their individual interests, even if this set them at odds with the others. As for the Soviets, the estimates asserted that they could not control the foreign policy of Syria and Libya—with whom they shared close ties—and were shut out of a closer relationship with Iran.

The Department of State took a footnote to the SNIE saying that it believed the estimate to overstate the degree of cooperation between the three countries, doubting they could be treated as an “entity” for analytical purposes.

#### Point 7: Analysis of Soviets and the Third World (I)

GATES. “It is alleged that I killed an Estimate draft in 1982 on the Soviets and the Third World, and another such paper in 1985.”

#### *Summary of Testimony*

Goodman alleged that Gates “killed” a 1982 draft estimate and a 1985 draft paper on the Soviets in the Third World. Both drafts argued that the Soviets were likely to find fewer opportunities for involvement and influence in the Third World during the 1980s.

CIA has been unable to locate copies of either paper, although it did recover a 14 February 1982 memorandum from DDI Gates detailing his problems with the draft estimate prepared by Goodman.

No analysts came forward with knowledge of the 1982 draft estimate, but several recalled the 1985 paper. Jennifer Glaudemans recalls hearing that the paper had been killed because it was too soft on the Soviets. The drafter of the paper, Carolyn Ekedahl, recalls questioning why the paper had been requested since it was clear “the 7th floor” did not like SOVA’s views in this area. She then worked with a colleague to develop the paper, but subsequently learned from her superiors that the paper was “off the mark” and would not be published.

Gates responded that, during 1982, he was not in a position to “kill” an estimate; that when he did review the draft, he found it lacking in a synthesis of developments over the past few years that would be useful to the policymaker; and that a 1984 Estimate on this subject was produced by the community with no record of a dissenting view. Gates did not comment about his role in the 1985 draft estimate.

The Committee also received a sworn statement from CIA analyst Wayne Limberg commenting on the process involved in the coordination of the 1984 estimate referred to by Gates. Gates refuted some of Limberg’s comments in an October 22nd letter to the Committee.

The Committee has requested a copy of the draft study, but CIA has been unable to locate one.

#### Excerpts from Testimony

#### *Statement of Mel Goodman*

“Gates displayed great intolerance for judgments that did not support Casey’s view of the Soviet Union and often blocked circula-

tion of such ideas. In 1982, he killed an estimate draft on the Soviets and the Third World that argued there would be fewer opportunities for Moscow in the 1980s and more problems in areas of Soviet influence. Subsequent events showed that these views were correct, but Gates said the draft lacked any sense of the dynamics of Soviet involvement in the Third World and ignored Moscow's tactical creativity.'"

In his October 1 testimony, Goodman elaborated on this issue:

In 1982, I wrote a National Intelligence Estimate in which I assessed Soviet strengths and weaknesses in the Third World. But I did conclude that there was tenuous evidence of a Soviet retrenchment. That the Soviet drive to expand may be reaching its limits, due to the costs, due to the returns, due to the risks. I got a 1982 memo from Gates that killed the draft, but I think it is worth reading because it showed Gates' approach to the problem. The emphasis on ideology. The fact that Soviet-U.S. relations were secondary to the Third World for Moscow. The fact that the Soviets had unlimited political and military assistance to offer the Third World. The fact that the Soviets had tactical creativity in the Third World and that the Soviets had larger—that there were larger Soviet imperatives and motives in the Third World. All of that was in the Gates memo.

\* \* \* In 1985, my senior analyst on this subject and a scholar in residence from the State University of New York, returned to the same subject of the Soviets in the Third World. Now this time they did a study based on very hard information that we were now getting, that if you looked at the indicators of influence \* \* \* we looked at indicators of military aid, economic aid, Soviet advisors, ship days in out-of-area waters, and all of these indicators were either stagnant, some where even dropping. And that was the reason for writing the paper. And that was the reason for writing the paper. We thought we had an important message to say in 1985. We thought we had good evidence. Now the paper was killed.

#### *Statement of Jennifer Glaudemans*

"In 1985, a GS-15 senior analyst and a visiting scholar in residence were asked to do an appraisal of the USSR's performance in the Third World. When they presented their research of various indicators such as aid, advisors, out-of-area sea days, the paper was killed. Which by this time—in 1985—there was already this legacy of perceptions that SOVA was too soft on Soviet policy, so I think it was understandable why that paper was killed at the time."

#### *Statement of Carolyn Ekedahl*

"When I was first asked to write the [1985] paper \* \* \* [the Deputy Division Chief] told me that Douglas MacEachin, Director of the Office of Soviet Analysis (SOVA) had requested an assessment that would provide a 'balance sheet' of Soviet activities in the Third World. I requested that he go back to MacEachin and make

sure he wanted such a paper, because my experience was that nothing we could write on that particular subject of an analytical nature would be acceptable to the seventh floor. [Name deleted] told me several days later that he had raised the subject with MacEachin, who had said to go ahead. My division chief, Melvin Goodman, subsequently also agreed that we should write the paper."

"After collecting a considerable amount of data, [name deleted], a visiting scholar, and I began to draft an assessment; by March 1985, we had a rough draft prepared. Material compiled by OGI and SOVA revealed that most indicators of Soviet Third World activity were either leveling off or declining by the mid-1980s—after increasing rather rapidly in the 1970s. Given the fact that the Soviets were continuing to put large amounts of material assistance into various beleaguered client states (Afghanistan, Ethiopia, Angola, Cambodia, Cuba, Vietnam), the data suggested that Soviet expansionism in the Third World had peaked and that the costs of an expanding empire could not be sustained."

"Following the purge of SOVA (a major reorganization involving the replacement of various managers) that occurred in March 1985, [the visiting scholar] and I were asked to submit our preliminary draft to the new management team and were then summoned to a meeting with those officers. We were told that the paper was off the mark, that it had no particular relevance or utility, and that it should be published on the outside—not inside the CIA where it had nothing new to offer. I asked why [SOVA director Doug] MacEachin has asked for the paper if it was irrelevant and was told that MacEachin had never heard of the paper and didn't even know it was on the research program. The paper was killed. Shortly thereafter, I left SOVA."

#### *Statement of Wayne Limberg*

"In August of 1984 I became the DDI representative for the coordination of NIE 11/10: Soviet Policy in the Third World. This estimate had been started in 1982 and had been through several rewrites. The 7th floor was rumored to be unhappy with the first drafts' "benign" view of the Soviets. By the summer of 1984 there was a good deal of pressure to get it out. My colleagues in SOVA and I had several problems with the document. Many of us who had been tracking Soviet Third World policy believed that there were clear signs that the Soviets were rethinking their approach. In retrospect, we were, if anything, too timid in our analysis. In any event, I tried to get some of this into the estimate and to tone down some of the estimate's passages that exaggerated Soviet abilities. To do this, I threatened to footnote several sections. Actually, I had little intention of following through with the footnotes; I was merely using the threat of them as bargaining chips."

"The acting NIO/USSR became irritated and took the unusual step of complaining directly to Mr. Gates. In discussing the estimate with Mr. Gates, he made it clear he wanted no footnotes. Recognizing that this undercut my position at the table, I pursued it a bit with him; his instructions were to get the best deal I could but no footnotes. At the next coordination session, it was clear the acting NIO knew of my predicament; he gave on a few points but

in general I had to settle with limiting the damage. Ironically, Mr. Gates commended my work on the estimate."

*Statement of Robert Gates*

"As Deputy Director for Intelligence, I was in no position bureaucratically to kill an NIE. The Director, Deputy Director Inman, or the Chairman of the National Intelligence Council, Harry Rowan, were the only ones who could do that. On request, I read the draft, and I offered my reaction. That memorandum has been declassified. But let me just read you one excerpt to give you the flavor:

In sum, the Estimate is basically a snapshot with a great deal of detail on the problems and opportunities confronting the Soviets in the Third World. But what I find lacking is any sense in the change in the Soviet approach to the Third World over the last several years. And that pulls together for the policymakers something more than the specifics we've been feeding them for the last three or four years. Something that provides us a synthesis of what it all means in terms of larger Soviet imperatives and motives in that part of the world.

"Now there was an NIE on the Soviets and the Third World. It was done in September 1984. And that estimate cited in detail the constraints on and vulnerabilities of the Soviets. It stated that Soviet prospects would depend on factors beyond their control, some factors, and concluded that they would seek as vigorously as in past years to press their strategy of Third World penetration. There were no dissents."

On October 22, Mr. Gates replied to allegations made in Mr. Limberg's sworn affidavit in a letter to the Committee:

With regard to Mr. Limberg's discussion of the 1984 Third World estimate, the repeated claim that no footnotes were allowed is untrue and begs the question why this division did not ask the office director to raise problems with this NIE with me. Some NIOs may from time to time have discouraged footnotes, but this was contrary to my wishes and policies and certainly did not stop the DI from taking footnotes or office directors making the case for them.

*Documentary Evidence*

The 1984 estimate, "The U.S.S.R. and the Third World," asserts that the Third World would continue to be the most volatile arena of U.S.-Soviet political struggle in the coming years as its inherent instability would continue to be seen as a tempting target for Soviet expansionism at Western expense. Subsequently, it treats the history of Soviet involvement in the Third World, which over time resulted in increased influence and presence there. These gains were facilitated by the emergence of exploitable opportunities, the U.S.S.R.'s growing military capabilities, and by a more subtle blending of tactics.

The estimate discusses constraints and vulnerabilities faced by the Soviet Union; namely, renewed U.S. efforts to oppose further Soviet and pro-Soviet advances in the Third World, new imperial

problems created by the successes of the 1970s, a rise of economic distress in many parts of the Third World, growing economic difficulties within the U.S.S.R., and a widespread and growing desire among Third World leaders not to permit Soviet or pro-Soviet elements to gain influence over their countries' destinies. However, the estimate concludes that the Soviets still viewed the Third World as the Achilles' heel of the West, and would persevere in their efforts to enhance their power and influence there.

#### Point 8: Analysis of Soviets and the Third World (II)

GATES. "It is alleged that I blocked a memo showing indicators of Soviet activity in the Third World either stagnant or declining—measures such as reduced ship days in out-of-area waters, stagnant economic or military aid, and fewer advisers abroad."

#### *Summary of Evidence*

In addition to the cases cited under Point 7, above, a number of analysts from the CIA's Office of Soviet Analysis recalled that Gates had asked for a paper to be prepared within several days regarding Soviet assistance to the Third World. He dismissed it after he read it. Several of the analysts believed the reason the paper was killed was because it did not accord with the views of Casey or Gates.

Gates conceded that although he may have found a specific paper inadequate, during the period 1983 to 1987, the Directorate of Intelligence published a number of assessments dealing with these issues. Gates submitted a partial listing for the record, including four papers produced by the Office of Soviet Analysis.

#### Excerpts of Testimony

##### *Statement of Mel Goodman*

"His [Gates'] views [on the Soviets in the Third World] were recorded in the *Washington Times* in 1986, when he argued without any evidence that Moscow's targets in the Third World included the oil fields of the Middle East, the Panama Canal, and the mineral wealth of South Africa. In that article, he became a policy advocate and called for a "vigorous strategy" in the Third World, including use of military force. Before presenting his views, he blocked a DI memorandum that showed indicators of Soviet activity in the Third World either stagnant or declining; the paper cited reduced Soviet ship days in out-of-area waters, stagnant military and economic aid, and fewer advisers abroad."

##### *Statement of Jennifer Glaudemans*

"Moreover, in 1986, Mr. Gates, suspecting that Soviet assistance in the Third World was going up, asked this Office of Soviet Analysis to examine the issue over a weekend. When the figures were collected, they indicated that, at best, the Soviets were holding even and in some cases the figures were actually declining. I was told by a person involved in this project that when Mr. Gates received the paper he threw it away. He said he didn't want to see it again."

### *Statement of Wayne Limberg*

"In early 1986, I saw Mr. Gates play a more direct role in the process. One Friday afternoon in March, several of us in SOVA, including my division chief and deputy office chief, were ordered to report to the DDI conference room. On arriving, we found the other DDI office heads assembled. Mr. Gates was in the chair. He announced that the DCI 'sensed' that Soviet aid for the Third World was increasing. He proceeded to rip into SOVA for ignoring this. Knowing that we had precise and up-to-date figures at hand, I protested but was brushed aside. Mr. Gates then ordered us to do a special study on Soviet aid to the so-called Reagan Doctrine countries—Afghanistan, Angola, Ethiopia, Cambodia, Nicaragua, and Mozambique—and have it done by the following Tuesday. That evening I called my staff and asked them to come in the following day. In a matter of hours, we had a fairly good picture of the situation. We used the next two days to prepare detailed charts and graphs.

"On Tuesday afternoon, we presented Mr. Gates with an inch-thick report. Unfortunately, our findings did not support Mr. Casey's intuitions. At best, the evidence was ambiguous. In some places the trend-line was down, in others flat or even up, and in others it looked like a roller coaster. Taken as a whole, however, and combined with other indicators it seemed to point in the direction of at least a slowing in Soviet investment in the Third World. Mr. Gates only glanced at the project's key judgments and threw the paper aside, warning us he never wanted to see this happen again. The paper was never published . . ."

### *Statement of Robert Gates*

". . . While I may have found a specific paper inadequate, during the period 1983 to 1987 the Directorate published a number of assessments dealing with these issues. I submit a partial listing for the record, including four pages by the Soviet office."

In a letter to the Committee dated October 22, Gates noted:

With regard to the two meetings on Soviet aid to the Third World in early 1986 mentioned by Mr. Limberg [in his sworn affidavit], I have not had a chance to talk with the other participants and do not recall the meetings. Nonetheless, I am confident that the discussion and outcome were almost certainly more nuanced than Mr. Limberg describes. Indeed, he acknowledged at one point the evidence was ambiguous but then claims that he concluded that the picture as a whole pointed to a slowing of Soviet investment. I simply do not believe his account of these meetings is balanced and accurate.

### *Documentary Evidence*

Gates submitted into the record on October 3, a list of ten documents produced by the Directorate of Intelligence on Soviet activities in the Third World between 1983 and 1986—six by the Office of Global Issues (OGI) and four by the Office of Soviet Analysis (SOVA). The Committee requested the CIA to provide the papers; they are listed below, with the exception that the CIA sent the

1982-1983, rather than the 1983-1984, version of the OGI research paper on "Soviet and East European Assistance Programs in Non-Communist Less Developed Countries."

The OGI papers were in the main research and reference papers, rather than intelligence assessments which are more predictive in nature:

An August 1982 research paper, "Soviet and East European Aid to the Third World: 1981," noted that Warsaw Pact military aid with Third World countries was sharply down in 1981 although East European military sales nearly tripled from the 1980 record. It also noted that Soviet economic assistance had dropped to a four-year low, related primarily to negotiation deadlocks over stricter terms sought by the Soviets versus lack of interest.

In an October 1982 research paper, "Soviet Presence in the Third World: Developments in the Past Decade," the key judgments included a statement to the effect that the position of the Soviet Union in the Third World at that time was stronger than it had been a decade before, in spite of setbacks.

An intelligence assessment of December 1983, "The USSR and Its Allies: A Global Presence," asserted that the Soviet Union and its allies had established a presence in strategically important areas of the world in an attempt to extend their influence and counter U.S. and Western interests. The USSR was seen to benefit, "without question," from its presence and the presence of its allies in the Third World. The key judgments also noted that there were limits to the amount of influence a Soviet allied presence allowed.

"Warsaw Pact Economic Aid to Non-Communist LDCs, 1984"—a research paper published in December 1985—noted the continuing recovery of Communist economic aid programs in non-Communist countries in 1984 from the retrenchment of the early 1982s.

"A Global Survey of Soviet Political Presence," from August 1987, was a reference aid providing basic information on the relationship between the Soviet Union and all other countries of the world that allow any kind of Soviet presence, and contained no analysis.

In contrast with the OGI publications, three of the SOYA papers referenced by Gates were typescript memoranda—a less formal Agency analytic format, designed to respond to specific and often perishable topics; they had less stringent coordination requirements and could be more speculative than the "hard-cover" research papers and intelligence assessments. The fourth seems to be a draft of some kind, rather than a finished publication. All post-dated Goodman's removal from the Third World Activities Division:

A 27 August 1985 paper—seemingly in draft form—"Soviet Economic Assistance to the Communist LDCs (Cuba, Vietnam, Mongolia, North Korea, Laos, and Cambodia), 1981-84," noted that Soviet economic assistance to Communist lesser developed countries had leveled off over the past four years, ending a pattern of dramatic growth which began during the mid-1970s.

A 6 November 1985 typescript, "Regional Issues at the November Meeting: Gorbachev's Options," discussed probable Soviet expectations regarding President Reagan's agenda on regional issues for his upcoming meeting with General Secretary Gorbachev. It asserted that the Soviet leadership throughout the 1980s had demonstrated a steady resolve to defend its gains in the Third World and viewed consolidation of client regimes as an essential element in expanding its Soviet influence there.

"Neoglobalism: New Soviet Formulation on the U.S. and the Third World," dated 16 April 1986, discussed the fact that Soviet commentators were using the term "neoglobalism" to describe what they considered to be a new U.S. doctrine for the Third World. "Neoglobalism" was defined as the U.S. administration's design to promote its interests in the international arena by exploiting and initiating regional conflicts using a variety of instruments.

A typescript memorandum from 10 September 1986, "Soviet Views of Democratically-Oriented Change and Economic Liberalization in the Third World," asserted that Soviet analysts saw the transition of Third World military regimes to elected civilian governments as working to Moscow's advantage.

#### Point 9: Analysis of MiGs to Nicaragua

GATES. "It is alleged that I stopped a paper concluding that the Soviets would not send MiG fighters to the Sandinistas."

#### *Background*

The U.S. Government was closely monitoring shipments of arms to the Nicaraguan Sandinistas during the fall of 1984. The situation was tense: the Soviet Union did not disguise its desire to provide continuing military support for the Sandinistas. Secretary of State Shultz had issued public and private demarches to the Soviet Union that a shipment of MiGs to Nicaragua would not be tolerated by the United States Government.

During the month of October, a Soviet ship, the "Bakuriani", was seen at the same port where MiG 21 crates were ready for on-loading. It was not known whether the crates were taken on board the Bakuriani. The Bakuriani arrived in Corinto harbor, Nicaragua, on November 7, 1984.

In the month which followed the arrival of the Bakuriani, the Intelligence Community did not settle on a clear judgment regarding the ship's cargo.

As late as December 11, the CIA was still formally advising policymakers that it was unsure what the Bakuriani had carried on that trip.

On December 6, Mel Goodman, then head of SOVA's Third World Activities Division, wrote a long memo on the subject, concluding that the MiG training aircraft was the only "candidate for delivery in the near term."

DDI Gates responded to Goodman's analysis in a December 7 memo saying, "The truth of the matter is we just don't know whether they will send the MiGs and I think it is unhelpfully lead-

ing with our chin to make a prediction when we really don't have anything to go on."

### *Summary of Evidence*

Goodman indicated that he had attempted to publish a paper in 1984 predicting that the Soviets would not send MiG fighters to Nicaragua, but that Gates had stopped the paper.

Gates responded in a memo that the paper did not add much to the discussion of the issue already put in front of policy makers. A review of a CIA working group paper indicates that there was wide disagreement within the Agency on whether the Soviets would send fighter aircraft to Nicaragua. In addition, seven days before Goodman's paper was forwarded to Gates for approval, a Defense Intelligence Agency Appraisal was published and concluded that "the Soviets are still unlikely to provide them [fighter aircraft] soon." This is strikingly similar to the conclusion in the Goodman memo which states in part, "Moscow understands the depth of Washington's concern regarding the introduction of MiG aircraft into Central America and accepts that prohibition, at least for now."

### Excerpts From Testimony

#### *Statement of Mel Goodman*

"I got a note from Bob to me, saying that he may agree with me on this particular issue [that the Soviets would not send MIGs to Nicaragua], but quote, 'it would be very unhelpful to lead with our chins on this issue.' Imagine a CIA that can't lead with its chin." (10/1/91)

Goodman subsequently expanded the issue by stating that this was politicization since it had been possible to publish a "guess . . . when the Soviets were involved in one nefarious activity or another, but we couldn't even guess at all when it meant that there were signs that the Soviets maybe were being conciliatory, or moderate in some fashion . . . [W]hen analysts are told not to lead with their chin and the message comes down very strongly, it does have an inhibiting, if not an intimidating, effect on the kind of analysis you do." (10/1/91)

#### *Statement of Robert Gates*

". . . [M]y note [to the Director of SOVA] simply said that the paper did not go beyond what we had already said. Let me read part of it into the record. 'My view is that there are no considerations in this memo that policymakers have not already thought of or that we have not, already presented to them in one form or another . . . Don't get me wrong. The bottom line of the memo that the Soviets will not be sending the MiG's in the foreseeable future may well be true. In fact, I may lean in that direction in my own mind.'" (10/3/91)

### Point 10: Analysis on the Afghan Insurgency

GATES. "It is alleged that I blocked a major research effort documenting Afghan insurgent failures against Soviet forces."

### *Summary of the Evidence*

Goodman alleged that Gates did not want to allow a 1984 analysis to be published which showed insurgency failures in Afghanistan. Goodman believed that Gates wanted the Mujahideen to receive more aid and describing insurgency failures would prevent that from happening. According to Goodman, it was not possible to publish documents showing Soviet constraints with respect to Afghanistan.

Gates said that the document forwarded to him was returned for further work. He regarded it as "journalistic" in its approach because it did not contain any comparative data to show whether the insurgency was gaining or losing strength. In his memo, Gates urged the development of data that showed the numbers of insurgent incidents, territory held, numbers of casualties, amount of equipment lost, numbers and sizes of attacks, aircraft losses, etc. In the absence of such data, it would be difficult to show the progress or deterioration of the insurgency from either a U.S. or Soviet perspective. A copy of the October 17, 1984, memorandum to the Director of SOVA was provided to the Committee, and confirms Gates' account.

Intelligence assessments and research papers published between 1983 and 1985—and cited by Gates—present a picture of a Soviet military that is unable to improve its position in Afghanistan at its current force levels, but is also confronted by an insurgency that is seriously divided. As Gates contended in his October 1984 memorandum to the Director of SOVA, there is virtually no data to support a comparative analysis of whether the Soviets or the insurgents were improving their strategic positions.

### Excerpts From Testimony

#### *Statement of Mel Goodman*

Goodman stated on September 25 that Gates blocked a major research effort on insurgency failures with a comment that the effort was "journalistic." Goodman added that other agencies were documenting insurgent failures, but CIA efforts were killed. Goodman wrote that Gates' personal view that Mujahideen military successes would lead to more dramatic Soviet actions was the basis for analysis being blocked.

In his October 1 testimony, Goodman reiterated the charge. He noted that Gates wanted the Mujahideen to get more aid and, according to Goodman, analysis showing Mujahideen failures countered this view. He said that he was trying to show Soviet constraints regarding their aid program to Afghanistan, and he "just couldn't get this story out."

#### *Statement of Robert Gates*

Gates countered by quoting the detailed guidance he gave in the October 17, 1984 memorandum concerning the evidence that needed to be gathered in order to determine whether the insurgents were gaining or losing in Afghanistan:

That seemed to me to be relevant to [understanding the] next steps by the Soviets . . . My memo to the Director of

the Soviet Office on this paper has been declassified . . . let me just read an excerpt or two . . . "It seems to me that the first step in looking at what the Soviets might do is to assess the level of insurgent activity, say over the last two years. You need to develop some data covering the last two years or so that deal in comparative terms with numbers of incidents, territory held, number of casualties, amount of equipment lost, number and size of attacks, aircraft losses, and so forth."

Gates mentioned that seven major assessments published between 1983 and 1985 on the war in Afghanistan addressed the strengths and weaknesses on both sides of the conflict, showing that this type of analysis had not been suppressed.

While, on the one hand, the assessments do not specifically portray insurgent failures, on the other hand, they do not portray insurgent successes. Instead, they provide an analysis of a protracted insurgency. Dated April 1983, the first assessment cited by Gates concludes that the insurgents are incapable of expelling or defeating major Soviet forces. The last assessment cited by Gates—dated October 1985—states that the insurgents are divided and that there will be no near term breakthroughs in their strategic position. Similarly, during the same period, the Soviets are depicted as being unable to win strategically, but they also are shown as being determined to continue the war.

#### Points 11 and 16: Soviet Policy Toward Iran

GATES. "It is alleged that I rejected a 1985 Directorate analysis documenting Soviet problems in Iran and personally was responsible for the inaccurate assessment in the Iran Special National Estimate in May 1985 . . . and that well documented conclusions concerning the failure of Soviet efforts to gain influence in Tehran were radically altered in 1985 without any change in the evidentiary base." (Points 11 and 16, respectively. See also Point 18.) (10/3/91)

#### *Background*

CIA issued a Special National Intelligence Estimate (SNIE) on Iran on May 30, 1985. Among other things, it stressed that the climate in Iran was favorable for the Soviets to increase their influence.

The preparation of this estimate, including Gates' involvement, is recounted in detail in Part I of this report.

To summarize the key points, in April 1985, Graham Fuller, the National Intelligence Officer for the Near East and South Asia, and Howard Teicher of the NSC staff, discussed the situation in Iran. Fuller expressed his concerns with the declining situation in the country and suggested the U.S. might reconsider its policy of preventing arms sales to Iran. On May 7th, he prepared a memorandum which set forth these views, and the memo was sent to Gates.

On May 14th, after receiving a briefing on Israeli plans to sell ammunition to Iran, NSC Advisor Robert McFarlane asked CIA to update its basic estimate on Iran.

On May 17th, Fuller prepared another memorandum which went to Gates and Casey again arguing that the Khomeini regime was faltering, and that the U.S. should allow its allies to sell arms to Iran to offset growing Soviet inroads in the country.

The Office of Soviet Analysis (SOVA) had drafted the part of the estimate dealing with the likelihood of Soviet inroads into Iran, and concluded the likelihood was small. This was consistent with a well-established SOVA position on the question. Fuller disagreed with that conclusion and rewrote that portion of the estimate to conform to the views in his earlier memoranda.

Fuller showed the revision to Gates and obtained his informal approval. Fuller later cited this approval, without Gates' knowledge, at a meeting with SOVA analysts to coordinate the estimate. Fuller also noted that the National Intelligence Officer for the Soviet Union had approved this approach. SOVA analysts, left the meeting unhappy that their objections to Fuller's language had been overridden, but they took no appeal either to their own management or to Gates.

Subsequently, at the interagency meeting to approve the estimate, the State Department representative objected to the estimate arguing that it overstated the seriousness of the internal situation in Iran. Casey told State to "take a footnote," i.e. express its disagreement in a footnote.

Several days after this meeting, Gates called the Director of Intelligence and Research at State, Mort Abramowitz, and persuaded him to drop the footnote dissenting from this point in the estimate. Subsequently, in a March 2, 1987 letter to the SSCI, Gates wrote, ". . . there were no dissents to the Estimate from any agency. The independence and integrity of the intelligence process were preserved throughout."

It is clear, that the 1985 SNIE marked a sharp departure from the CIA's analytical line on Soviet-Iranian relations that prevailed both before and after its publication. Indeed, within a few months, the conclusions of the estimate appeared to be eroding. In August, 1985, for example, Fuller wrote another memorandum to Casey stating that Iran appeared to be moving away from the chaotic conditions foreseen in the May SNIE.

In February, 1986, another estimate was prepared on Iran which in essence concluded that the Soviets were not making inroads in Iran, reversing the position taken by the May 1985 SNIE.

### *Summary of the Testimony*

Me1 Goodman alleged that in 1985 Gates rejected a well established and supported analytical conclusion that Soviet opportunities in Iran were severely constrained, and substituted for it his own views which exaggerated Soviet opportunities and inroads in Iran. Goodman alleged Gates supported the National Intelligence Officer for the Near East and South Asia, Graham Fuller, in Fuller's decision first to override the objections of SOVA analysts and subsequently, to incorporate this alarmist view in a 1985 Special National Intelligence Estimate (SNIE). Goodman also alleged Gates had misled the SSCI in 1987 by saying there had been no dissents to the Estimate.

Jennifer Glaudemans also testified there was no persuasive evidence that the USSR viewed Iran as an area of major opportunity in 1985—as the SNIE asserted. Glaudemans said that SOVA analysts did not appeal Fuller's decision because Fuller had already cited Gates' support, and because SOVA had fought and lost so many such battles in the previous months before. Hal Ford also testified that he had concluded that Gates "did lean heavily" on the SNIE.

Fuller testified that the 1985 SNIE did, in fact, mark a departure from the established CIA view and that he had been too heavy-handed in rejecting the protests of SOVA analysts. Yet, Fuller also defended his language in the SNIE as a legitimate attempt on the part of an NIO to warn of a potential danger of rapid Soviet inroads in Iran under certain future circumstances. Fuller denied there was any causal connection between the SNIE, his May 17th memo, and the arms sales to Iran which began three months later.

Gates testified that the 1985 SNIE did cite "new, specific evidence of Iranian interests at that time in improving relations with the USSR"—such as a visit by a senior Iranian official to Moscow. In subsequent questioning, however, he acknowledged that the 1985 SNIE marked a sharp departure from the prevailing analytical view and that subsequent events had proved it to have been in error. Gates further noted that while he had told Fuller that his language was preferable to SOVA's, Fuller had acted on his own in overriding SOVA's objections during the coordination process.

Under questioning by the Committee, Gates acknowledged that he called Mort Abramowitz and persuaded him to drop the State Department's dissenting footnote. Gates said he took this action because he viewed the footnote as trivial and therefore unnecessary. He added that the footnote related to internal Iranian politics rather than the prospects for Soviet inroads, as alleged.

#### Excerpts from Testimony

##### *Statement of Mel Goodman*

"All the tools of politicization were brought to bear during the crucial period in May 1985, when the CIA prepared a special national intelligence memorandum on Iran as well as two memoranda on Iran by Graham Fuller, the National Intelligence Officer for the Near East and South Asia. From 1981 to 1985, DI analysts had resisted pressure from Casey and Gates and argued that Soviet efforts to gain influence in Iran had failed, that Soviet-Iranian relations were severely strained, and that Moscow did not expect to gain influence in Tehran as long as Khomeini remained in power. These well-documented conclusions were radically altered in 1985, however, without any change in the evidentiary base.

"The special estimate, entitled "Iran: Prospects for Near-Term Instability," concluded that Moscow was well positioned to increase its influence in Iran, that Gorbachev saw Iran as a key area of opportunity, and that Moscow would show flexibility on arms sales to Iran. These views were introduced without consulting Soviet analysts in the DDI. Prior to preparation of the estimate, Gates ordered that the senior intelligence officer for Soviet foreign policy be removed from the Office of Soviet Analysis (SOVA). The conclu-

sions of SOVA analysts, that Moscow was skeptical about Khomeini's intentions and was unlikely to sacrifice ties with Iraq for uncertain gains in Iran, were ignored.

"In a departure from past practice, the NIO for the Near East drafted the key judgments and did not vet them with the Intelligence Community until the first coordination meeting. The NIO's views had been vetted with Robert Gates, however, and the, NIO informed those at the meeting that the draft had Gates' approval and could not be changed. This episode is particularly important in view of Gates' letter to Senator David L. Boren in 1987, stating that there were "no dissents to the Estimate from any agency" and that the "independence and integrity of the intelligence process were preserved throughout." In fact, only one Soviet analyst from the Intelligence Community attended the meeting; his arguments were virtually ignored and Gates' policy of permitting no footnotes prevented the DI's views from being expressed."

"Subsequent intelligence estimates on Iran returned to the assessments expressed in past publications, that as long as Khomeini remained at the helm, Moscow was 'unlikely to offer significant gestures to improve relations.' Gates, in his testimony on Iran and the Soviet position on Iran to the Senate Foreign Relations Committee in January 1989, did not refer to the anomalies in the Iran estimate of May 1985—even though SOVA's contribution to his testimony highlighted the episode."

#### *Statement of Jennifer Glaudemans*

Ms. Glaudemans, in her written statement, argued:

[The 1985 SNIE] . . . included the judgment that the USSR viewed Iran as an area of major opportunity in 1985. No one in SOVA could substantiate this extreme assertion with evidence. There was none. In fact, the evidence indicated that the Soviets assessed their chances of gaining influence in Iran as slim-to-none until Khomeini died.

Glaudemans' statement noted that SOVA did not pursue its objections after the coordination meeting because Gates, who was head of the DI, had already made known his views. Furthermore, "people in SOVA had grown accustomed to losing in such situations and, at some point, you know the best you can do is argue at the table but that to go further would only identify you as a 'problem' to managers on up the line. I think the best way I can describe it is that it was like being a member of an opposition party in Mexico or Japan. You just knew when you were going to lose. It did not matter how overwhelming the evidence was in your favor or how lacking in evidence the 'seventh' floor was . . ."

"[T]here were times when insufficient evidence was irrelevant as long as a judgment was consistent with what Mr. Gates wanted . . . as in the case of the Iran Estimate."

#### *Statement of Hal Ford*

Ford testified about his belief that Gates "did lean heavily on the now famous Iran estimate of May 1985, in effect, insisting on his own views and discouraging dissent." (10/1/91) Ford faults Gates

and Fuller for not clearly identifying the SNIE for what it really was—a “worst-case paper.” Ford also cited the reports of the Congressional Iran-Contra Committee and the Tower Board to argue that the SNIE helped influence the White House to launch its arms-for-hostages initiative.

*Statement of Graham Fuller*

Fuller conceded on October 2 he had rewritten the Key Judgments and other portions of the 1985 SNIE, and that he cited Gates' support when he overrode SOVA's objections: “That was a form of hardball and I apologize for it, [it was not] meant to have a chilling influence, but in fact, that was the case.” Nor did he contest Glaudemans' analysis of Soviet-Iranian relations. However, he did argue, “My major concern was in the event of a collapse of Iran, would the Soviets shrink at that point from action.”

Fuller elaborated on October 1, the point to underline what he saw as the NIO's responsibility to provide early warning to policy-makers:

I felt that a formal warning of this . . . potential eventuality was of critical importance to U.S. interests. And estimates were partly designed to play a warning function . . .

DI analysts within the Agency's analytical section had already produced analyses earlier that year indicating concern for instability—future instability in Iran, with which I agreed. Any careful look at the situation raised potentially alarming prospects: the clerical regime was perhaps foundering; Khomeini was aging and losing grip daily on the situation, opening the way potentially to radical leftist forces within the country.

Yes, we had information from a Soviet defector that the Communist Party had been badly damaged by Khomeini, but the Tudeh Party was a survivor over nearly fifty years of the ravages of SAVAK under the Shah as well. Who could safely count out its basically unknown influence within the army or other institutions?

Furthermore, it was not only SAVAK, the Communist party, but the Mujahideen organization which was a Marxist-Islamic group that was highly anti-American in its outlook as well and was one of the major opposition forces to the clerics.

The Iranian regime at that point was already seeking to repair its relations with Moscow. We had information that Khomeini's people were painting off anti-Soviet slogans that were—had been painted on the Soviet Embassy in Iran at that time. I was concerned that a very serious geopolitical imbalance could be emerging in Iran of major import to US policies.

If the Western arms embargo was a total success, it was logical that Moscow would be the most natural next source of arms, and could quickly come to gain a monopoly over arms to Iran if it wished. A direct arms relationship with Moscow would have provided a major strategic advance for

Moscow in Iran. Moscow had long been able to intimidate Iran militarily from the north, and now from Afghanistan as well—where Soviet troops were ranged along the Iranian-Afghan border against Mujahideen operating out of Iran. A weakening clerical regime could certainly strike a bargain with the devil to survive. I believed that Moscow would not turn down that opportunity if it were presented. Especially as the clerical regime seemed to move towards possible collapse in that year as was feared by the CIA's own estimative Middle East people. . . . When the SOVA analyst brought me his draft portion of the estimate, Mr. Chairman, on Soviet policy towards Iran, I was immediately unhappy. It dismissed the possibility that the USSR would even seek to take advantage of the desperate arms need in Iran and it comfortably dismissed any serious Soviet design or intention to gain dominant influence in Iran in the foreseeable future.

Fuller also stated that he went to Gates with the competing drafts on his own initiative. He did not tell Gates he would cite that conversation in the coordination meeting, nor did Gates authorize him to do so.

In response to questioning on October 2, Fuller also acknowledged he had conversations with Howard Teicher, staff member to the NSC about Iran:

I don't remember details of those conversations, but certainly, yes, I think he was one of those who shared my concern that Iran was going to hell, possibly, and that the international implications and the implications for the U.S. could be very profound. And whether the U.S. had any cards to play vis-a-vis, say, the Soviet Union or others, that would be of any good to us.

Asked whether he developed the option of letting other countries sell arms to Iran before he was asked to update the Iran estimate, Fuller said, "I honestly cannot remember the sequence."

With regard to what Bob Gates knew about Fuller's NSC staff discussions during this period, Fuller noted, "Probably not that much, because it would be normal to go down and have meetings with NSC, with State Department, with DIA people, with all sorts of policy level people to talk about our perceptions of problems . . ."

#### *Statement of Robert Gates*

In questioning by the Committee, Gates addressed issues and allegations regarding the Iranian SNIE.

Gates noted a paper produced by the DI in May 1985 contemporaneously with the SNIE which "explicitly addressed opposition in Iran to improve relations with the Soviet Union, especially among clerics and conservatives. But the Directorate paper also acknowledged indications of efforts by pragmatists in Iran to improve ties with the Soviet Union . . . With respect to the May 1985 Estimate, every single member of the National Foreign Intelligence Board

approved that estimate. No one at the table, including INR, raised concerns about the Soviet part."

In questioning, Gates cited indicators of a possible thaw in Soviet-Iranian relations including a visit by a senior Iranian official to Moscow:

First of all, you had a Deputy Foreign Minister of Iran in Moscow. So there was clearly an interest on the Iranian side in sending him and an interest on the Soviet side in receiving him and talking to him.

This was—we had taken a step away from the two satans. There was now a differentiation between the satans.

The Iranians had also taken two or three other steps toward the Soviets that I mentioned the last time that we went through this in terms of sending their—conveying to the Soviets—their interest in a dialogue and in improving the relationship.

There was also, I think, some talk about some trade arrangements and perhaps—I don't remember specifically, I'd have to go back and check—but there were several developments, some of them reported, I think, in the *National Intelligence Daily*.

Gates confirmed that Fuller had shown him the competing drafts of the 1985 SNIE, and that he expressed preference for Fuller's draft. He testified that he did not instruct Fuller to convey this to the SOVA analysts.

Gates did acknowledge that the 1985 SNIE constituted a "swerve" in the main analytical line on Soviet-Iranian relations. He denied, however, that the claim of a Soviet threat to Iran had any significant effect in motivating the Administration's arms initiative toward Tehran.

I think that the primary motive for the opening to Iran, as I look back on it—and I have to admit that I know more now than I did three or four or five years ago—but I believe the primary motive was to get the hostages out. And that the other considerations were secondary.

#### Point 12: Analysis of Aircraft Losses in Afghanistan

GATES. The Directorate of Intelligence is accused of inflating Soviet aircraft losses in Afghanistan over [a] three-year period in order to support my views on Soviet losses."

#### *Summary of Testimony*

Goodman charged in his written statement that the Directorate of Intelligence "significantly inflated Soviet aircraft losses in Afghanistan over a three-year period, ignored indicators of the Soviet decision to withdraw, and underestimated Najibullah's ability to survive the Soviet withdrawal."

Goodman alleged that a substantial portion of the finished intelligence on this subject was designed to support CIA covert action programs, including the supply of Stinger anti-aircraft missiles to

the Mujahideen. Significant aircraft losses would have supported the continuation of such a program.

While Goodman cited no evidence in his written statement linking Gates personally to the inflation of Soviet aircraft losses, he blamed Gates for the corruption of the analytical process: "In sum, Gates' ability to block analysis that indicated Soviet weakness or constraint had been institutionalized."

Gates responded that the analytical dispute over Soviet aircraft losses did not involve any effort on his part to slant the results. He argued that there had been a real methodological controversy over estimating aircraft losses which pitted the Soviet and Near East offices against one another.

#### Excerpts from Testimony

##### *Statement of Robert Gates*

"In fact, how to measure Soviet aircraft losses was a source of great conflict between our Near East office, which thought that all sources of information should be taken into account, and the Soviet office, which argued that only one source should be relied upon. From 1980 to 1985, the Near East office methodology was used. After that, the Soviet office refused to coordinate on the numbers, and I regret to say, the Directorate essentially no longer offered estimates on Soviet aircraft losses. This was a dispute among technical experts."

##### *Documentary Evidence*

The Afghan Branch Chief in the Office of Near East and South Asia Analysis summarized for Gates the methodology dispute:

NESA-SOVA differences over Soviet aircraft loss figures in Afghanistan grew out of differences in how to evaluate source material. NESA argued that all-source information—including human reports, SI [special intelligence] and insurgent claims—should be examined to determine a range of numbers. SOVA maintained that the NESA method yielded too high a number and that only confirmed kills (including combat losses and accidents) should be used: SOVA argued that this number could be derived only from SI material. In the period from 1980—early 1985, SOVA began to refuse to coordinate on NESA numbers and, as a result, the DI essentially did not offer estimates of Soviet aircraft losses from that point forward. NESA did provide figures on Afghan air force losses, but the function of providing overall numbers—at least for Congressional briefings—developed to the DO [Directorate of Operations].

Documents examined by the Committee bear out this conflict over methodology. An April 1988 intelligence assessment, "Soviet and Afghan Aircraft Losses in Afghanistan Through September 1987," described the methodological argument and concluded that aircraft losses previously had been overestimated by 40 to 55 percent. It accepted neither of the previous methodological arguments

but determined that the best method was to combine reporting from all sources.

### Point 13: Cave Allegations

GATES. It is alleged that I allowed a Directorate of Operations officer involved in the Iran initiative to provide his own reports to the NSC and then to submit his own analysis of these reports to the President's Daily Brief, thereby making U.S. policymakers, including the President, recipients of CIA disinformation."

#### *Background*

In March, 1986, a retired CIA operations officer, George Cave, was brought in by the CIA under contract to support the Iran arms sales operation already underway under the control of the NSC staff. In addition to serving as a translator for the negotiations that took place with the Iranians during 1986, Cave also became the operational "point man" for the Directorate of Operations in terms of reporting developments in the operation to the Chief of the Near East Division at CIA.

During this period, knowledge of the Iran arms sales operation was confined to relatively few CIA employees in both the Directorate for Intelligence and the Directorate of Operations.

#### *Summary of Evidence*

Goodman alleged that Gates permitted Cave to produce field reports based on his participation in the arms-for-hostages initiative and that he used these same reports to brief the NSC and prepare intelligence items for the President. Goodman argued that by having one DO officer act, in effect, as collector, analyst, and disseminator, the long-established separation between the analysts and the operators was violated.

Goodman further alleges that the analysts on Iran in the Directorate of Intelligence were cut out of this process and when one of them finally learned of it and complained to Gates, nothing was done.

Goodman's allegations are in part confirmed by the senior Iran analyst in the DI at the time, Thomas Barksdale. In a sworn statement, Barksdale described Gates' failure to react when Barksdale informed him of the "Cave channel". In a memo to Gates, dated 2 December 1986, after the disclosure of the Iran-contra affair, Barksdale expressed his concern "over the circumvention and misuse of the intelligence process in connection with the contacts between U.S. and Iranian officials and the transfer of U.S. arms to Iran. It is my perception that normal intelligence procedures have been ignored throughout this affair. Iranian analysts in the DDI were never consulted or asked to provide an intelligence input to the covert actions and secret contacts that have occurred. In my judgment, this exclusion of expert opinion contributed significantly to the current foreign policy disaster."

Charles Allen, the National Intelligence Officer for Counterterrorism at the time, stated in a sworn affidavit that he had excluded the Iran analysts from the "Cave channel" on Casey's specific instruction.

Gates responded to Goodman's charges by letter to the Committee dated October 14, in which he cited a statement submitted by Cave. Cave says he acted at Casey's, not Gates' behest in the whole affair. Cave further asserts in the statement that he did not prepare any articles for the President's Daily Brief (PDB) nor did he brief the NSC. He did provide a single briefing to a subcabinet level group on November 25, 1986, at Casey's request. Cave also said that while he did produce sensitive intelligence reports for the Directorate of Operations, they were based on discussions with Iranians rather than his own analysis.

CIA did, in fact, provide the Committee with two intelligence reports filed by Cave in the November, 1986 period.

Subsequent investigation by CIA has also revealed two occasions where it appears that sensitive reports based on Cave's information were submitted to Admiral Poindexter, the President's National Security Advisor. At least one of the reports was also disseminated to the Department of State. The first instance appears to have been in July, 1986, and the second on November 15, 1986, when two such reports were delivered to Poindexter, along with the PDB. One of these contained information based on a report from Oliver North.

#### Excerpts from the Testimony

##### *Statement of Mel Goodman*

"As you well know, George Cave, a retired DO official, joined Robert McFarlane on the trip to Iran. Upon return, he was allowed, by Bob Gates, to do several things.

"One, he produced exclusive dissemination TDs, that is, DO reports, that were misrepresented. The misrepresentation was simple. The source line said that these reports came from a moderate Iranian with good access. There was no such moderate Iranian with good access. These were George Cave's reports. George Cave's thinking. And George Cave's analysis.

"He was then allowed to brief the, NSC on the basis of these reports. Remember, we're talking about a retired DO officer. And finally, what I consider most outrageous because I am an intelligence officer, he was, allowed to prepare articles for the President's Daily Brief, the most sensitive journal that the CIA produces, on the basis of his own reports without coordination in the DI, without reference to sourcing.

"... I think it's very important when you carry a sensitive message to the President of the United States, it should not go through one man, one channel. And I think it's particularly important that if it should be one man, one channel in a case, that it not be a DO officer because of the DO culture. And I have very strong beliefs on that and why the DO should be separate from the DI.

All I know is that when Bob Gates was informed of this separate channel by a very brave analyst—I said that Wednesday and I will say that again, he was a brave analyst. That's not an easy thing to do, to confront Bob Gates, because I don't think there's an appreciation of the feeling of intimidation that existed in that building—what I'm saying is Bob Gates had no reaction. He said nothing to

this analyst. He didn't say what you didn't know about this. Let me look into this. (10/1/91)

*Statement of Robert Gates*

"The DO officer in question states he briefed the NSC on only one occasion, and he briefed the NSC principals on November 25, 1986, at Mr. Casey's behest. He adds that he never got from me, nor was given by me, permission to disseminate anything. Further, he does not ever recall producing any information for dissemination acquired from the Iranians in connection with the Iranian initiative. A search of all Presidential Daily Briefs in 1985 and 1986 has turned up no such article by this officer. Moreover, he does not remember ever writing anything for the PDB."

"Relatedly, the allegation is made that there was an effort to exaggerate the influence of so-called Iranian moderates and thus justify US arms sales." Gates rebutted, "In fact, as I testified two weeks ago, all NIEs and CIA publications throughout this period emphasized that there was no faction in Iran interested in improving relations with the United States."

When asked on 4 October 1991 about intelligence reporting on Iran during the U.S. government Iran initiative and whether there was even an inadvertent misleading of the President by the CIA or by the Intelligence Community, Gates acknowledged:

Well we could have—we clearly erred in the May 1985 assessment in saying that the Soviets—in our characterization of the degree of instability in Iran. But I guess what I'm trying to say is if he was misled it was because we were in error not because we were trying to mislead.

*Statement of George Cave*

In response to questions for the record submitted to Mr. Cave by the Committee, Cave wrote, "During testimony before the SSCI on 25 September 1991 and 1 October 1991, Mel Goodman made three accusations regarding my reporting on the Iran initiative. I can state categorically that these accusations are false."

In a 1 October, 1991, message, Cave provided a point-by-point rebuttal of many of Goodman's allegations about his actions during this timeframe:

During the Iran initiative, I met with numerous Iranians . . . Following each meeting, I submitted information acquired to CIA Headquarters, appropriately sourced. Based on information received from individuals associated with the second channel, two exclusive dissemination TD's and two sensitive intelligence reports were produced. Each intelligence report was prepared by a Headquarters reports officer. Information in each report was attributed to [an Iranian with whom I spoke directly] . . . None of the reports was sourced to a "moderate Iranian with good access."

Each report was based on information I obtained during discussion with specific Iranians; they were not my thinking, nor my analysis.

On November 1986, I visited the NSPG [National Security Policy Group], at the request of Director Casey, to brief the group on information I acquired regarding political factions inside Iran. I also addressed proposals made by the second channel which dealt with a gradual improvement in relations between Iran and the U.S. The briefing lasted for about 15 minutes. To my knowledge, Mr. Gates was neither aware of, nor did he play a role in arranging this briefing.

I did not prepare an article for the President's Daily Brief (PDB), nor was I ever in a position to do so during the Iranian initiative. On 15 November 1986, two sensitive intelligence reports prepared by an NE [Near East] reports officer were passed to Alton Keel, Admiral Poindexter's assistant. The reports were based on information I acquired during meetings with specific Iranians . . . I understand these reports were passed in a separate envelope, together with the PDB. They were not disseminated to other PDB recipients . . . None of the reports were coordinated with DI analysts because they were considered sensitive DO reporting. I do not know if Mr. Gates was aware that these reports were sent in this manner.

#### *Statement of Charles Allen*

Charles Allen, National Intelligence Officer for Counterterrorism, explained in a sworn affidavit:

The fatal flaw in Mr. Goodman's testimony is that the allegations concerning my actions are not true . . .

I was recently shown copies of these [George Cave] cables and vaguely recall reading them in the 1986 timeframe. The cables were interesting but were not important to my analysis of Iranian terrorism.

Also, Allen explained the circumstances behind Goodman's allegation that Allen briefed the NSC on Iranian attitudes towards the U.S., but that analysts in the DI were not consulted. Allen stated:

While Mr. Goodman is correct in asserting that the analysts of the Directorate of Intelligence were not consulted, I had no authority to share the intelligence with these analysts. In fact, I explicitly was told by Director Casey not to do so.

#### *Supplementary Report from CIA*

In a letter from CIA to the Committee dated, it was explained, ". . . The Agency also conducted an extensive review of relevant materials in the Directorate of Operations and the President's Daily Brief (PDB). That review, the details of which are also enclosed, affirmed that there were no articles written for the PDB by Mr. Cave. In two instances, however, sensitive DO reports based in whole or in part on material provided by Mr. Cave were prepared for Admiral Poindexter. The first instance occurred in late July 1986. We cannot document, however, that this report was actually delivered to Admiral Poindexter. In the second instance, PDB

records for November 15, 1986 indicate that two sensitive DO reports were delivered—separately, but at the same time as the PDB—and were reviewed by a member of Admiral Poindexter's staff. We believe that these two reports were those prepared in part from Mr. Cave's reporting."

"One of the reports delivered along with the PDB on November 15 also included information which was based on a report from Oliver North. We are unable to explain at this point how this material became available to the Agency . . ."

#### Point 14: 1981 Terrorism NIE

GATES. "It is alleged that in 1981 Director Casey directed me to rewrite the key judgments and change the text of an Estimate to show extensive Soviet involvement in international terrorism. Then a rewrite of the Estimate was ordered expanding the scope of the paper and implied, despite evidence to the contrary, Soviet support for European terrorist groups."

#### *Background*

In 1981, Secretary of State Alexander Haig had claimed publicly that the Soviets were involved in support for international terrorism. Casey asked for a special intelligence assessment on this subject.

The initial draft of the estimate was prepared by the Office of Soviet Analysis (SOVA), which asserted that:

The Soviets have opposed international terrorist activity in public and, in private, have urged their own clients to avoid its use. Neither the Soviets nor the East Europeans directly sponsor or coordinate terrorist groups; they do not provide direct assistance to groups which are primarily terrorist; and they do not encourage the use of terror by their third world clients.

The Soviets do, however, provide support indirectly to terrorists and pursue a number of policies that enhance the ability of terrorist groups to function. They tolerate the use and support of terrorism by states and organizations which they assist, and they do not prevent the funneling of arms supplied by them to terrorist groups. They know that many people whom they train will subsequently participate in terrorist activities.

Casey then directed that the estimate be revised by an outside analyst, Ambassador Lincoln Gordon, a senior consultant, and a visiting scholar. In the final draft of the estimate, the key text was revised to address not Soviet support to terrorism, but rather "revolutionary violence worldwide."

The Soviets are deeply engaged in support of revolutionary violence worldwide. Such involvement is a basic tenet of Soviet policy, pursued in the interests of weakening unfriendly societies, destabilizing hostile regimes, and advancing Soviet interests.

The USSR pursues different policies toward different types of revolutionary groups that conduct terrorist activi-

ties (that is, hijackings, assassinations, kidnappings, bombings and the victimization of innocent civilians.)

Whether terrorist tactics are used in the course of revolutionary violence is largely a matter of indifference to the Soviets, who have no scruples against them. The Soviet attitude is determined by those whose tactics advance or harm Soviet interests in the particular circumstances. Revolutionary groups that employ terrorist tactics are simply one among the many instruments of Soviet foreign policy.

In a 1981 memo prepared for the DCI, SOVA analysts presented their concerns over the revised estimate, but they do not appear to have been accepted.

In any event, in September of 1982, the Oversight and Evaluation Subcommittee of the House Permanent Select Committee on Intelligence issued a staff report entitled, "U.S. Intelligence Performance on Central America: Achievements and Selected Instances of Concern" which included a case study on the 1981 Terrorism NIE. The report stated:

This estimate had been undertaken by the Intelligence Community following public statements by Secretary of State Haig emphasizing the role of the Soviet Union in promoting terrorism. An early CIA draft of this estimate, that appeared to contradict Secretary Haig's public statement, was leaked to the press.

The concern in this case was that the ensuing highly charged atmosphere might result in unhealthy pressures upon the intelligence process to support or to refute these statements. After several versions were drafted alternatively by CIA, DIA and CIA again, an estimate was completed. The Committee and its staff examined both the product and the process very closely. As the Subcommittee Chairman later stated in a letter to the Deputy Director for Central Intelligence, the staff concluded that, after an indisputably difficult production process, the result was a very high quality product. The NIE succeeded in being direct and clear in its conclusions that the Soviets are deeply engaged in support of revolutionary violence and directly or indirectly support terrorism, while making careful distinctions and pointing out areas in which evidence was substantial, or thin, or on which interpretations differed.

That NIE stands as a fine example of intelligence performance under difficult circumstances—when the public debate was highly charged and prone to oversimplification.

### *Summary of the Testimony*

Goodman alleges that a 1981 draft NIE on Soviet involvement in international terrorism was, killed because it did not support Secretary of State Haig's charge that Moscow assisted and directed international terrorist organizations such as the IRA, the Red Brigade, Baader-Meinhof, and the Japanese Red Army. Because this conclusion was unacceptable to Casey, Gates allegedly ordered a rewrite that would show extensive Soviet involvement in terrorism.

Carolyn Ekedahl, the principal author of the SOVA draft, in a sworn affidavit to the Committee, declared that the intelligence supported a conclusion that the Soviets assisted groups that had used terrorism but the Soviets did not advocate it and advised against it as counterproductive. There was no persuasive evidence of Soviet support for European terrorist groups. In Ekedahl's judgment, the final version, which subsumed terrorism under a broader category of revolutionary violence gave a misleading impression that because the Soviets supported the latter, they also supported the former.

Gates responded that in 1981 he had no authority over National Estimates, although he did review and comment to Casey on this one. He said he had told Casey that he thought the estimate effectively rebutted Haig's statement, but he criticized the first draft for overlooking indirect Soviet assistance to terrorist groups such as training, money and safe passage.

#### Excerpts of the Testimony

##### *Statement of Mel Goodman*

"[T]he initial National Intelligence Estimate on Soviet involvement in international terrorism in 1981 could not support Secretary of State Alexander Haig's charges that Moscow assisted and directed such international terrorist organizations as the IRA, the Red Brigade, Baader-Meinhof, and the Japanese Red Army. . . . The estimate concluded that Moscow supported such organizations as the PLO, the ANC, and SWAPO that resorted to terrorism as one element of their policies, but had not assisted European terrorist organizations. . . . These views were unacceptable to Casey. Gates was instructed to rewrite the Key Judgments and change the text of the estimate to show extensive Soviet involvement in international terrorism."

##### *Statement of Carolyn Ekedahl*

Ekedahl, who was the principal author of the original draft of the NIE, stated that the draft had concluded that "[the Soviets] considered international terrorist activities counterproductive and advised groups they supported not to use such tactics (we had hard evidence to support this conclusion). We emphasized, however, that the Soviets had little moral compunction about the use of terrorism, made little if any effort to prevent its use, and furnished assistance to various groups, such as the PLO, the ANC, and ZAPU, which used terrorism as one of their tactics. We reported that we had found no persuasive evidence of Soviet support for those European terrorist groups . . . about which Secretary Haig had specifically asked . . ."

According to Ekedahl, Casey rejected the draft, and ultimately a new draft was produced by a visiting analyst working under Ambassador Lincoln Gordon. The new draft "subsumed terrorism into a broader category of revolutionary violence and emphasized that the Soviet Union, by providing support for revolutionary violence, supported international terrorism. I considered the approach misleading."

### *Statement of Robert Gates*

"In 1981 I had no position supervising any analytical component. As Mr. Casey and Admiral Inman's Chief of Staff, I saw a draft of the Estimate, and I told them that it successfully and effectively disproved Secretary of State Haig's charge that the Soviets direct international terrorist organization, such as the IRA, the Red Brigade, Baader Meinhoff, and the Japanese Red Army. But I also said it missed an opportunity to review indirect Soviet assistance such as money, weapons, training, safe haven and safe passage."

#### Point 15: Prohibition on DI Footnotes

GATES. "It is alleged that I did not permit DI analysts to take footnotes in National Estimates."

#### *Background*

National intelligence estimates are developed and approved by analytical elements of the Intelligence Community, including the Directorate of Intelligence of the CIA, under the leadership of a designated National Intelligence Officer within the DCI's National Intelligence Council.

Disagreements to the text of such estimates, when they cannot be resolved, are expressed in the form of footnotes to the text in question drafted by the agency which dissents from the majority view.

#### *Summary of the Testimony*

Mel Goodman testified on 1 October: "We were also told individually . . . I was told, I can provide you names who can provide other examples—that the DI could not take footnotes to certain sensitive estimates."

Goodman raised this issue in the context of what he termed the "unprecedented measures" which Casey and Gates introduced into the analytical process. These included, according to Goodman:

The practice of "judge shopping," or looking for analysts willing to produce products with predetermined conclusions.

A requirement that the terms of reference and initial drafts of estimates be cleared within the CIA before coordinating them on an interagency basis, permitting Gates and Casey ". . . a very early opportunity to weigh in on a particular estimate;"

Gates' chairmanship of the National Intelligence Council (1983-1986) in addition to his position as Deputy Director of Intelligence from which positions he could ". . . be the filter for all intelligence analysis that came out of the CIA.

Jennifer Glaudemans also raised the footnote issue but suggested that the footnote restriction was less a formal constraint than perceived pressure: "People had been beaten and intimidated to the point where they stopped fighting losing battles, particularly when there was the belief that the Division Chief had been removed for fighting such battles." Later in the same discussion she added, "That a footnote was never seen as a realistic option, I believe, confirms the atmosphere of intimidation."

As an example, Glaudemans stated that she and a colleague "... did not attempt to take a footnote in the Iran Estimate [of 1985] . . . because of prior experiences and confrontations, that the NIO for NESAs had told us that Mr. Gates preferred the other judgment, and that in light of Mr. Goodman's removal, we did not believe we had the bureaucratic support to go ask an appeal from the DDI, who was also Mr. Gates, for a footnote."

Corroborating these accounts, Wayne P. Limberg, a former SOVA branch chief, stated in a sworn affidavit that "footnotes were not allowed on national estimates." Citing the specific example of his dispute with the NIO on Soviet Policy in the Third World, Limberg recounted that Gates "made it clear he wanted no footnotes" in the NIE. "(H)is instructions were to get the best deal I could but no footnotes." Limberg also stated that the same prohibition on footnotes affected the coordination of a Special National Intelligence Estimate on Libyan, Syrian, and Iranian support for International Terrorism. When the issue of the 1985 Iranian estimate came up, no one was willing, according to Limberg, to dispute the language. According to him part of the reason for this reticence was that "... we felt the 'no-footnote' rule was still in effect."

Rebutting these charges, Gates noted that, "... between 1983 and 1986, the Directorate had at least sixteen footnotes in National Estimates and was included on a number of occasions in alternative language where the identities of agencies were not cited. The number would have been larger except for the fact that DI analysts were the drafters of about fifty percent of the Estimates."

Douglas MacEachin supported Gates' testimony citing a paper on chemical weapons that Gates agreed to publish despite strong opposition from other quarters in the Intelligence Community. Referencing Gates' intervention in that instance, and the subsequent interagency estimate that refuted SOVA's position on the point, MacEachin said, "So I don't know anything about our being forbidden to take footnotes, because we clearly were the isolated view on that one." MacEachin also recalled that he personally got a footnote, one that he wrote himself on a point regarding new thinking in Soviet doctrine.

The National Intelligence Council did, in fact, provide the Committee with a list of sixteen SNIEs and NIEs in which the Directorate of Intelligence or the CIA took responsibility for a footnote between 1983 and 1986. Of the 16 footnotes, 12 were Soviet military or technical matters, including one on an arms control question. The only footnotes on political matters were non-Soviet, and all of these argued that threats to U.S. interests were greater than estimated in the main texts. There were, in fact, no DI footnotes taken on matters within the purview of the witnesses who cited this concern.

Point 16: [See—"Point: 11"]

Point 17: The Removal of Melvin Goodman

GATES: "It is alleged that I ordered the senior intelligence officer for Soviet foreign policy [Mel Goodman] to be removed from the Office of Soviet Analysis."

## Excerpts from the Testimony

*Statement of Mel Goodman*

Goodman testified on 1 October that in early 1985 he was told “. . . privately by the Director of my office that Bob Gates had ordered my removal from [this] managerial position in SOVA.” He noted that three others were “removed” as well: one for being “too soft” on Soviet Third World relations; one for “too bleak a view on the Soviet economy;” and one for being “too apologetic” on Soviet-American relations. Goodman noted that he went on to become a senior analyst to the Director of the Office of Soviet Analysis for Soviet Affairs. However, he did “seek the first good opportunity to leave SOVA.”

On 2 October, Goodman described additional details. MacEachin had called him into the office and told him that he was to be removed along with two other people. Goodman remembered that they were told “to rehabilitate” themselves—a reference that offended him.

*Statement of Robert Gates*

Gates disputed Goodman’s allegation that he was behind Goodman’s “removal.” Citing the testimony of Douglas MacEachin, Goodman’s immediate superior in SOVA, Gates insisted that he did not order the removal of anyone, though he did “. . . express dissatisfaction with the product of the Third World activities division and its ‘thumb in your eye’ product style.” He stated that MacEachin had recalled that it was his [MacEachin’s] initiative to remove Goodman for the “good of the division” and because “Mr. Goodman was fighting with everybody on the 7th floor—not just everybody on the 7th floor—but everybody in the building.” Gates also noted that MacEachin had reminded him that, when MacEachin first appointed Goodman to be division chief, he [Gates] had thought the move a mistake. But MacEachin did so anyway, without a veto being imposed from above. (10/3/91)

Gates also noted that Goodman “was not removed from the office, but from a managerial position. He retained his senior grade, to which I promoted him, and became the office of [sic] Senior Analyst on foreign policy where he continued to review the office’s assessments on foreign policy and very successfully supervised preparation of a number of papers . . .” (10/3/91)

*Statement of Douglas MacEachin*

Douglas MacEachin, Goodman’s supervisor, acknowledged that Gates had urged that Goodman be removed from SOVA entirely. “I don’t remember the precipitating incident, but Mr. Gates did believe that it would be best for SOVA if he [Goodman] were not going to be heading that division, that he were out of the office altogether. My view was I thought he was an asset to SOVA and should stay there, where we had him in the front office.”

On October 3, Gates quoted from a statement written by MacEachin that disputed Goodman’s testimony, which said that Gates did not “order” anyone removed. According to MacEachin, sometime in late 1984 or early 1985, he and Gates did discuss the “continuing problem” with the performance of the SOVA division responsible

for Soviet policy in the Third World. While MacEachin "did not entirely share Mr. Gates' view of the quality of the analysis . . . [MacEachin] did share [Gates'] view that the approach that was being taken was undermining the credibility of the product with those who did not hold the same views and was poisoning the atmosphere." (10/2/91)

As a result, MacEachin said they agreed "to try a change in the senior manager . . ." MacEachin insists, however, that he ("not Mr. Gates") made the decision to move Goodman, although he "did discuss it with him and he [Gates] concurred" in the decision to move Goodman to the position of Senior Analyst on Soviet foreign policy. (Submitted statement 9/26/91)

MacEachin added, ". . . I made those decisions for what I believed was the overall good of the Office and the division. Mr. Gates did not order me." He added ". . . Mr. Goodman was 'Don Quixote.' It was my view that whatever else he wanted to do for himself, he had gotten his division into trouble one time too many, and it was having an effect all the way down the line." (10/2/91)

Regarding the removal of others from SOVA, MacEachin noted that he could not recall any other senior officer on Soviet foreign policy that was reassigned in that time period. MacEachin testified that he couldn't be sure why people moved when they did, whether it was perceived pressure, frustrations, or career advancement. "People move. I've been through the list of people who moved. Most of them moved on various accounts. I think that every senior official appoints in positions close to him those people in whom he or she has confidence will carry out the policy as that senior official thinks it ought to be done. That very quickly creates an image of cronyism." Regarding the two analysts specifically mentioned by Goodman, MacEachin said ". . . they weren't being removed," rather they moved "voluntarily." (10/2/91)

Having subsequently refreshed his memory with a review of personnel records and consultation with others, MacEachin submitted a memorandum for the record dated October 15, 1991, with additional details:

This review [of personnel records] did in fact turn up information as to what was the precipitating event—a reorganization of SOVA in March 1985—and that enabled me to reconstruct the events with more detail. . . . It was in this context, as I was laying out for him [Gates] the individual management and senior analyst assignments that I proposed, that I told him that I wanted to move Mel Goodman from the division chief job to the [newly created] position of deputy chief of one of the new 4 groups. I proposed replacing him as division chief (each group had two divisions) by another individual.

Bob Gates had opposed my initial move in placing Mel Goodman in that division a year earlier, but had at that time allowed me to have my way. By the time I had come to agree . . . that for the good of the division I needed to move Mel to a position where we could still have the services of his expertise and skills, but reduce what I considered a deleterious effect on, the division's outlook and ap-

proach. Bob Gates' view was that Mel would still exert that influence from the deputy group chief position, and urged that Mel be moved to an assignment outside SOVA. After some discussion, Bob Gates agreed with my compromise proposal to move Mel to the front office as SOVA's senior analyst, working directly for me.

The memo also notes, "Mel has stated in his testimony that at the time in March 1985 two other individuals in SOVA were removed from their positions on Bob Gates' orders—Jim Noren because he was too pessimistic on the Soviet economy, and Doug Garthoff because he was too 'soft' on arms control." In fact, MacEachin wrote for the record, Noren was moved to head up one of the new groups—a promotion—whereas Garthoff was moved from being chief of the domestic politics division to become deputy group chief—also a promotion—resulting in greater involvement in arms control, not less as alleged.

#### Point 18: Soviet Policy Toward Iran (II)

GATES. "The charges [regarding the 1985 Iran SNIE] are that the view that the USSR was well positioned to increase its influence in Iran were introduced without consulting SOVA analysts [and] that the conclusions of SOVA analysts were ignored. . . ."

#### *Background*

This allegation is a subsidiary part of the allegations discussed under Point 11.

The charge relates to whether the analysts in SOVA were consulted about NIO Graham Fuller's changes introduced into the May 30, 1985 Iran estimate. Fuller wrote about the likelihood that the Soviet Union would take advantage of Iranian instability to make political inroads. These changes ran counter to the SOVA position on this issue.

#### *Summary of Testimony*

Goodman and Glaudemans testified that the SOVA analyst present at the coordination meetings on the 1985 Iran SNIE was overruled by the NIO [Graham Fuller] citing Gates' support.

Fuller admitted that he had invoked Gates' name as having approved the changes at issue, but defended his right as an NIO to reject SOVA's language. He contended that the NIE process is such that the draft "is basically the property of the NIO until it reaches the stage of broad coordination among the entire Community. . . . As a result, I rewrote entirely on my own the Soviet portion of the Estimate. This was my prerogative." (10/1/91)

Fuller also noted that his action at the coordination meeting did not foreclose an appeal by SOVA to the Assistant DDI or the DDI. In the final analysis, Fuller argued, it was the responsibility of the Director of SOVA, not the NIO, to be the advocate for SOVA's analytical positions. While he admitted his heavy-handed treatment of the SOVA analyst at the coordination meeting had been a mistake, Fuller stated that it was ultimately up to those within SOVA to make their views known to Gates through MacEachin. (10/1/91 and 10/2/91)

Doug MacEachin, Director of SOVA at that time, testified that he was unaware that the SOVA analysts had been overridden in the drafting of the Iran SNIE and were deeply angry as a result. MacEachin only became aware of these events when they resurfaced at the time of Gates' January 1987 testimony to the Senate Foreign Relations Committee. (9/25/91 and 10/2/91)

For his part, Gates testified that Fuller, in invoking his name at the coordination meeting, had acted without his authority or knowledge, and that he [Gates] was unaware of the unhappiness and objections of SOVA analysts because they were not brought to his attention after the coordination meeting. Gates also contended that the Memorandum for the Record for the coordination meeting within the DI showed that no serious objections to the SNIE were registered by the SOVA representative. (10/3/91)

#### Point 19: Inspector General Reports on Politicization

GATES. "It is alleged that numerous Inspector General reports over the past ten years have described malaise and anger over corruption of the intelligence process."

##### *Summary of Testimony*

Goodman and Glaudemans both testified to the morale problem in the CIA's Office of Soviet Analysis which resulted from perceptions of politicization. Goodman, in particular, referred to numerous Inspector General (IG) Reports and Management Advisory Group (MAG) surveys reportedly describing the anger which had accumulated over the alleged corruption of the intelligence process.

Gates has replied that IG reports have described perceptions, especially in SOVA, that politicization exists, and these perceptions have continued to this very day. However, Gates said the IG had been unable to identify concrete examples of abuse and "... indeed found many SOVA products that challenged Administration policies. They also noted that the perceptions problem seems greatest among junior analysts. The overall conclusion of many senior analysts and managers has been that the integrity of the process has been maintained." (10/3/91)

#### Excerpts from the Testimony

##### *Statement of Mel Goodman*

In his written statement, Goodman asserts:

Within the intelligence directorate itself, issues of politicization have caused serious morale problems among analysts and even some managers as their professional ethic has been eroded. Numerous IG reports and Management Advisory Group (MAG) surveys over the past ten years have described the malaise and anger among many analysts over the corruption of the intelligence process. These reports confirm that, with each episode of politicization, analysts learned the lesson that if the Soviets were not, painted—in the words of one senior, manager—"ten feet tall and four feet wide"—there would be no audience on the seventh floor. As a result, analysts began to censor

their own work, which helps to explain why DO field assessments reflect a better understanding of political issues than DI intelligence . . .

My final charge, and I'll be quick, is personnel. I am not going to spend time on this because I just encourage you to read any of a number of IG reports done in this period and MAG, Management Assessment [sic] Groups, that talk about the pattern of politicization, of manipulation, of abuse. The greatest problems were in Soviet, in Central America, in the Middle East, and the Office of Global Intelligence.

*Statement of Jennifer Glaudemans*

In her written statement, she said:

In the fall of 1987, the CIA Inspector General's office conducted an investigation of SOVA. (I had heard that Mr. Gates had successfully put off prior attempts to investigate SOVA, with the excuse that a particular reorganization had yet to "settle.") When the results were concluded, I also heard that there was one paragraph which said that there was a perception in SOVA that analysis had been politicized by Mr. Gates and that the Inspector General's office gave an oral briefing of its report that went into greater detail than the written report. I myself have never seen the IG Report, but if what I have heard is true, then I do not understand why senior agency management took no action to dispel this perception. As you all well know, the perception that analysis is politicized widely persists within SOVA to this day.

The degree to which he [Gates] neglected to maintain a clear and unswerving commitment to analytical independence and objectivity in the DI and his failure to reconcile this view once it became known to him, which, I believe was at least by the Inspector General's report on SOVA, suggests a lack of wisdom not becoming of a DCI. (9/25/91)

*Statement of Douglas MacEachin*

"One of the IG reports . . . contains a paragraph that has infuriated me since the day I first read it. In the IG report, my characterization of the need for treating alternative interpretations was characterized as QUOTE analysts opinions and judgments were sometimes packaged as one of a number of alternatives to make the product more palatable to D/SOVA's [MacEachin's] superiors UNQUOTE is portrayed as hinting at something which is being forced on us by senior agency management. Frankly, my wonder that I should have felt a need to make such an obvious point is exceeded only by my wonder that someone saw it as sufficiently noteworthy to record in a report. What would the IG suppose—that for unpopular judgments, we need just routine analysis and a modest amount of evidence? And I did not tie all this to strong views by the senior Agency managers but to the strong views of the audience at large, not just within the Agency. But even that should

make no difference—the issue is whether the views skew the judgments.” (9/25/91)

*Statement of Robert Gates*

“It is alleged that numerous Inspector General reports over the past ten years have described malaise and anger over corruption of the intellect—intelligence process. In fact, Inspector General reports have noted perceptions, especially in the Soviet office that politicization exists. And these reports have continued to this very day. But the Inspector General also stated that he was unable to identify concrete examples of abuse and indeed found many SOVA products that challenged Administration policies. They also noted that the perceptions problems seems greatest among junior analysts. And that nearly all senior analysts and managers believed the integrity of the process had been maintained.” (10/3/91)

Mr. Gates introduced as documentary evidence on this point a quote from the 1988 SOVA IG report; “There is wide spread perception among analysts that SOVA’s judgments have been shaped to support policies of the current Administration. We found no convincing evidence to support this charge. The perception is damaging because it erodes employees’ faith in the objectivity of the Agency. . . . senior management does not make a conscious effort to impose a party line, but analyst conviction that it does may cause them to submerge their own views in favor of what they think management wants.”

Point 20: CIA Analysis of the Soviet Union

GATES. “It is alleged that Casey and I created an agency view of the U.S.S.R. that ignored Soviet vulnerabilities and weaknesses and failed to recognize the pluralistic political culture that Gorbachev developed in a relatively short period of time.”

Excerpts from Testimony

*Statement of Harold Ford*

Harold Ford stated “[Robert Gates] has been wrong on the central analytic target of the past few years: the probable fortunes of the U.S.S.R. and the Soviet European bloc.” Ford suggested Gates failed to prod the intelligence community to pursue creative and forward looking analysis on the changes underway there.

*Statement of Jennifer Glaudemans*

“SOVA was created in the 1981 DI reorganization. It was then reorganized in March 1984, and to varying degrees in 1985, 1986, 1987, and 1989, and I believe there has been some more since then. Some of this personnel turmoil was, I believe, the result of satisfying Mr. Gates’ personnel preferences. Some may justifiably reflect the needs of an institution to adapt to the changing situation in the U.S.S.R. I believe most of this turmoil, however, reflected an institutional inability to come to terms with conflicting demands: one, which required substantively qualified managers who could successfully lead a bunch of analysts, and the other, which required managers to be sufficiently pliant as to not ‘rock the boat’ with too

many unwanted papers that cited too much unwanted evidence. One of the major impacts of this personnel turmoil was to put a break on the flow of papers getting out of the SOVA Third World Division. I think this, too, is credible evidence of politicization. If Mr. Gates was having a difficult time getting the analysis that he wanted, then slowing down the process was a second best solution." (9/25/91)

*Statement of Douglas MacEachin*

"It is also worth noting that most disagreements on Soviet foreign policy intentions and likely actions hinged on the extent to which individuals believed Soviet ideological factors influenced Soviet actions. While it would be an oversimplification to claim analysts subscribed unequivocally to one or the other paradigm, as a general rule they broke down into those whose conclusions or interpretation tended to be influenced mainly by assumptions of what was politically 'logical' and those whose interpretations tended to be influenced more by what they thought were the dictates of Soviet ideology. Thus, most substantive disputes were encumbered by one side's viewing the other as being driven by bias toward one or the other of the paradigms."

"I think a review of many of our failures would show the dominance of one or the other of these paradigms. The better products are those that try explicitly to sort out how political logic and ideology play off against each other in the specific situation at hand." (9/25/91)

*Statement of Robert Gates*

Gates asserted that the documentary record speaks for itself, citing an October 16, 1986, memorandum he sent to the Deputy Director for Intelligence [then Mr. Kerr] expressing concern that CIA analysis was missing the importance of developments in the Soviet Union. The memo states, in part:

I continue to worry that we are not being creative enough in the way we are analyzing internal Soviet developments.

It seems to me we are looking at Soviet domestic (social) and economic issues in terms of relatively straight line projections, based on the methodologies and data sources that have dominated our analysis in the past, without opening new lines of inquiry, asking new questions and exploiting previously underutilized sources.

Gates cites some examples, "I sense that there is a great deal more turbulence and unhappiness in the Soviet Union than we are conveying in anything we have written."

It seems to me that our work on the economy still is very traditional.

I continue to believe that we have not paid enough attention to emigre Soviet economists and, others because some of the things they say don't square with our economic models or perceptions . . .

I am concerned that we are so caught up in the day to day tactical and discrete changes [Gorbachev] is making

and measuring them, against some larger objective called "reform," that we may not be pulling together all the strands in such a way as to identify the cumulative scope of what he is up to.

### C. ADDITIONAL ALLEGATIONS OF POLITICIZATION

In addition to the "20 points" addressed by the nominee, a number of allegations concerning politicization were made at the confirmation hearings. Some were addressed by the nominee in testimony (apart from the "20 points") and others were not.

#### Point 1: Gates Testimony Before Senate Foreign Relations Committee

*Allegation:* Robert Gates misrepresented the views of the CIA concerning Soviet-Iranian relations in testimony before the Senate Foreign Relations Committee.

#### *Summary of the Testimony*

Glaudemans, Ford and Goodman all called attention to testimony Gates delivered to the Senate Foreign Relations Committee in January 1987. The Committee had requested testimony on intelligence underlying the Iran initiative—including the question of Soviet influence in Iran. Glaudemans had been tasked within the DI to prepare SOVA's contribution to the testimony. In her draft, she presented the consensus DI position that Soviet opportunities in Iran were limited and declining—but noted that the 1985 SNIE marked a sharp departure from the position—which was subsequently corrected in analysis produced in late 1985 and early 1986. Glaudemans' January 15, 1989 draft contained this note addressed directly to Gates:

Mr. Gates, there was considerable disagreement between the NIO/NESA and CIA/SOVA over the Soviet judgments in this SNIE. CIA/SOVA believed the estimate, as revised by NIO/NESA, overstated prospects for increased Soviet influence in Iran. Although SOVA was able to tone down the judgments, it remained dissatisfied with the final product, which differs markedly from other CIA and Community finished intelligence on Iran.

However, according to Glaudemans and others, the testimony that Gates actually delivered ignored the anomalous character of the 1985 SNIE, did not mention the 1986 reassessment, and instead presented a view of Soviet-Iranian relations very similar to the 1985 SNIE—despite the fact that Intelligence Community analysis had explicitly rejected that view for over a year. In short, Gates substituted his own view for the CIA's view and in so doing, Glaudemans said, "left the Committee with the wrong understanding of CIA's analysis." (10/2/91)

Ford reinforced Glaudemans' points:

I also fault Bob Gates for sticking with this earlier 1985 swerved vision of a pronounced Soviet threat to Iran when in the capacity of Acting Director of Central Intelligence, he testified to the Senate Foreign Relations Committee in

January, 20 January 1987 that, quote: "We believe," that is "we believe," present, January 1987, "We believe that the Soviets remain poised to take advantage of the inevitable instability and opportunities that will present themselves in a post-Khomeini era that is now just around the corner. The Soviets, through the proximity of their military might and the covert political and military infrastructure we believe they have been trying to build up inside Iran will have some important advantages. We in the Intelligence Community, must take the threat of Soviet political and military intervention seriously.

And then Bob ended his testimony to the Foreign Relations Committee with this notable sentence, quote: "It is our understanding that this threat was in fact one of the animating factors for the Administration's initiative."  
9/25/91

MacEachin and Glaudemans testified that Gates' Foreign Relations Committee testimony caused considerable unhappiness among SOVA analysts because it revived and reiterated the conclusions of the 1985 SNIE. In reaction to the testimony, CIA analyst Brian MacCauley drafted a Memorandum for the Record (MFR) detailing the history of SOVA's analysis of Soviet policy toward Iran. MacEachin forwarded the MFR on January 28, 1987 to the DDI [Richard Kerr] with a cover memo noting that the MFR was "prepared by analysts who believe their judgments in 1985 were overruled, yet subsequently demonstrated to have been correct."

In a memo to the DDI a week earlier (January 21), MacEachin had made similar points concerning the 1985 "swerve" in analysis on Soviet-Iran relations. He detailed the actions Graham Fuller had taken to impose his own views on the SNIE. "Since we knew a DDI footnote would be highly unusual, we reluctantly had to settle for a slight watering down of Graham's judgments that the Soviets were in a great position to make major inroads in Iran in the not too distant future."

Gates did not address the issue of the 1987 testimony is his 20 point rebuttal. However, in response to questioning, he stated:

They [The Senate Foreign Relations Committee] had sent me a—or they had told our Congressional Affairs Office that they had four issues that they wanted me to address.

One was the intelligence underlying the Iran initiative. Another was on the internal Iranian political situation. Another was on the Soviet threat to Iran. And I think the fourth was something to the effect of the consequences of the Iran initiative on our relationships in the Middle East.

I do not remember how the testimony came together, but my suspicion is that it was prepared basically by the Director of Intelligence and the Office of Congressional Affairs.

Her memo may have been attached to what I received. I have refreshed my memory of it, and I will be honest. If I had written the statement myself, I probably would not have included it, because it seemed to me to be rehashing

a bureaucratic battle that that office had lost, or that that set of analysts had lost many months prior.

I had not recalled that it was an issue at the time the estimate was considered for the reasons that were expressed by Mr. Fuller yesterday and me today.

Also it seemed to me that, with all due respect to that committee, The Senate Foreign Relations Committee was not the place to start laying out bureaucratic differences within CIA. But fundamentally it was really just not responsive to the four issues that the Committee had asked me to address.

In response to a specific question whether he saw it as part of an effort to politicize the Agency to ignore a staffer's memo, or not use it when you were testifying before a committee, Gates responded, "No." (10/3/91)

In subsequent testimony, Gates said that in testifying to the Senate Foreign Relations Committee that the threat of Soviet inroads in Iran had been "one of the animating factors for the Administration's Iran initiatives," he was only "reflecting what the Administration wanted to do." (October 4, 1991)

## Point 2: Webster and IG Inspections of Possible Politicization

### *Summary of the Testimony*

During his testimony in closed session, Goodman made several allegations concerning investigations or inquiries initiated by Judge Webster into possible politicization within CIA, some of which had been purposely kept from Gates (who was DDCI at the time). These included allegations that (a) assistants to Judge Webster conducted a special review of possible politicization within the Office of Soviet Analysis (SOVA), and this was purposely kept from then-DDCI Bob Gates; (b) Judge Webster had asked for a "special" Inspector General review of possible politicization of reporting on Nicaragua; and (c) Judge Webster received "oral" briefings on a 1988 Inspector General report on possible politicization within SOVA, some of which was intended "solely" for Judge Webster.

### Excerpts from Relevant Testimony

#### *Statement of Mel Goodman*

"... William Webster was quite aware, I believe, that the CIA was being politicized. He brought with him to the CIA two young men from the FBI. One was a lawyer, Mark Matthews; the other one may have been a lawyer, too. I don't know. The important thing is that they were told very quietly to go out through the CIA and they were told to make sure that Bob Gates didn't know this."

Asked the basis for this latter statement, Goodman stated:

Because Mark Matthews made calls, including to me, whether I would talk to him or not about various matters, and I know people who have talked to Mark Matthews and I believe Jennifer can speak rather fully to Mark Matthews.

Webster also conducted, as I said earlier, the audit, the special audit, the IG study, and I know that Webster did not believe the conclusions of the Papal plot memo, and I know that Webster did not believe the results of the international terrorism estimate in 1981. And if you just look at Webster's public comments on these subjects it will show his disassociation from the conclusions of the CIA in that period.

In later questioning, Goodman explained:

In 1987, I received a phone call from Mark Matthews . . . He told me he was looking into issues of politicization and wanted to know if we could meet. . . . He said he was looking into issues of politicization at the behest of Judge Webster. I had already known at that time that at least one analyst had had a long conversation with Mark Matthews about politicization, particularly the National Intelligence Estimate dealing with international terrorism. At that meeting, I also knew that both the analysts and Mark Matthews were very concerned about whether or not Bob Gates, who had an adjoining office, on the 7th floor with Judge Webster, would know about that meeting. And some caution was taken with regard to the analyst arriving and leaving after that session . . .

I was told that he [Gates] was being shut out of it and I was also told that by someone on the IG staff. . . . I got the strong impression that it shouldn't be seen that this analyst was talking to Mark Matthews about a sensitive issue. I also knew that a special IG study was being done of the reporting on Nicaragua. And that Judge Webster had gotten an oral briefing of that report. I was also told by someone on the IG staff that there were written reports on some of these charges and oral reports that only Judge Webster was to receive. I was also told that Mark Matthews was confident that Judge Webster got the IG report in a face-to-face basis without Bob Gates in the room.

### *Documentary Evidence*

Responding to these allegations, Judge Webster, in a letter read into the hearing record, stated:

A routine inspection of the Office of Soviet Analysis ("SOVA") was conducted in 1988 and reached my office approximately June 26, 1988. It contained two recommendations designed to improve the quality and flow of intelligence, both of which were approved.

I did not commission any other study on the subject of SOVA intelligence production and analysis nor did I authorize anyone working for me to investigate allegations of politicization of analysis outside the Inspector General process. Moreover, everything that I saw was submitted contemporaneously to my Deputy, Robert Gates. No one was ever at any time instructed to keep any information or the fact of any activity from him.

Further, in a second letter submitted to the Committee, Mr. Mark Matthews, the Special Assistant to Judge Webster, wrote:

. . . Judge Webster never in any way, at any time, asked me to conduct an investigation of the DDCI and accordingly, never asked me to keep any such investigation secret from the DDCI.

With respect to the alleged investigation, I believe that Mr. Goodman is referring to an incident in the late spring or early summer of 1988, when I met a Soviet analyst named Jennifer Glaudemans. During . . . conversation, the subject of the DDCI came up, and Ms. Glaudemans related some concerns about the DDCI's objectivity within the Soviet analytical division and alleged personnel changes designed to further the DDCI's analytical views. . . . Neither prior to nor during my meeting with Ms. Glaudemans did I consider the meeting an "investigation" of the DDCI.

I also recall another brief meeting in my office on this same topic to which Ms. Glaudemans brought another Soviet analyst . . . During that meeting, the other analyst expressed concern about the DDCI learning of the meeting, and I assured her that I would keep their names to myself. Perhaps this is the genesis of Mr. Goodman's testimony about something being kept from the DDCI. Mr. Goodman also states that I made calls, including one to him. I do not remember making any such calls or ever speaking with or meeting with Mr. Goodman. (I suppose that it is conceivable that I had a very brief conversation with him if a particular allegation needed to be clarified or if Ms. Glaudemans or the other analyst indicated that he wanted to speak with me.)

In a sworn affidavit, Carolyn Ekedahl, a former CIA analyst, described a conversation she had with Mark Matthews:

. . . I talked to him [Matthews] for several hours, trying to explain the culture and corruption of process which had occurred under Casey and Gates. On my way in and out of his office, we were both careful to prevent my being seen by Bob Gates, who was then Deputy Director. This reflects the atmosphere of paranoia that pervaded the place at the time.

In a subsequent telephone conversations, Mark told me that the Judge was very aware of the problem of politicization, that the Inspector General had included a paragraph on the subject in its report on SOVA, and that the IG personally had met with Judge Webster alone (specifically without Bob Gates) and had informed Webster that the inspection had yielded results even stronger than those found in the written report. I never saw the report nor did I have first-hand knowledge of such a conversation between Judge Webster and the IG, but I have no reason to think Mark Matthews was not telling the truth.

## Point 3: Analysis on Soviet-Israeli Relations

*Summary of Testimony*

A dispute arose over the future of Soviet-Israeli relations during the drafting of a September, 1985, estimate on the Arab-Israeli peace process. The testimony provided by several witnesses showed there was strong disagreement at that time between senior NIC officials and SOVA analysts. The NIO for Near East and South Asia [Fuller] and the NIO for the U.S.S.R. argued that the U.S.S.R. might consider establishing diplomatic relations with Israel within 18 months of the publication of the estimate. On the other hand, SOVA analysts argued such a move was "unlikely." Several SOVA analysts believe this served as another example of politicization.

## Excerpts from Testimony

*Statement of Jennifer Glaudemans*

Ms. Glaudemans, in her written testimony dated 25 September, stated:

In September 1985 there was an estimate on the Arab-Israeli peace process and the question of Soviet-Israeli relations became a disputed issue. The NIO for NESAs, and eventually the NIO for the USSR, were the only two participants in the estimate who supported a conclusion that the USSR was likely to re-establish diplomatic relations with Israel within the next 18 months. Everyone else, including SOVA's analysts argued that it was indeed unlikely, citing Soviet concerns about angering Arab friends and not getting anything in return from Israel (namely agreement to an international peace conference). Ultimately, the text included both views. But the estimate cited no evidence or support for either case.

*Statement of Graham Fuller*

Graham Fuller provided his perspective of this allegation in his testimony in open session, stating:

Now, Mr. Chairman, the NIO and I and Gates were also accused of politicization on an estimate we did on Soviet-Israeli relations . . . In that estimate, both myself and the Soviet NIO, impressed with the new vigor of Gorbachev and foreign affairs in the early days, reconsidered the old issue of Soviet-Israeli relations. And we felt, in fact, by now, that there were very good reasons why it would now be in the Soviet advantage to establish diplomatic relations with Israel, within—as the estimate said—within possibly the next 18 months.

Goodman and Glaudemans, in their testimony, referred darkly to some impulse that we had to serve policy needs. There were no policy needs, Mr. Chairman, as far as I can see. To say that the Soviets might do this, I could see as playing one agenda. To say that they wouldn't do it, might play to another policy agenda.

Our revisionist review—myself and the Soviet NIO—of this time-honored SOVA position—that we chose to review this time-honored position, was viewed with scorn by SOVA . . . SOVA analysts, now triumphantly point out that they were right. The diplomatic relations were not, in fact, restored within 18 months between the Soviet Union and Israel. But if formal relations were not restored, Mr. Chairman, in fact, a whole revolution came out about, in Soviet relations, with the whole region, and informal ties—informal ties—with Israel, blossomed extraordinarily.

It was a true time of revolution. While we were technically wrong about the level at which relations would be established, we were right, and on to something very new, very early-on, in a changing Soviet-Mid East policy, Yet, this kind of thinking, too, was 'a swerve' from standard positions in SOVA eyes at that stage.

### *Documentary Evidence*

CIA has provided, at Committee request, a September 20, 1985, cover letter from NIO for Near East and South Asia (NIO/NESA) analysis Graham Fuller to the DCI and the DDCI forwarded the draft NIE through the NIC Vice Chairman to the DCI and the DDCI. The SOVA-controlled draft identified the NIO for NESA and the NIO for the U.S.S.R. (NIO/U.S.S.R.) as the proponents of the minority view. In handwriting, the words "NIO/NESA and NIO/U.S.S.R." is crossed out and replaced by, "Alternatively, some analysts" and again later on in the text with "These analysts . . ." In the margin is written, "Inappropriate for NIOs to be named specifically as holding alternative view." There are no other changes to the draft.

CIA also forwarded a hand-written note on DDI note paper, signed by RG [Robert Gates] and dated 9/23 [1985]. Addressed to "Bill" [Casey] and "John" [McMahon] the note says:

. . . I worry about the unrelievedly gloomy portrayal of the paper. I don't disagree with it, but the same sort of pessimism pervaded intelligence papers before Camp David.

Without altering the bottom line conclusions, would it be useful to add a section on factors which might lead Syria to moderate its opposition or render it less effective—death of Assad and internal crisis, economic considerations, U.S. pressure (including military?), it moderate Arabs finally found some courage, etc.?

How about similar factors that might affect Soviet approach? Small chance, I agree in both cases, but shouldn't we give policy people something to work with?

I think the conclusion might remain the same, but we could identify variables that might change the odds some.

The key judgments of the September, 1985 SNIE titled, "Opposition to the Arab-Israeli Peace Process: Syrian and Soviet Options," referred to by Glaudemans, state the majority opinion of analysts to be that a Soviet move to re-establish diplomatic relations with Israel as "highly unlikely" for a number of reasons. An alternative

view is represented, namely, that, while "not likely," the restoration of Soviet-Israeli relations is a possibility and should be considered as a Soviet option with significant consequences for the region. The analysts that held this view, the estimate states, believed such a change in Soviet policy could occur from six months to two years from the publication of the estimate.

On May 1, 1987, a SOVA analyst wrote a memorandum for the record to the Soviet office director in response to a request that the Deputy Director for Intelligence [Kerr] had made for comments regarding the objectivity of the estimate process. The analyst cited his recent experience with the 1986 estimate on the Middle East peace process. In it, he noted:

. . . I had to draft new text to replace language provided by the NIO [Fuller], who was the estimate drafter; my new text reflected by office's position. While this is not particularly unusual, the fact that the NIO stated that his draft had been read by—and met with the approval of—the DDI (who at the time was also Chairman of the NIC) [Gates] implicitly suggested that further changes were not necessary or welcome. When I pressed on this issue, I was told, at the tale, that if I felt that strongly, I could take the matter up with the DDI. In fact, I did press, forced a vote at the table . . . Ultimately, we succeeded in reaching a compromise—which led to the inclusion of an 'alternative view section' . . . which represented the view of the NIO; in that section, however, the use of the words, 'these analysts believe' clearly left the reader with the impression that several people shared that view—in fact, the NIO was alone on the question.

[NOTE: The Soviet Union and Israel re-established diplomatic relations on October 18, 1991.]

#### Point 4: Analysis of the Impact of Economic Sanctions on Libya

##### *Summary of Testimony*

Jennifer Glaudemans alleged that Gates refused to publish an estimate which appeared to undercut Administration policy. She said an analyst was asked to draft a report on the likely impact of economic sanctions in Libya. He prepared a paper which said sanctions were unlikely to deter Qadhafi, and Gates killed the draft. Documentation highlighted below provide additional details about Gates' rationale for refusing to publish the paper. These include his concerns that the analyst appeared biased, and had not properly sourced his conclusions.

##### *Statement of Jennifer Glaudemans*

Jennifer Glaudemans' written statement noted:

During the Libyan crisis in the spring of 1986, a colleague in NESAs [The Office of Near East and South Asian Analysis] was asked to write a paper assessing the likely impact of economic sanctions on Libya. When the analyst concluded that, because Libyan crude is of the highest quality and value and can easily be marketed, sanctions

were unlikely to deter Qadhafi, I was told, that Mr. Gates rejected the paper on the ground that it was inconsistent with U.S. policy. As you know, this has been corroborated by the analyst himself.

In her testimony in closed session, Ms. Glaudemans elaborated:

There was the unambiguous signal sent when Mr. Gates stormed down into an analyst's office, criticizing a paper he had written that said economic sanctions against Libya were unlikely to be effective. The analyst's justification being that the value of Libyan crude is so highly valued that they could always sell their oil on the open market and therefore economic sanctions were not likely to inhibit Qadhafi's actions. In front of not only an analyst, but in front of a branch chief in a division, yelled, how can you say this when this is inconsistent with Administration policy. (10/2/91)

### *Documentary Evidence*

It appears, contrary to Glaudemans' recollection, that the draft estimate referred to was prepared in 1983 rather than 1986, and was intended to be an update of an earlier estimate published in 1981. The earlier estimate also had focused on the potential impact of sanctions, as the U.S. was considering, but had yet to implement, an array of sanctions on Libya.

The Committee obtained a copy of the draft report prepared in 1983, which contains marginal notes, and specific critiques, written by then-DDI Bob Gates. To a large extent, these marginal notes ask for supporting evidence, sourcing, and clarifications. The analyst's unedited opening key judgment noted that U.S. economic sanctions, while demonstrating to Qadhafi U.S. dissatisfaction, had not had a significant impact on Libya's economy or swayed Qadhafi's political direction. This was attributed, in part, to the refusal of other countries to join in punitive actions.

The note written by Mr. Gates—dated July 12, 1983—containing his direction to kill the draft, described his concerns about the report and reasons for not approving publication. Notably, Gates wrote that the draft took “. . . too narrow a cut at this subject and presumes an important lack of sophistication on the part of [State Department official] Veliotos and other policymakers. I think it is fairly well documented that few, if any, expected the sanctions to have a significant economic impact or to cause Qadhafi to change his stripes.” He continued, “[US policymakers] . . . went ahead as a political gesture to dramatize Qadhafi's behavior, rivet attention on his activities, and try to ostracize him.”

In addition, Gates wrote that, “. . . the paper conveys (unintentionally or not) a strong bias on the part of the author against economic sanctions. The analysis simply does not *sound* objective. Second, I believe the paper is too generalized for those interested in the topic. Finally, the paper has the underlying but unproven assumption that Libya has been pushed further into the Soviet camp by our sanctions.”

In a cover note to the office director, Gates concluded:

The things I have said represent a fairly hard judgment on the analyst. I want you to know privately that before I read this paper it was read by [two other senior CIA reviewers] who came to the same conclusion . . . I then . . . asked [another senior CIA reviewer] to review it for me—she too reached the same conclusion. . . . four very different readers came away with the same impression . . . The paper is disapproved. Should you and [the author] want to discuss it further I would be happy to do so.

NESA replied to Gates, using Talking Points which, in part, stated:

We disagree that few, if any, policymakers expected the sanctions to have a significant economic impact or to cause Qadhafi to change his stripes. While some policymakers saw the sanctions as a symbolic gesture, a larger number believed sanctions would have a significant impact." As evidence, the author cited "A 17 December memo from Charlie Waterman to the DCI on the severe discrepancy on Libyan policy between policymakers and the Intelligence Community." He also cited a "1 September 1982 meeting of the Libyan Working Group called by Veliotis to 'review the effects of our economic measures.' If the sanctions were only a symbolic gesture, why hold this meeting?

We agree that the author and reviewers of the paper pretty well knew the conclusions the paper would reach before it was written and in fact do have a bias against economic sanctions as applied against Libya. We fail to see any problem with this, however, since this simply reflects the experience, knowledge, and judgment of the individuals involved.

#### Point 5: Analysis on the Collapse of Hussein-Arafat Accord

##### *Summary of Testimony*

Ms. Glaudemans, in her 25 September written testimony, stated:

Also in the spring of 1986, there was a typescript memorandum on the collapse of the Hussein-Arafat Accord. It was a joint paper between NESA and SOVA, and NESA took the lead. The basic conclusion was that although the Soviets were opposed to the accord (because it threatened to exclude them from the peace process), the accord collapsed because of strong opposition to it within the PLO itself. At DDI review, Mr. Gates reversed that judgment so that it said the Hussein-Arafat Accord collapsed as a result of Soviet pressure. I tell this first as yet another example of Mr. Gates' reversing a judgment (not editing) so that it was consistent with his personal views (which ignored the abundant evidence of the pressures Arafat was under from his own forces).

But I also tell it as an example of what happened when a SOVA manager sought to take issue with Mr. Gates. The Branch Chief, convinced of the inaccuracy of the judg-

ment, went to Mr. Gates' office to argue on behalf of the original analysis. That the branch chief was successful this time speaks to the weight of the evidence, but he was also removed from SOVA shortly thereafter. That this branch chief's analytical track record was outstanding was irrelevant, unfortunately.

The Committee has requested a copy of this typescript memorandum, but CIA has been unable to locate it.

#### Point 6: Analysis on Kuwaiti Reflagging

##### *Summary of Testimony*

Glaudemans alleged in her written statement that:

In June and July of 1987, we were working on a SNIE regarding the Persian Gulf and the reflagging of Kuwaiti ships. I was a co-author of the estimate, the other co-author was from NESAs [Office of Near East and South Asian analysis]. One judgment in the estimate stated that a U.S. refusal to reflag or escort Kuwaiti ships, while disappoing Kuwait and other GCC [Gulf Cooperation Council] states, would not likely spur them to seek closer relations with the USSR, which was already reflagging some Kuwaiti ships. This was the consensus of the intelligence community and the estimate made it up to the NFIB [National Foreign Intelligence Board] meeting, which I attended.

I was told on the way to the meeting that there was some cause for concern because Mr. Gates, then the DDCI, had called General Odom of NSA to get his support in killing the estimate. They apparently did not want to publish an estimate that could reassure some in Congress who were opposed to reflagging and escorting that the political repercussions would probably be minor. The estimate was killed at the NFIB, despite vigorous defense from the Assistant Secretary for INR and the NIO for NESAs. In discussing a post-mortem with other participants in that estimate, there was a consensus that this was indeed a case of suppressing a community judgment for fear of its implications on policy, in this case legislative debate.

##### *Documentary Evidence*

The Committee holds a copy of a June 18, 1987, draft SNIE entitled, "Iran and the Superpowers in the Gulf" which has, on the cover, a hand-written note, "DRAFT. Coordinated at working NFIB [National Foreign Intelligence Board] Friday." There was no specific mention in the draft SNIE about Kuwaiti reaction to a U.S. decision not to reflag ships in the Gulf, but the report did examine possible Gulf Cooperation Council states' reactions to a possible U.S. withdrawal. The report also did not mention the effect on Kuwaiti attitudes toward the Soviet Union if the U.S. were to refuse to reflag or escort Kuwaiti ships. Instead, it stated that failure of the superpowers to meet commitments to protect shipping in the Gulf would be a significant political victory for Iran and would almost

certainly encourage the Gulf states to further accommodate Iran. It also stated that if the U.S. were to abandon the project outright, there would be a critical loss of faith in Washington's ability to meet its commitments.

The Committee has been unable to locate a draft NIE which fully matches Glaudemans' description. A partial explanation may be that she is referring to a later version of this June 18 draft. The judgments Glaudemans refers to may have been added later in June.

The SNIE which was actually published in August 1987, entitled, "The Persian Gulf: Implications of a U.S.-Iranian Confrontation," specifically addressed the implications of the U.S. renegeing on the Kuwaiti reflagging effort. The estimate outlined five scenarios and one scenario dealt with the withdrawal of tanker escorts. Stating that such an action would represent a profound blow to U.S. interests, the text listed six possible repercussions, of which the sixth said U.S. renegeing would create opportunities for the Soviets to increase their influence with the Gulf Arabs. It added that the Soviets would gain significantly under this scenario because of the withdrawal of the U.S. forces associated with the escort operations and the blow to U.S. credibility.

#### Point 7: 1981 Estimate on Soviet Policy Towards Africa

##### *Summary of Testimony*

Goodman, in his written statement, charged:

In 1981, when Gates was the NIO for the Soviet Union, he had a senior analyst prepare an assessment on the Soviets in Africa. The assessment was outrageous. I was the representative to the meeting that would discuss the assessment. And I thought it was only fair to go to the writer, the drafter of that particular assessment and tell him I had problems with it and I was going to be raising these problems at the meeting. I was trying to be fair, give him some warning. This analyst—a senior person, I'm not talking about a junior person—said to me, your problem isn't with me. What do you mean it's not with you, I replied. He said, I am just a hired pen in this enterprise. Who hired you, I asked. Bob Gates.

At the meeting I raised all of the problems I said I would raise. And finally, I guess after 30 minutes of conversation and discussion around the table, Bob Gates became impatient and he looked at me—but I think the message was for everyone in the room, I didn't take it personally—look, this is the assessment that Casey wants and this is the assessment that Casey is going to get. That was in 1981.

The Committee asked the CIA for a copy of a 1981 estimate on Soviet policy towards Africa, but it has not been located.

## Point 8: The 1984 NIE on Mexico

*Background*

In the questioning of the nominee, it was alleged that a National Intelligence Officer had objected to language in a 1984 estimate on Mexico that there would be a "1 in 5 chance" that internal and external pressures "would result in a political destabilization of Mexico." The NIO reportedly saw Gates on two occasions to ask that the language be deleted but, according to the NIO, since Casey believed that the prediction was accurate, Gates kept the language in the estimate.

Indeed, such language was retained in the published estimate, a copy of which was provided the Committee.

*Summary of Testimony*

Gates did not respond directly to the allegation but recalled the process that had taken place. He testified the Mexican estimate had been written by a long-time CIA analyst who was a specialist on Mexico and Latin America and traveled to places not often visited by U.S. Embassy personnel in Mexico City. According to Gates, the analyst was pessimistic about the prospects for Mexico, but the analyst and the NIO disagreed. There were many arguments about the conclusions contained in the draft estimate and—again according to Gates—Gates tried to negotiate a compromise between the analyst and the NIO. Apparently, Casey was concerned that the "analysis was being ground down into oatmeal by a conventional wisdom." Gates said that the estimate went through nine drafts before it was finally published with footnotes indicating the disagreements and with "five or six agencies that concurred in the estimate." Gates concluded by stating, "I am comfortable that the draft—that the estimate that was published represented fairly the views of those involved in the process."

*Statement of John McMahan*

In his testimony, John McMahan confirmed that the estimate "went through a tortuous estimative process." He said that:

Bill Casey wanted that estimate to read that Mexico was falling apart and was going to be a disaster down there. The intelligence we had, which had to come through Bob Gates, did not support that and at no time, even as the intelligence flowed out, it went out to the community, at no time did Bill Casey stop that flow.

According to McMahan, the estimate had been "unprecedented" in terms of the attention it received both within the Intelligence Community and the Administration.

McMahan also recalled there had been an "aberration" in the preparation of the estimate. Casey provided for comment a copy of one of the drafts to a person on the National Security Council who had previously worked for Casey at CIA. When these comments were returned, the analyst used those with which he agreed and "scratched out" the others. This caused concern among some people in the Directorate of Intelligence because a member of a policy-making body—the NSC—was allowed to comment on a draft

intelligence product. Earlier in his testimony, McMahon said that he had asked the analyst about political pressure on him:

I talked personally as late as two days ago with the analyst that was responsible for drafting that estimate, and I asked him, did you ever feel political heat? He said, it was the most intellectual, invigorating experience he ever had because there were so many points of view."

*Statement of Richard Kerr*

"In my judgment, the Mexican estimate, which was one of the estimates that I was concerned about, and actually referring to this estimate, one that you have dealt with, and the Iranian estimate, were not politicized. They were just poorly done. They were examples of what I thought was a bad process on those two estimates.

"I found it difficult for having NIOs draft the estimate and then sit at the head of the table and take the comments on his own draft.

"I wrote to the drafter when I saw the first draft at the very beginning in this one-year process and said exactly that. This is a bad draft for an estimate. It has no evidence. It has a lot of assertions and a lot of conclusions, but it would be nice if you had some facts in it.

"That started off, in my judgment, a Mexican process, a process for the Mexican estimate that ended up with a bad estimate with eight or so footnotes on the first page. It wasn't politicized, it was just a bad job and a bad process."

Point 9: CIA Analysis of Mexican Drug Operations

*Background*

During the questioning of the nominee, it was alleged that the CIA had not provided any information on the growing influence within Mexico of Colombian and Mexican narcotics traffickers and of high-level drug related corruption within the Mexican government because of the desire of the Reagan Administration to maintain good relations with the Government of Mexico. The 1984 Estimate on Mexico, for example, made no mention of narcotics related influence and/or corruption, including the power of drug trafficking organizations with the Federal security agency, The Federal di Seguridad, or DFS.

*Summary of Testimony*

Gates responded that the CIA "did come late to the narcotics problem." In the mid-1980's, the Agency began directing more resources to the issue and established the Counternarcotics Center "two or three years ago, to bring focus to the problem." He also mentioned friction between the CIA and law enforcement agencies because of the conflict between protecting sources and methods—a CIA concern—and the desire to use intelligence information in courts—a law enforcement agency concern, a traditional area of conflict which he said he would work with the Attorney General to improve. He said he felt that the 1984 Mexican Estimate did not contain information on narcotics because of the lack of CIA knowl-

edge rather than because "the analysts did not have enough information about it to lend them to take the problem more seriously. I think that the analysts were not trying to protect anybody or cover up for anybody [in the Mexican government]." (September 17, 1991)

#### Point 10: Speech on "The Soviets and SDI"

##### *Background*

During questioning of the nominee, Gates was asked about a November 1986 speech, entitled "The Soviets and SDI," that he gave while DDCI in which he praised President Reagan's "wisdom" in undertaking the "visionary concept" behind the Strategic Defense Initiative and predicted testing by the Soviets of a ground-based laser for use in ballistic missile defense by the late 1980s and of components for a large-scale deployment system in the 1990s. By seeming to endorse the Administration's strategic defense initiative and predicting early deployment of a Soviet SDI system, some perceived that Gates was taking sides in a policy debate and compromising the integrity of the intelligence process.

##### *Summary of the Testimony*

Gates responded that he generally developed his speeches by gathering information from published intelligence product, drafting a speech, and then sharing the draft with analysts and managers in the Agency. Regarding the speech on the Soviets and SDI, in particular, Gates stated that he drew from a DIA white paper, an unclassified DIA paper on Soviet SDI and strategic defense from the current issue of Soviet Military Power, and from a White Paper prepared by a CIA analyst in the Office of Scientific and Weapons Research. He went on, "I didn't make that stuff up. I guarantee you, I wouldn't know a ground-based laser from a shoe-shine box."

Gates testified that he was trying to "... outline what I believed to be the comprehensive nature of the Soviet Strategic Defense Program, the degree to which they had spent, themselves, many tens of billions of dollars on strategic defense, in a situation that left them potentially with a strategic advantage over the United States, because they had a strategic defense, however flawed, and we had none. I was not intentionally trying to support the administration's specific policy. The SDI program idea was more than three years old by that time. What I was trying to do was highlight an area of Soviet advantage that I thought had not received sufficient attention prior to that time. I may have erred on the side of focusing on the concerns."

He concluded by asserting that he has changed his mind since February 1987 when he last testified on the issue of whether the DCI should give substantive speeches:

I believe that occasionally those speeches have value. I think that the speech that either Admiral Inman or John McMahon gave in the early 1980's about technology transfer was an important contribution. I think that the speech that Judge Webster gave about proliferation was important. But, by and large, I think that the DCI should avoid giving substantive speeches, particularly those where there

is a risk of the speech being misinterpreted as advocacy of a policy. I think that the DCI should speak publicly. But I think he should speak about intelligence issues and try and inform the American people. This is an area where I, frankly, have changed my view and believe that such, that substantive speeches, should be given sparingly. (10/4/91)

Larry Gershwin, National Intelligence Officer for Strategic Programs from 1981 to the present, testified that “[i]n summary, [Gates’ SDI] speech accurately reflected our intelligence analysis and judgments at the time, as well as being fully consistent with the other, unclassified material available . . . It was most assuredly not a driver of our intelligence judgments; nor did it affect our judgments in subsequent classified publications. Rather, any change in our classified judgments in 1987, 1988, and beyond, were based on new evidence and analysis.”

#### Point 11: Speech on “War by Another Name”

##### *Background*

In questioning, Gates was asked about a speech he gave on November 26, 1986—the same day he delivered a speech on the Soviets and SDI—entitled “War by Another Name.” In it, he presented an alarmist picture of Soviet objectives toward the Third World, in which they were pursuing an aggressive strategy with four ultimate targets—the oil of the Middle East, the Panamanian isthmus and canal, the mineral wealth of southern Africa, and more generally, confrontation with the West by using conflict in the Third World, “. . . to exploit divisions in the Alliance and to try to recreate the internal divisions caused by Vietnam . . .”

Among a number of suggested actions for the U.S. outlined in the speech, Gates called for a new approach to foreign military sales, “. . . so that the United States can provide arms more quickly to our friends in need, provide them with the tools to do the job and to do so without hanging out all of the dirty linen for all the world to see” and endorsed covert action and the selective use of overt military forces. The speech got its title from Gates’ comment that, “It is imperative that, at long last, Americans recognize the strategic significance of the Soviet offensive—that it is in reality a war, a war waged between nations and against Western influence and presence, against economic development, and against the growth of democratic values. It is war without declaration, without mobilization, without massive armies” whose “. . . battle lines are drawn most sharply in the Third World.”

##### *Summary of Testimony*

In his written statement, Mr. Goodman discussed this speech, which had been subsequently reproduced in the *Washington Times*:

His own views [on Soviet involvement in the Third World] were recorded in the *Washington Times* in 1986, when he argued without any evidence that Moscow’s targets in the Third World included the oil fields of the Middle East, the Panama Canal, and the mineral wealth of South Africa. In that article, he became a policy advo-

cate and called for a 'vigorous strategy' in the Third World, including the use of military force. Before presenting his views, he blocked a DI memorandum that showed indicators of Soviet activity in the Third World either stagnant or declining . . . [see discussion at Point 8 of Gates' Rebuttal].

Gates acknowledged that the section of the speech related to specific Soviet objectives in the Third World reflected his own analysis, rather than the intelligence evidence. He noted, however, that ". . . in contrast to the rest of the speech, and the portions of the SDI speech, Soviet SDI speech, where I was citing what the intelligence said. Here I was careful to give my opinion." He admitted that, "There was no specific intelligence reporting" backing up the analysis contained in the speech. But, he explained:

I think what it was . . . and I will confess to a certain poetic license here, but what I was trying to convey was a Soviet interest in particular in creating difficulties for the United States in Panama and in Central America. That they were interested in being able to deny the West the oil of the Middle East, and in being able to deny the West access to some of the minerals of southern Africa.

On his last day before the Committee, Mr. Gates elaborated, in response to questioning, that he did not recall having made any caveat before or after giving the speech that it reflected his personal views rather than those of the CIA or the intelligence community. He recalled one instance, in the second paragraph of the fourth subsection, in which he stated, "The Soviets' aggressive strategy in the Third world has, *in my view* [*underlining added*], had four ultimate targets." More generally, however:

. . . I not only agree that it's important to differentiate whether I am offering what is in essence a summary of what intelligence has concluded at a given time on a subject like proliferation or whatever, and where it's a personal view. But frankly . . . from my job as Deputy National Security Advisor it seemed to me inappropriate for the Director [of Central Intelligence] to give speeches that could be interpreted as policy advocacy.

### *Part 3: Other Allegations Relating to the Nominee*

The Committee looked into a number of allegations involving the nominee unrelated to his involvement in Iran-contra or the allegations that he "politicized" intelligence. Some of these inquiries were conducted in closed session by the Committee.

The results of these inquiries are summarized below in unclassified form. Members of the Senate may review the classified materials underlying these results should they choose to do so, pursuant to the provisions of Senate Resolution 400, 94th Congress.

#### *1. Sharing Intelligence with the Government of Iraq.*

In order to forestall a total Iraqi collapse in its war with Iran, the CIA was authorized in 1984, pursuant to a National Security Decision Directive signed by President Reagan, to share limited in-

telligence with the Government of Iraq. At the time, Gates was Deputy Director for Intelligence at CIA, with overall responsibility for preparing the intelligence to be shared under this arrangement.

In April, 1986, a few weeks before Gates assumed office as Deputy Director of Central Intelligence, the National Security Council (NSC) authorized a modification of the original authority to permit CIA to share certain additional intelligence regarding the results of Iraqi military operations.

In October, 1986, a further modification of the authority was provided, authorizing the sharing of certain additional intelligence to enhance Iraq's pursuit of the war with Iran.

Intelligence sharing continued on a sporadic basis until 1988 when the war between Iraq and Iran ended.

In December, 1986, when the *Washington Post* published an article describing in detail a CIA liaison relationship with Iraq, alleging that military information was being provided to assist the war effort against Iran, the CIA was asked to brief the House Permanent Select Committee on Intelligence concerning this relationship. The first time the Senate Select Committee on Intelligence was made officially aware of the sharing arrangement, however, occurred a year later when the staff director was briefed in December, 1987. A second staff briefing occurred in April, 1988. No action was taken by the Committee at the time as a result of these briefings. In September, 1990, the Committee made its first official inquiry of CIA concerning this activity, and pursued it in closed hearings which took place in June, 1991.

At the 1991 confirmation hearings, questions were raised with the nominee in both closed and open session concerning the Iraqi relationship. Of principal concern was whether this sharing arrangement should have been reported in advance to the oversight committees as a "significant anticipated intelligence activity," pursuant to the Intelligence Oversight Act of 1980; or, when the decision was made to provide more than limited intelligence in 1986, whether the activity became a "covert action," requiring a presidential finding and reporting to the intelligence committees pursuant to the Hughes-Ryan amendment (22 U.S.C. 622) in effect at the time.

The Committee's investigation of this activity also disclosed that CIA staff officers had, on two occasions, shared certain intelligence with the Iraqis which, at the time it was provided, may have exceeded the scope of the sharing arrangement which had been authorized. This activity took place in the summer of 1986, several months prior to the authority being granted by the NSC in October, 1986.

At his confirmation hearings, Gates acknowledged that he had been aware that the CIA was providing information to Iraq during this time period, but he said "we were not trying to influence [Iraqi] behavior, but to enhance their ability to pursue the war." (Gates, 10/4/91, morning, p. 83)

Gates stated that when he became Deputy DCI in April, 1986, he "delegated management of the Iraqi liaison relationship to Mr. Kerr . . . and relied upon Mr. Kerr and the Directorate of Operations to ensure that those [NSC] guidelines were followed." As far

as he knew, Gates testified, CIA had been fully “compliant” with the NSC constraints. (Gates, 10/4/91, morning, p. 84)

Asked whether he believed the expansion of the intelligence sharing arrangement in 1986 constituted a “covert action,” Gates replied:

I believed at the time that the activities were fully consistent with the understanding and practice of the Hughes-Ryan law then in effect, as it pertained to liaison relationships. (Gates, 10/4/91, morning, p. 84)

Asked whether the expansion of the arrangement in 1986 should have been reported as a “significant intelligence activity,” Gates replied:

I think it was judged at the time not to fall within the rubric of significant intelligence activity that would be reportable . . . [Given] this evolving oversight relationship that we have had for the last 15 years that kind of activity would now be regarded by CIA as a significant intelligence activity and presumably would be reported to the Congress. (Gates, 10/4/91, morning, p. 85)

Whether intelligence sharing arrangements of this type should have been considered as “covert actions” was also considered during the testimony of retired Admiral Bobby Inman:

If the stated purpose of the [intelligence] exchange was purely to influence another country in its other activities, then I would have come down that it needed a Finding . . . Unfortunately, in the real world of operating day to day, I don't think you can end up that neatly, controlling whether it ends up influencing . . .

If there was a quid pro quo—that in return for the intelligence exchange the country was going to do something that we wanted them to do, then in my view that would clearly require a Finding, if that was your explicit intent when you set out. You did it because you wanted them to go do something they were not doing from which you would benefit. That's an operation. That's not simply an exchange . . . (Inman, 9/20/91, pp. 58-60)

Inman went on to testify that providing intelligence to assist a country do something that it already intended to do or to use in its ongoing activities would be the “test for me” in terms of deciding whether intelligence sharing should be treated as an “exchange” or a “covert action.” (Inman, 9/20/91, pp. 66-67)

From the Committee's review of documents related to this matter, interviews with key witnesses, and from the testimony in closed session, it appears:

The United States did not enter into the Iraqi liaison relationship to induce Iraq to undertake a new policy, but rather to show Iraq how to succeed at the policy it had already adopted. Indeed, the war with Iran had been ongoing for years when the exchange relationship began. As a consequence, a majority of the Committee does not believe that this activity constituted a covert action.

The NSC authorized that the character of the information provided to Iraq change in 1986, but the purpose of the intelligence sharing arrangement (i.e., to provide information to assist Iraq in prosecuting an ongoing war) did not change.

Neither the Executive branch nor the CIA determined that the information provided to Iraq required a Presidential Finding, or notification to Congress. Both Gates and other senior CIA officials testified that given the same circumstances in today's environment where the awareness of Congressional oversight is considerably heightened, the intelligence sharing arrangement with Iraq would be reported to the oversight committees as a significant intelligence activity.

The United States, in the context of the intelligence sharing relationship, also received some useful intelligence from Iraq.

U.S. assistance was limited to providing intelligence and advice with respect to the pursuit of the war. There is no evidence to indicate that the CIA, or any other entity of the U.S. government, supplied arms or related military equipment or technology to Iraq. However, it is clear that proposals to provide such assistance were considered and rejected.

The Committee found no evidence that Gates himself took any action to keep the oversight committees from being informed about CIA's relationship with Iraq.

## *2. Use of Intelligence Reports Regarding Contacts between Members of Congress and the Sandinista Government*

Testifying at the confirmation hearings, Alan D. Fiers, Jr., described certain intelligence reports he had seen referring to contacts between Members of Congress and the Sandinista Government during the 1980s. According to Mr. Fiers, one of these reports prompted Director Casey to meet with Congressman Michael Barnes to complain about the activities of one of his staff. Mr. Fiers testified that Mr. Gates was "probably aware" of these reports, although he recalled no instance where Gates had "done anything about" the reports. (Fiers, 9/19/91, morning, p. 127)

Mel Goodman, a former CIA analyst, also testified that in 1985, he had been in a large meeting where Gates had made a reference to the "domestic critics of the Contra program," and that, in a subsequent conversation with Douglas MacEachin, another CIA analyst, MacEachin told him that Gates was referring to intelligence reporting on a particular Senator as one of these "domestic critics." (Goodman, 10/2/91, p. 318) MacEachin testified that he recalled no such meeting or conversation with Goodman. (MacEachin, 10/2/91, p. 319)

The Committee examined considerable documentary evidence relating to these allegations to ascertain whether they showed knowledge or involvement on the part of the nominee in the misuse of such intelligence reports.

While a far broader inquiry into this subject is continuing, the Committee believes it has examined the relevant evidence that bears upon the nominee himself. It has also received sworn testimony from the nominee and from other witnesses in closed session on this matter.

The intelligence reports at issue typically involved contacts between foreign officials where the name of a Member of Congress is incidentally mentioned, or, in a few cases, the reports concern contacts between a foreign official and a Member of Congress or a member of his or her staff. The reports were based upon a variety of intelligence sources.

In many cases the Members were not identified. The routing slips on certain of these reports or the "addressee line" on certain reports indicates that they were sent to Mr. Gates, and, indeed, Mr. Gates has testified that he had been generally aware of this type of reporting, although he could not recall seeing the particular documents that were shown to him that named specific Members.

It also appears that certain of these reports received relatively wide distribution within the Executive branch, and in some cases recipient agencies requested and received names of Members who were not initially identified in the reports. On a few occasions, information was provided to the Congress itself: either in response to a request made by a congressional committee or, at least on one occasion, in a meeting between Director Casey and the Member of Congress.

In three cases, the Committee believes that the CIA dissemination of Members' names within the Executive branch during 1986 may have violated its own dissemination policies. While Mr. Gates was Deputy DCI at the time, he testified that he does not recall the dissemination of the reports in question but would have considered their dissemination inappropriate. The documents themselves and testimony of Mr. Gates and other witnesses indicate they originated in the CIA Directorate of Operations and by-passed Mr. Gates.

In three other cases, Mr. Gates specifically recalls CIA dissemination of reports mentioning the names of Members and staff to other Members of Congress (twice in response to requests from congressional committees), and the evidence does not indicate impropriety on his part. One case suggests prior improper dissemination of the CIA information to the White House unconnected to Mr. Gates.

In summary, the evidence shows that Mr. Gates was aware of the type of reporting described by Fiers, but the Committee has found no evidence to show that he was aware of its being used for improper purposes, or that he knew it may have been inappropriately disseminated inside or outside the Executive branch.

### *3. Allegations Regarding the Intelligence Provided on Pakistan's Nuclear Program*

Allegations were received by the Committee that intelligence regarding U.S. knowledge of Pakistan's nuclear program in the mid-to-late-1980s was slanted or withheld from Executive policymakers and from Congress by senior CIA and other intelligence community officials, including Robert Gates, in order to protect U.S. assistance to the Afghan rebels. These allegations included charges that CIA officers and other intelligence community officials lied to or withheld significant information from Congress at a time when Gates was Deputy Director for Intelligence or Deputy DCI.

Although these allegations involved other issues and individuals besides Gates, this section deals exclusively with these allegations as they relate to the nominee.

At the 1991 confirmation hearings, Gates was specifically asked whether intelligence provided to Executive branch policymakers and the Congress on Pakistan's nuclear weapon program might have been intentionally skewed throughout the 1980s for fear that failure of the President to certify that Pakistan did not have a nuclear weapon would jeopardize U.S. assistance to the Afghan rebels. He replied:

... [T]here was a great deal of discomfort with our analysis. But I can't recall any instance in which the policymakers refused to accept our analysis or pressured us in any way to it down. (Gates, 10/3/91, morning, p. 54)

In a subsequent sworn written statement to the Committee, Gates reiterated:

I was not aware, nor did I direct, any steps to block the most accurate available information on the Pakistani nuclear program from reaching policymakers. I do not recall ever receiving a request to do so from another agency. (Gates, Letter to the Committee, 10/10/91)

Gates also stated:

While at CIA, I was not aware (and am not now aware) of any time when Agency employees were instructed not to collect information relating to nuclear proliferation (Gates letter to the Committee, 10/10/91)

In his confirmation hearings, Gates went on to state that the President's certification on Pakistan's nuclear program hinged more on the legal issue of whether Pakistan actually had an assembled nuclear weapon rather than on the intelligence provided: "But the point is that I think where there was some ambiguity really had to do more with that question of whether they actually had assembled a weapon rather than the progress they had made in other parts of their program." (Gates, 10/3/91, morning, p. 56)

Although Gates testified that he believed CIA officials had been "candid and forthcoming" in briefing Congress on the issue, he conceded this had been a delicate area:

The only thing that I remember along those lines was a caution to be very careful about the words that were used in describing the situation. That, we in intelligence often will say this probably happened, or that probably happened, or it might have happened, or there's a good chance it may have happened or we don't think it happened at all or something like that. And they just asked us to be conscious of the fact of the way we worded our conclusions in some of these areas. But there was never any pressure to change those conclusions. And never any pressure in terms of the progress that the Pakistanis were making in their program. At least none that I was aware of. (Gates, 10/3/91, morning, p. 57)

In a written response subsequently provided the Committee, Gates clarified what he meant by a "caution:"

When I referred to caution, I was referring to continuing requests from throughout the policy community, but especially from the State Department, that a matter as important for U.S. interests as Pakistan and its nuclear program be treated by our analysts with as much precision as possible. I interpreted these requests as an expression of the need to exercise care in laying out what were the facts in the matter, the reliability of sources, and differentiating analysis from evidence. (Gates, letter to the Committee, 10/10/91)

In other written responses, Gates denied knowledge that Congress had ever been misled on proliferation matters:

I have no recollection of receiving requests from another agency or an individual not to report proliferation related information to the Congress or to report information improperly or inaccurately in order to sustain a specific policy. Further, CIA can find no documents suggesting any such requests . . . I have no knowledge, direct or indirect, of false or misleading information being provided by CIA or other agencies using CIA material to Congress. (Gates, letter to the Committee, 10/10/91)

Based upon its independent review of pertinent documents and interviews with key participants, the Committee found no evidence to support the allegation that Robert Gates, either directly or indirectly, politicized intelligence collection or analysis of Pakistan's nuclear weapon program. Furthermore, Committee staff found no evidence to support the allegation that senior CIA or Intelligence Community officials had either intentionally misrepresented or withheld significant information on this issue from Congress or Executive branch policymakers, with or without the knowledge or approval of Gates.

Although staff investigation of the allegations relating to the nominee could not be substantiated, the investigation did develop evidence to support other of the allegations brought to its attention. Therefore, the Committee is continuing its investigation of these issues. The Committee also notes that certain of these allegations are the subject of ongoing investigations within the CIA, and Departments of State and Defense.

#### *4. Allegations by Ari Ben Menache*

In several interviews with the Committee, and in press reporting, Mr. Ben Menache alleged that Mr. Gates:

- engaged in a covert CIA program involving various arms merchants, including Mr. Carlos Cardoen of Chile, to sell arms to Iraq;

- conspired with the Reagan-Bush campaign in 1980 to delay the release of Americans held hostage in Iran until after the November election; and

- engaged in a variety of other activities, including transporting large amounts of cash from Florida to Arizona, meeting

with an Iranian official in Kansas City, and conducting other activities associated with international arms transactions.

The Committee requested the assistance of the FBI to investigate these allegations. In addition, the Inspector General of the Central Intelligence Agency was requested to investigate certain of these matters.

At his confirmation hearing, the nominee denied specific allegations made by Mr. Ari Ben Menache.

The investigations of the FBI and CIA's Inspector General, which included analyses of Gates' calendar and travel records, also provided no credible evidence to confirm the allegations.

##### *5. Allegations Relating to CIA's Relationship with Carlos Cardoen*

In various news reporting and other forums, Mr. Richard H. Babayan alleged that the nominee:

assisted an individual named M. K. Moss in a covert CIA operation to supply arms to Iraq;

sought to transfer cluster bomb technology to Carlos Cardoen;

was aware that a Lancaster, Pennsylvania company was engaged in the illegal supplying of arms to Iraq via South Africa.

In a July 16, 1991 letter to the United States Ambassador in Chile, Mr. Carlos Cardoen denied meeting the nominee, and denied allegations about working with the nominee and the CIA to deliver weapons to Iraq.

The Inspector General of the Central Intelligence Agency was asked to investigate certain of these allegations, as was the FBI. Gates' calendar and travel records were reviewed for the dates of the meetings alleged. No credible evidence has been presented to the Committee to support these allegations.

At his confirmation hearing, the nominee denied allegations of Mr. Babayan.

However, during the course of investigating alleged relationships between the nominee and Chilean arms manufacturer Carlos Cardoen, the Committee received information about a relationship between Cardoen Industries and a former part-time senior CIA employee that may have constituted a conflict of interest and security concerns at worst, or an awkward appearance at best.

Information obtained by the Committee indicates that from January 1986 to January 1988, the CIA employed James D. Theberge as a member of the Senior Review Panel.

The Senior Review Panel consists of experienced, highly regarded former intelligence, military and foreign affairs specialists. The Panel and its members often assist in establishing the terms of reference set out at the start of the preparation of intelligence estimates, as well as providing the DCI with independent assessments of finished intelligence estimates.

During much of the same period that James Theberge was a member of the Senior Review Panel, he was also employed as a consultant to SWISSCO Management Group, a subsidiary of Cardoen Industries of Chile, a widely recognized international arms manufacturing and trading company. Between 1984 and 1988, Cardoen Industries was of significant intelligence interest to CIA, which believed Cardoen was the primary supplier of cluster bombs

to the Iraqi government, and an important supplier of other categories of ordnance to Iraq and other Middle Eastern states.

The officials involved in Mr. Theberge's recruitment and selection to the Senior Review Panel included Director William Casey, Deputy Director John McMahon, and Executive Director James Taylor. There is no evidence that the nominee, Mr. Gates, participated in either his recruitment or selection. Theberge, a former diplomat and businessman with strong academic credentials, had been U.S. Ambassador to Nicaragua in the 1970's and U.S. Ambassador to Chile from 1982 to 1985. In his personal history statement, submitted to the CIA in December 1985 at the time of his hire, Theberge freely disclosed his consulting work for SWISSCO, and the fact that SWISSCO's parent company was Cardoen Industries. Notwithstanding those disclosures, Theberge was hired on a three-days-per-week basis. While he did not see every estimate of the Intelligence Community, his exposure was extensive.

Mr. Theberge served on the Senior Review Panel until his death in January 1988.

The Committee found no evidence that the CIA identified or acted upon Mr. Theberge's potential conflict of interest when he was considered for employment or during the period he served on the Senior Review Panel. Moreover, the Committee found no evidence that the CIA considered the potential benefits to Cardoen Industries that might result from access to U.S. intelligence information through Mr. Theberge.

As has been indicated, Mr. Gates was not involved in Mr. Theberge's recruitment or selection. In addition, in responses to questions for the record, Mr. Gates has stated, "I was unaware of his [Theberge's] relationships, his connection to the SWISSCO Management Group, or any connection to the Carlos Cardoen Group." Indeed, the Committee's documentary evidence makes clear that Director Casey was the CIA official most instrumental in recruiting Mr. Theberge.

At the Committee's request, Gates responded to several additional questions for the record regarding his relationship with Mr. Theberge, his role in Mr. Theberge's hiring, his knowledge of a potential conflict of interest regarding Mr. Theberge's simultaneous relationship with CIA and a Cardoen Industries subsidiary, and Mr. Theberge's duties and access to intelligence as a member of the Senior Review Panel. Gates' responses to these questions were:

When I became DDI in January 1982, I persuaded the DCI and DDCI to move the Senior Review Panel organizationally (and administratively) from the DI to the DCI area. Decisions on Senior Review Panel [SRP] members were made by the DCI, although from time to time, I would suggest names of possible candidates or the DCI would ask my reaction to someone he was considering. I do not recall meeting Ambassador Theberge prior to his joining the SRP and I am fairly confident I did not see any personnel files or forms on him. When the DCI decided he wanted to hire someone for the SRP, the regular clearance process would go forward without my involvement inas-

much as the SRP did not work for or report to either the National Intelligence Council or the DI.

I was Chairman of the National Intelligence Council for less than three months after Ambassador Theberge joined the SRP. My only contact with him would have been in meetings with the SRP as a group—although it is possible he paid a courtesy call on me.

The SRP's sole function was to review draft national estimates and offer comments *as a group* to the DCI, the Chairman/NIC and the relevant NIO. Occasionally, they were asked to do retrospective assessments of the accuracy of previous national estimates. It was standard procedure for all the members of the SRP to integrate their comments on a given estimate and all would sign the same paper. To the best of my knowledge, Ambassador Theberge did not review other Intelligence Community drafts or CIA/DI draft analyses concerning Latin America. I do not know whether he reviewed products concerning Carlos Cardoen's role in international arms trafficking. I assume he would not have unless the subject were addressed in a draft NIE and, neither I nor the Chairman of the SRP recall such an instance. (Gates' letter to the Committee, 10/24/91)

The Committee found no evidence that Mr. Theberge wittingly or unwittingly provided intelligence information to Carlos Cardoen or any other unauthorized person. However, the Committee is concerned by the CIA's willingness to hire an individual with ties to Carlos Cardoen for a highly sensitive position on the Senior Review Panel. Thus, the Committee is continuing to develop information about this matter.

#### *6. Involvement with Bank of Commerce and Credit International*

Recent news accounts had alleged that in 1986, when Gates was Deputy Director of CIA, the CIA had considerable information on BCCI's illicit activities, but did not provide this information to U.S. Customs until 1988, long after Customs had launched an investigation of BCCI. Former Customs Commissioner William Von Raab is quoted in a *Financial Times* article dated August 11, 1991, as stating:

I guess that Gates made an immediate decision back in 1988 to keep Customs in the dark. I think it was a bad decision, in terms of both the interests of our country and the judicial process. Gates could have been of considerable assistance to our investigation and his lack of information to me may have resulted in BCCI's criminal activities being strung out for a long time greater than was necessary.

In his testimony on August 1, 1991, to the Senate Foreign Relations Committee's Subcommittee on Terrorism, Narcotics and International Operations, former Customs Commissioner William Von Raab elaborated on his conversation with Gates:

When I was preparing in the final stages of the investigation to announce the BCCI case, and I wanted to get more information about BCCI, both for my own purposes as Commissioner of Customs and also to answer questions responsibly to the press, I rang up the agency. I rang up Bob Gates . . .

And I told them what we were doing and I asked him what he knew about BCCI and he quipped that it was known among his colleagues, the agency, intelligence services as the bank of crooks and criminals international . . .

He said I will send you a piece that we have done on BCCI, and shortly thereafter it came over to the Customs intelligence unit, which was typically the way agency documents would be passed over . . . It didn't prove to be particularly useful to us as an investigative tool.

At his confirmation hearing, Gates confirmed that he had spoken with Von Raab in 1988, but he explained CIA had provided information much earlier to many other agencies and had relied upon Treasury to provide it to law enforcement agencies:

CIA began collecting information on BCCI in late fall of 1984 at the request of the Treasury Department. The information that they asked for was gathered and the Treasury Department was briefed in January of 1985. Someone from the Secretary's office, and, also, I understand, the number two man in the Office of the Comptroller of the Currency

There was [also] . . . a report prepared by the Directorate of Operations in September of 1986 . . . These reports were sent to a number of agencies. In both cases, they were sent to the Department of Treasury. I think one of the two was sent to the FBI. Others were sent to the State Department and other agencies of the Government . . . [I]n trying to piece this together, I think the Agency frankly has had a little difficulty in figuring out exactly to whom they should send this kind of information, and relied on Treasury to inform the appropriate law enforcement officials . . . (Gates, 9/17/91, afternoon, pp. 66-67)

Gates stated that Von Raab had called him concerning a prosecution of BCCI which he had going on in Florida, and wanted to ensure that there was no problem in terms of exposing CIA operations. Gates said he told Von Raab that there was no problem with Customs' pursuing the prosecution, and provided him a copy of the 1986 CIA report on BCCI. During the conversation Gates referred to BCCI as the "bank of crooks and criminals," an appellation he attributed to one of the CIA staff officers who had briefed him on the earlier CIA analysis immediately before the call to Von Raab. (Gates, 9/17/91, afternoon, p. 68)

Asked why, if CIA had considered BCCI a "bank of crooks and criminals," its reports on BCCI had not also been sent to the Justice Department, Gates responded:

I think the people in the Operations Directorate who disseminated these reports—first of all, the source was a new

source and they weren't quite sure how to handle it because it was particularly sensitive. They were clearly not experts on banking regulations or the law enforcement aspects of this. And I think they just made the assumption that the Treasury Department would take whatever action was necessary, especially given the degree of dialogue that there had been back and forth with Treasury. (Gates, 9/17/91, afternoon, p. 67)

Gates did concede, however, that he would see to it that the Justice Department would henceforth be informed of such cases. (Gates, 9/17/91, afternoon, p. 69)

The Committee conducted an independent review of relevant documents and witnesses at CIA but found no evidence to conclude that Gates purposely withheld, or authorized the withholding, of intelligence reports about BCCI from other U.S. government agencies. It appears that the failure of CIA to include all U.S. agencies with potential interests in BCCI in the dissemination of its earlier reports was not purposeful but rather reflected a lack of understanding of those interests.

*Part 4: The Views of the Nominee Regarding the Role of the DCI, the Future of U.S. Intelligence, and Oversight and Accountability*

ON THE PRIORITIES, PROBLEMS, AND CAPABILITIES OF U.S. INTELLIGENCE

"The collapse of the Soviet and Russian empire offers the promise of democracy and economic transformation. But it also contains the seeds of grave instability, chaos, and civil war in a country possessing nearly 30,000 nuclear warheads, the most powerful of which are still aimed at us. We cannot yet divert attention from the Soviet Union, but clearly our priorities and our concerns have changed . . .

"Just as some threats have diminished, other dangers remain or have altered shape, just as new challenges and problems have emerged. The death of Soviet Communism has vastly diminished the danger of global war, but the world remains a very rough neighborhood. Our nation's leaders, at both ends of Pennsylvania Avenue, have no wish to walk these streets blindfolded." (Gates, 9/16/91, morning, pp. 112-113)

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"The nation is [on balance, well served by continuing to have a separate intelligence agency], and I will give you two reasons . . . There is still a need to bring together in one place, under statutory authority, all of the information available to all of the elements of the Government . . . If the DCI did not have the kind of authority he has . . . there would be no place in the Government where that could be brought together.

"The second [reason] is . . . the nation is well served by having a civilian intelligence agency that puts together its view of the Soviet threat as opposed to having the Department of Defense do that, and a civilian agency that can evaluate the effectiveness of diplomatic demarches rather than having the State Department do that . . . [H]aving an independent voice, acknowledging that it's not

perfect, remains an important element in serving our policymakers." (Gates, 10/4/91, morning, p. 23)

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"The challenge to CIA and U.S. intelligence is to adapt to this changing world, not just in places like the Soviet Union and Europe, but to the very idea of change, the idea that for years to come change and uncertainty will dominate international life. That the unthinkable and the 'not even thought about' will be commonplace." (Gates, 9/16/91, morning, p. 114)

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"This remarkable moment in history affords us a not to be missed opportunity to reassess the role, mission, priorities and structure of American intelligence in the aftermath of the Cold War . . . If confirmed, I will recommend that the President launch, with the direct involvement of his most senior security advisors, a major effort to determine the intelligence needs of the United States for the next decade or more, to the year 2005. He should then, in my view, charge the DCI to identify what the Intelligence Community must do to meet those needs . . . At a time of revolutionary change abroad and government-wide fiscal constraints at home, U.S. intelligence cannot remain fundamentally unaffected. Accordingly, we, the Executive branch and the Congress, must reach agreement on mission and priorities. Once these are determined, we can then logically address structure and budget . . ." (Gates, 9/16, morning, p. 116)

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"There are other problems and innovations that must be addressed as we change to cope with a changing and different world.

"The intelligence budget should be considered by the President, his senior advisors, and the Congress within but independently of the Defense budget.

"We must dramatically expand our clandestine human intelligence collection effort. At the same time, we must consider the implications for our covert action capabilities of a dramatic decline in Soviet aggressiveness and disruptive activities in the Third World.

"We must remedy the gap between 21st Century collection systems and a 19th Century system for informing policymakers.

"We publish too much intelligence of questionable relevance to policymakers. Less and better should be the rule.

"CIA's relationship to and support for the U.S. military must be improved.

"The process by which the information needs of policymakers are translated into intelligence requirements must be strengthened.

"The relationship between our national and tactical intelligence programs must be dramatically improved.

"Finally, the Intelligence Community and CIA in particular, must build on the openness Director Webster has encouraged to develop better popular understanding and support for intelligence activities . . . CIA and U.S. intelligence must change and be seen to

change, or confront irrelevance and growing sentiment for their dismantlement.” (Gates, 9/16/91, pp. 116-117)

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“We have spent a great deal of money, billions and billions of dollars on collection systems . . . Then too often our analytical components will look at that information and sit on it overnight, to print it in the President’s Daily Brief or the National Intelligence Daily the next morning. So in a system where we have spent perhaps tens of billions of dollars to get the information quickly . . . we then wait and deliver the information pretty much the way it was delivered by the War Department a century ago, and that is, by the written word on the succeeding day, like the daily newspaper . . .

“What I have in mind is a proposal . . . that would provide electronic intelligence to the policymaker, where the several score most senior policymakers in the Government would have monitors where throughout the day the intelligence would be updated for them on situations around the world . . . We have not, frankly, taken sufficiently into account in the intelligence business the implications of CNN and other 24-hour-a-day news broadcasting systems, and, as a result, I think much of our current intelligence is in fact old news by the time it reaches many of the policymakers . . .” (Gates, 9/16/91, afternoon, p. 111)

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“One of the things I intend to do . . . is somehow figure out a way for these [CIA] case officers to get information back to Headquarters on what they pick up just by being in the capital and learning the politics and what’s going on in the country—finding a way to get that unvarnished information in front of policymakers.” (Gates, 9/17/91, afternoon, p. 76)

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“There is a sense that assessments are often not sharp enough, that the policymaker has to wade through too much prose to get to the bottom line. A sense that alternative views are not sufficiently spelled out, that there is too much of a presumption of a right answer and a wrong answer, when in fact, the policymaker may be better informed by simply knowing better how to think about a problem than an answer in a situation where there be no answer.” (Gates, 9/16/91, afternoon, p. 111)

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“One of the things we have to educate policymakers to is the value to them of a piece of paper that helps them think through the problem without telling them what the answer is, when nobody knows what the answer is . . . [The policymaker] needs to know what the possibilities are, and he needs to be told what the level of confidence is in that judgment . . . The policymaker also needs a better understanding that sometimes there isn’t an answer to his question . . .” (Gates, 9/17/91, afternoon, pp. 97-98)

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“The first thing on my list [of possible changes] beyond the ones described in my opening statement would be to look at the estima-

tive process, because it takes too long to put them together, too many policymakers regard what they get as oatmeal, and the opportunity to sharpen the issues and to expose them to conflict . . . has [often] been missed. I think we need a fundamental look at the way these estimates are done and maybe even some structural change in the way they are done . . ." (Gates, 10/4/91, morning, p. 25)

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"Getting the Intelligence Community to reflect alternative views and particularly the views of experts outside the Government is a continuing problem . . . It gets back to . . . how we structure these [intelligence] estimates in the first place . . . [I]f you can change the way the system works, then maybe you can create an environment in which some of these alternative views can be reflected more easily." (Gates, 10/4/91, morning, p. 120)

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"[T]he National Estimates, particularly those on political and economic issues, do not have the kind of relevance and immediacy to policymaking and do not afford the kind of array of views that are necessary for the policymaker. We've had the current structure in place for sixteen years now, and, in my view, it's time to take a look at whether this is the optimum structure . . . I don't know whether you go back to a Board of National Estimates, or whether you come up with something entirely different . . ." (Gates, 10/4/91, morning, p. 130)

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"One of the areas where we have had a terrible problem over a long period of time in intelligence is in the realm of political intelligence, the question of intentions . . . it is an area where more often than not, human intelligence, clandestinely acquired human intelligence, offers a unique capability to get at that kind of information . . . I think that the [amount of covert action] is going to change. The amount of money devoted to it I think is going to plummet, and I think that offers us some opportunities in terms of using some of those assets and resources on human collection. (Gates, 9/16/91, afternoon, p. 113-114)

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"It is obviously possible to cut [the intelligence] budget. It almost certainly in political terms will be necessary . . . One of the risks I see [in this process] is the way we have taken budget cuts in the past . . . [I]nstead of going to policymakers and saying because of this cut, I'm going to stop doing X, they cut everything across the board by five percent. So you do everything a little less well . . . [I]f we are going to talk about real reductions in spending on intelligence, we're going to have to decide what we are going to stop doing. We can't do everything less well." (Gates, 10/3/91, afternoon, p. 132)

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"A high percentage of the resources addressed to the proliferation problem are perhaps appropriately address to nuclear proliferation. But I'm concerned that we may not be devoting adequate

resources to both the chemical and biological . . . the "poor man's atom bomb". The ease with which these things can be developed and the ease with which they potentially can be delivered is very worrisome . . . The proliferation of ballistic missile technologies is another area that warrants very close attention . . ." (Gates, 9/16/91, afternoon, p. 132)

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"In terms of areas where I think increases [in resources] are likely to be needed, I think the biggest immediate threat to American security is the proliferation problem . . . to include chemical and biological weapons as well as the proliferation of ballistic missile technologies . . . Our capabilities on CW and BW now are pretty much confined to human intelligence . . . [T]here is a need for some real investment in technical means by which we might be able to detect some of the precursor chemicals or some of those weapons where we are not able to get a human source." (Gates, 10/3/91, morning, pp. 88-89)

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"CIA has basically been considered a fundamentally peacetime organization . . . But war . . . was defined as something like global thermonuclear war . . . What the Gulf War showed, unlike Vietnam . . . was that in this intense, very large conventional war, we had something in between . . . peace and full-scale war.

"We really didn't have, I think, very good procedures particularly for CIA support for military operations of that scale. I think that is one of the areas we need to look at . . . We discovered some real problems there during the course of the war . . . in terms of the transmission of our information to local commanders, to the commanders on the ground." (Gates, 9/17/91, afternoon, p. 96)

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"Economic intelligence is something where we need to proceed with some care. I know that there's a lot of concern about doing industrial espionage, if you will, and I, frankly, don't think that U.S. intelligence should be engaged in that.

"I think there are two areas where we should do economic intelligence. One is in gathering and reporting information where other countries are not playing by the international rules—where they are colluding with their industry in ways that disadvantage U.S. industry unfairly. In other words, collecting and reporting information that will help our policymakers level the playing field in a policy sense.

"The second area where we ought to be more aggressive . . . is in responding to the actions of foreign intelligence services directed against U.S. companies and U.S. technology. We know that foreign intelligence services plant moles in our high tech companies. We know they rifle briefcases of our businessmen who travel in their countries. We know that they collect information on what we are doing, and I think CIA and the FBI working together, should have a very aggressive program against it." (Gates, 9/17/91, morning, pp. 99-100)

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"We've tried for ten years or more to find a way to get it [economic intelligence] into the hands of U.S. business, and we can't find a way that does not somehow get all tangled up in the law, in advantaging one company over another. That's why I have concluded we ought to content ourselves with supporting the government and trying to inform government policy about the practices of foreign governments rather than trying to get into economic espionage or industrial espionage." (Gates, 9/17/91, afternoon, p. 82)

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"It may be that the data gathering capabilities of the Intelligence Community and perhaps some of its space assets might be used in connection with environmental issues. The only concern I have in this regard is as the resources available to the Community decline, and there are a shrinking number of people to do a larger number of tasks, I think we need to look carefully at those things which are in the traditional national security arena as we look at some of these new challenges before us . . .

"Two areas where the Agency has done work in the past that I thought was of particular interest, included, first of all, some work on climate change . . . Another is on international resources, particularly water resources. The Agency did a paper a number of years ago identifying various places around the world where it could forecast . . . a real likelihood of war because of conflict over available water resources. I think there are some areas such as that where intelligence can make a unique contribution." (Gates, 9/17/91, afternoon, p. 10)

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"[O]ne major area where there could be some savings . . . [is] the work that gets done on Soviet conventional forces . . . There can be a lot of streamlining . . . because the threat of war in Europe has receded so greatly . . . I would be willing to consider, for example, moving CIA out of that business entirely and letting DIA handle Soviet conventional forces. I think the risks have been reduced to the point where competitive analysis in that particular arena is not so important . . . [S]ome of those assets could be used to look at political and economic and social issues inside the new republics of the Soviet Union." (Gates, 10/3/91, morning, pp. 87-88)

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"I think that assassination, that the idea of a gun or a stiletto in the alley, is not an appropriate instrument for the foreign policy of the United States. I'm against it. When it was legal, I don't think we did it very well . . . if the issue were to be raised in front of the President, I would oppose a change in our current policy." (Gates, 9/16/91, afternoon, p. 130)

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"The most important thing for morale in a place like CIA is a sense of confidence that the work they are doing is valued and important by the President, the Congress, and the American people." (Gates, 9/16/91, afternoon, p. 140)

## ON OVERSIGHT, OPENNESS, AND ACCOUNTABILITY

"We know that many Americans are uneasy about CIA and U.S. intelligence activities. They understand the need for information and even on occasion for covert action, but they are uncomfortable with secrecy. And therein lies the value of congressional oversight: the reassurance to Americans that the laws are obeyed and that there is accountability. This, then, puts a special responsibility on intelligence agencies to be truthful, straightforward, candid and forthcoming in dealings with Congress." (Gates, 9/16/91, morning, p. 118)

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"I commit to you that should I be confirmed, whatever differences may develop from time to time between the Intelligence Committees and the Executive branch generally or CIA in particular, I would resign rather than jeopardize that relationship of trust and confidence." (Gates, 9/16/91, morning, p. 119)

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"I think that it's clear that people [CIA employees] have to be completely forthcoming with the Committees because if you are not willing to go beyond just the question that is asked, then you are going to get the kind of crises that took place . . . in the first half of the 1980s where tremendous misunderstandings occurred and there really is no confidence." (Gates, 9/17/91, afternoon, p. 24)

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"If I thought there was an illegal intelligence activity going on in any agency of Government, I would first notify the head of that agency that I had that belief and that I believed he had an obligation to inform the Congress.

"If he did not do so, I would then inform the President and tell him that I felt the Congress should be informed and if the President did not act, then I would inform the Congress or I would resign and then report to the Congress." (Gates, 9/16/91, afternoon, p. 116)

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"I think the cost imposed on the relationship between the executive branch and the Congress and particularly between CIA and the Congress by the non-notification of 1986 was so high that I believe that as a practical matter, I would recommend against non-notification of any finding to Congress . . . Should the President decide for some reason, involving life and death, not to notify the Congress, it is my view that non-notification should be withheld for no more than a few days at most.

"Should it extend beyond that, I would argue or raise it on a daily basis with the President and if it reached a point where I felt that the non-notification were no longer warranted or that a relationship of trust and confidence between the agency and Congress was jeopardized, then I would contemplate resignation.

"Now under those circumstances, I think that if I were to find that something illegal were going on in that context, I would make the case to the President: A) that it made it imperative to inform

the Congress; and B) that I could no longer serve as Director if that could not be done." (Gates, 9/16/91, afternoon, p. 118)

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"I think there are two ways to deal with that [ensuring that illegal activities are uncovered]. One is . . . the procedures that Director Webster put in place to ensure the review of covert actions . . . I think the statutory Inspector General offers an added safeguard . . . I was a strong supporter in the Executive branch of signing the authorization bill with the statutory Inspector General in it. And, frankly, I think that a third safeguard is the opportunity to come up here and brief the Congress on these covert actions and have the kind of by-play and intensive questioning that goes on." (Gates, 9/17/91, afternoon, p. 19)

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"I think that the [CIA] can undertake risky operations, and should undertake risky operations . . . but I think you can operate an intelligence service in an environment in which the rules are clear, the guidelines are clear, the reporting requirements are clear, and people can act with confidence and take those risks . . . I don't think one needs to be paralyzed in terms of all the investigations and things that have gone before . . . [A]s long as we're playing by the rules, we don't need to worry about being criticized." (Gates, 9/17/91, afternoon, p. 100)

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"I have been trying to think . . . what symbolic steps that the Agency could take . . . that would suggest that the mentality of the Cold War has changed at the Agency, that there is an appreciation of a new day . . . that would suggest to the American people that there is a greater sense of openness and a greater sense for the people to have trust that the Agency is playing by the rules

"The first and foremost is clearly to have a relationship of trust and confidence with the Congress. But a couple of ideas that occurred to me—one was this idea of declassifying the top line [budget] number . . . running the risk that you will be able to stand firm on that number and not give a lot of other information . . . Another idea that I had was . . . figuring out a way to give historians a little greater access . . ." (Gates, 9/17/91, afternoon, pp. 88-89)

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"It is hard for me in principle to quarrel with the idea of senior officials of a government agency not being subject to the confirmation process . . . But I expressed to Senator Glenn that I had some reservations and my worry that the confirmation process itself would be politicizing." (Gates, 9/17/91, afternoon, p. 91)

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"Just as American democracy is held up as a model for other countries, despite its imperfections, I think that the oversight process and the role of CIA in American democracy with the unprecedented amount of—or the unequalled amount of publicity about its activities is a model for the rest of the world, again, however im-

perfect the process may be. I think that the last 15 years have been a long Pilgrims' Progress in this evolution of oversight and a sense that CIA is both accountable and adheres to the law. We probably still have further progress to make.

"But in the eyes of many foreign governments, the view is that the way that CIA relates to the Congress and relates to the American people is something to be admired if not emulated." (Gates, 9/17/91, afternoon, pp. 21-22)

#### ON THE ROLE OF THE DIRECTOR OF CENTRAL INTELLIGENCE

"I believe the Director of Central Intelligence should stay out of policy matters. I believe the Director of Central Intelligence should not be a member of the Cabinet. The Director should, as with the Chairman of the Joint Chiefs of Staff, be an advisor to the National Security Council and the President. And I think he should keep his hands clean in terms of making policy recommendations or getting deeply engaged in policy discussions . . . His role in those meetings should be to make sure that the information they are discussing is as accurate as we can make it . . . That's the role I would intend to play, and I can tell you first hand that's the role the President intends that the Director would play." (Gates, 10/4/91, morning, pp. 64-65)

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"The DCI is the President's senior intelligence officer, and as such, he is expected to have a personal view. But it is his first responsibility to ensure that the views of the institution, the analysts, are accurately and faithfully reported, together with dissents and alternatives. The problems of perceived politicization and self-censorship must be addressed urgently . . ." (Gates, 10/4/91, morning, p. 170)

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"The Intelligence Community needs to be right next to the policymaker . . . at his elbow. [It] has to understand what is on his mind. [It] has to understand what his agenda is. [It] has to understand some of the initiatives he's thinking about taking. [It] has to be willing to ask the policymaker what he's working on or what came out of this last conversation with a world leader. So that the intelligence can be made relevant . . . So that the Director . . . can go back and give guidance to the analysts. These are the questions that they are asking. This is what is of interest to them. This is when the [President's] briefing book closes. The President is going to take this trip. These are the kinds of issues that are going to be addressed." (Gates, 9/17/91, morning, p. 74-75)

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"If there are to be some real budget savings . . . you cannot have a situation that has existed up to this time of a half a dozen major intelligence organizations in which the DCI essentially sits outside them and approves their top-line number, and perhaps specific major investment programs in their budgets, but essentially leaves alone the way all of their assets and capabilities are managed. We are going to have to look at the total pool of those capabilities, have some division of labor, and have some efficiencies that enable

us to cut out some duplication . . . there is going to have to be, from a management standpoint, a much more tightly knit intelligence community in all issues . . ." (Gates, 10/3/91, afternoon, p. 90)

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"One area where I have changed my views since we last had a dialogue . . . has to do with speeches by the DCI, substantive speeches. I believe that occasionally those speeches have value . . . But by and large, I think the DCI should avoid giving substantive speeches, particularly those where there is a risk of the speech being interpreted as advocacy of a policy. I think the DCI should speak publicly. But I think he should speak about intelligence issues and try and inform the American people." (Gates, 9/17/91, afternoon, p. 90)

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"While the Director of Central intelligence should not be barred from giving substantive speeches—because I think some of the speeches that have been given in the past on technology transfer and proliferation have been useful—I think on balance that the DCI should be very, very careful about undertaking such an effort, and it should be . . . divorced from specific U.S. policies and certainly should not be susceptible to be read as advocacy . . ." (Gates, 10/3/91, morning, p. 68)

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"Change is inevitable. It must come and come quickly. It must be constructive and informed by broadly agreed missions and priorities for U.S. intelligence. In this connection, change is usually painful . . . [imposing] real costs in terms of disruption, uncertainty and turbulence. Thus, it is important as we look to a time of change to be sensitive to people, their concerns, fears, and futures . . . [T]he new Director and his senior managers must assure that those most affected by change are well treated and have the assurance of fairness and sympathy, and new personal opportunities . . ." (Gates, 10/4/91, morning, p. 169)

#### ACTION BY THE COMMITTEE

The Select Committee on intelligence met in public session on October 18, 1991, and by a vote of 11 to 4, recommended that the nomination of Robert M. Gates to be Director of Central Intelligence be reported to the Senate with a recommendation that the nomination be confirmed.

## ADDITIONAL VIEW OF SENATOR DAVID L. BOREN

When we began the confirmation hearings on this nomination, I expressed my hope that when we finished the process, without regard to the final vote, that the American people could justifiably say that our hearings had been both thorough and fair. I want to thank the members of the committee on both sides of the aisle for their cooperation and for their common commitment with me to realize that goal. I appreciate the words of encouragement which each one of our members has spoken to me about our process. I also want to thank the members of the staff who have labored long hours to also help us achieve our goal of thoroughness and fairness.

Virtually every procedural decision of the committee has been unanimous. We have sought to be fair by involving the staff designees of every member of this committee—Democrat and Republican—in making decisions about which witnesses should be called, which documentary evidence should be obtained and which issue should be examined. We have certainly had no shortage of conflicting viewpoints and diversity of opinions among witnesses.

I honestly believe that these hearings have been the most thorough, ever conducted, for a nominee for the position of Director of Central Intelligence. More people have been interviewed and more pages of documents have been studied than in any other confirmation hearing in the history of this committee. That is as it should be, because the next Director of Central Intelligence will be called upon to make the most sweeping changes in the intelligence community since the CIA was created almost a half century ago.

We have also sought to educate the American people through these hearings about the intelligence community. As taxpayers, they pay a multi-billion dollar bill for intelligence and they should know as much as possible about intelligence operations and the challenges which we face in a totally changed world. In many ways, the ability of our policy makers form the President on down to make sound decisions to prepare us for the next century will depend upon the quality of the intelligence they receive.

After careful consideration, I have decided to vote in favor of confirming the President's nominee, Robert M. Gates, to be Director of the Central Intelligence Agency.

I have reached this decision for several reasons.

First, Mr. Gates has the knowledge and experience vitally needed by the Director of the CIA. The next Director will immediately have to plunge into the process of radically changing the intelligence community to coincide with all the changes in the world around us. This is no time to bring in a new Director from the outside lacking in experience and detailed knowledge of the intelligence community. This is not time for on the job training. We can't afford to take 2 or 3 years for the new Director to learn the current programs before thinking about how to change them. We need a

Director who can hit the ground running. There is not time to waste.

We also need a Director who can work with Congress to develop new structures and budget priorities and who also has the respect and confidence of the President so that he will be prepared to implement these proposals. The President, who is a former Director of Central Intelligence himself, would not have the same level of respect for the opinions of a newcomer to the intelligence field, even a person of great stature, than he would have for the views of Mr. Gates, who he has already trusted with a key position on his National Security Council staff.

Second, I believe that the next Director should have a strong commitment to the oversight process. As I said on the last day of the public hearings, I cannot ignore my own experience with Mr. Gates over the last five years, first when he as acting Director of CIA, then when he was Deputy to Judge Webster, and since he has been Deputy to General Scowcroft.

During the course of our hearings, we viewed in some detail those instances in recent years where he, at times single-handedly, stood up for the oversight process and for improving relationships between the branches, even to the point of arguing with the President himself in support of the need for an independent, statutory inspector general for the CIA and for writing into the law new oversight legislation to reflect the lessons learned from the Iran-Contra affair.

I also cannot ignore the commitments he made to us during his testimony. On September 16, the first day of the hearings, Mr. Gates said: "I commit to you that should I be confirmed, whatever differences may develop from time to time between the intelligence committees and the executive branch generally or CIA in particular, I would resign rather than jeopardize that relationship of trust and confidence."

Later the same day, he told us: "Now under those circumstances, I think that if I were to find that something illegal were going on in that context, I would make the case to the President: (A) That it made it imperative to inform the Congress, and (B) That I could no longer serve as Director if that could not be done."

I believe that these are the clearest and most far reaching commitments to the oversight process ever made by a person nominated for this position.

I have also considered what the nominee says will be his priorities for the future.

It is significant that he wants to make intelligence more useful in informing the policy maker. He has experience both as a producer and as a consumer of intelligence. Nothing is more important to morale at the CIA than for its employees to feel that their work means something. I believe that Mr. Gates having observed what kind of information is needed by Presidents and policy makers would help make intelligence more relevant to the policy process.

It was clear at the outset that the President had sent us a nominee whose training and experience would not be an issue. Having served in senior positions at the CIA and at the National Security Council in both Democratic and Republican administrations, Mr.

Gates certainly understands intelligence and how it fits into the business of government.

But as I pointed out when Admiral Inman, former Deputy Director of Central Intelligence, appeared before the committee, Mr. Gates has been perhaps the consummate staff officer. He advanced quickly through the ranks to senior positions, clearly having impressed his superiors. But the qualities that have made him an excellent staff officer are not necessarily those needed to perform as a real leader. The Members of the Senate have to assess not simply how he has performed in a staff role, but, more importantly, whether he is prepared at this point in his life and career to become a leader—to fill one of the most sensitive posts in the U.S. Government.

Past performance is obviously relevant to our assessment, and there is a voluminous record here for us to analyze—A record of decisionmaking, a record of dealing with people, of taking positions. Mr. Gates has also had the misfortune of being in the intelligence community during a very controversial period. He has admitted to us that there are things he would do differently, if he had to do them over again.

We can all appreciate that. We recognize that people do mature; their outlooks change; their methods change; they grow wiser by experience. Ours is not a society, or a political system which forever holds a person's past mistakes or shortcomings against him. But the question for us is whether, in fact, Mr. Gates has changed, whether he has matured, whether he has grown wiser by experience. Is he ready to lead the CIA and the U.S. intelligence community into the post-cold war era?

As the testimony at the hearing demonstrates, we have a nominee before us whose past performance as a manager of the intelligence process has been challenged. There are, for the Senate, very serious issues to consider. Indeed, if a clear case were made out, adverse to the nominee, the result, to me, would be disqualifying.

Although the committee has looked into a variety of allegations in the course of the confirmation process, the most substantial allegations focus on two areas: the nominee's involvement in the Iran-Contra affair; and his tenure as CIA Deputy Director for Intelligence, responsible for the Agency's analysis and production.

I want to comment on both areas with respect to what the evidence shows and does not show.

#### INVOLVEMENT IN IRAN-CONTRA

First, with respect to the nominee's involvement in Iran-Contra, let me make a general observation and then proceed to specific points in the evidence.

The committee heard a lot of testimony during the first part of the hearings about Director Casey's work habits, including the testimony of the two former Deputy Directors who preceded Mr. Gates, Admiral Inman and John McMahan. It all followed a similar pattern: Mr. Casey made no special effort to keep his deputy or the rest of the chain of command at CIA informed of what he was doing. He often reached down into the bureaucracy and made contact with whomever was dealing with the subject at hand. Mr.

Casey followed a similar pattern in his dealings with the White House. If he debriefed his subordinates on conversations he had with the NSC staff, it was more often happenstance than routine.

It is also clear that the Iran operation was heavily compartmented within CIA. Very few were aware of the operation, and only a handful were personally involved in providing support. It was not widely known or widely discussed.

It is important to keep this background in mind in terms of evaluating Mr. Gates' role in all of this. When one looks at all the points on the record where Mr. Gates came in contact with the Iran initiative in some fashion, for those who do not understand the huge volume of work of the CIA, it could appear that he and Director Casey, and the CIA staff, must have spent half their working day mulling over the Iran operation. Quite the opposite is true. There were relatively infrequent communications between Gates and Casey on this subject, and at least until October 1, 1986, when Charles Allen informed Mr. Gates of the problems with the operation, it is reasonable to believe that it commanded relatively little of his attention.

It is important to judge the adequacy of his actions in this affair against this background.

With this perspective, let us examine the evidence on Iran-Contra shows:

The evidence shows that Mr. Gates had no part in the initiation of the arms sales to Iran, but was kept advised of the operation until it was disclosed in November, 1986.

The evidence shows that he had serious misgivings about this operation and he did, through Mr. McMahon, convey to Mr. Casey his disapproval of it.

Some of the evidence indicates that he was advised of the speculation concerning a diversion by Mr. Kerr in late August, 1986, but that under the circumstances in which the information was provided, it is not unreasonable to believe that the potential importance of the information did not register with him in a way that would have caused him to remember it; and

The record does not establish that Mr. Gates deliberately withheld, or condoned the withholding, of pertinent information in Director Casey's testimony of November 21, 1986.

But while I do not find a smoking gun in the record of Iran-Contra, I have, for some time, been bothered by what I perceived to have been the general lack of aggressiveness on the part of the nominee in responding to information which came into his possession during this entire episode. Whether it was the speculation he heard about a possible diversion, or who was behind the Contra resupply operation, or the problems with the Iran arms sales, he typically sought to find out if CIA was clean, but was not aggressive in seeking the facts. While I do not believe that the record shows that Mr. Gates is guilty of malfeasance, or of initiating or conspiring with illegal behavior, it can sustain the criticism that he was not active enough in seeking to prevent such conduct.

To his credit, Mr. Gates dealt with this subject in his opening statement before the committee, acknowledging that there were things he should have done, and that he should have been more ag-

gressive in following up on things he was told. To quote a portion of what he said to us:

I suspect few people have reflected more than I have on the Iran-Contra affair—what went wrong, why CIA played by rules not of its own making, and what might have been done to prevent or at least stop this tragic affair. CIA has already paid a fearful price and learned costly lessons. But today I want to speak about the misjudgments I made . . .

I should have taken more seriously . . . the possibility of impropriety or even wrongdoing in the Government, and pursued this possibility more aggressively. I should have pressed the issue of a possible diversion more strenuously with Director Casey and with Admiral Poindexter . . .

I should have been more skeptical about what I was told. I should have asked more questions and I should have been less satisfied with the answers I received, especially from Director Casey . . .

[But] you will not find a nominee for Director of Central Intelligence more aware of and sensitive to the lessons of that time, or more understanding of the importance of a good faith relationship with the Congress.

I accept Mr. Gates' statement, and believe it to be sincere. I think this lesson has sunk in. I am prepared to believe the nominee would, in fact, do things differently if he were confronted with similar circumstances in the future. In some ways he may indeed be even more sensitive to these problems than any other potential nominee because of his own experience. Who among us has not learned from his mistakes?

Perhaps the most difficult set of issues we have attempted to evaluate regards allegations that Mr. Gates systematically suppressed or distorted intelligence estimates so that they reflected the dominant policy positions of the Reagan administration.

These allegations have been treated seriously and exhaustively, because they go to the heart of why we established the Central Intelligence Agency—to provide the President with honest, independent judgments on matters affecting our Nation's security. As I have noted, it makes little sense to spend billions of dollars on sophisticated satellites, human intelligence—and all the tools we use to collect intelligence if what comes out of the process is skewed, dishonest or self serving.

Our staff has pursued numerous allegations, many more than the 20 points specified by Mr. Gates in open session. We heard from six compelling witnesses, in what can only be termed some of the most riveting testimony ever presented before this committee or the American people about U.S. intelligence. We have reviewed hundreds of documents, and have had an unprecedented amount of material declassified and released to the public.

But the allegations regarding politicization extend far beyond documents and cases. Rather they affect people, and raise issues regarding the nominee's leadership ability and sensitivity to the feelings and emotions of the people he was charged to lead.

The evidence supports several conclusions.

First, it is clear that the transition from the 1970's to the 1980's was marked by a significant philosophical and policy transformation in our view of the Soviet Union—both in policy and intelligence.

The Soviet invasion of Afghanistan marked the end of detente. The election of Ronald Reagan and the appointment of Bill Casey as DCI, a man of definite views and unique standing with the President created an inevitable tension in an intelligence bureaucracy which critics had long perceived to hold too benign a view of Soviet intentions.

There is no doubt that the Casey era brought a new attitude with respect to the analysis of Soviet behavior. Casey wanted evidence emphasized that had previously been down-played. He wanted issues developed that analysts previously had failed to take seriously. The question is, did these actions result in better intelligence or skewed intelligence?

Graham Fuller's testimony to the committee articulated the view that some have described as a liberal versus conservative struggle with regard to Soviet analysis. According to Mr. Fuller:

The actions that the Soviets fulfilled in Afghanistan were inconsistent with a generally shared SOVA vision that the Soviets tended to react defensively in the Third World and avoided risk. There was a tendency toward a certain homogenization, couched primarily in terms of Soviet dilemmas and problems, obscuring the fact that they had just taken over several real countries in the process in the late 1970's.

Doug Maceachin, another of our witnesses, provided additional insight into the turbulent transition that occurred at the CIA from the 1970's to the 1980's. In depicting CIA's experiences with regard to the Soviet invasions of Czechoslovakia in 1968 and Afghanistan in 1979 he stated:

In both instances, we had seen definite signs of military preparations consistent with an invasion. In each case we failed to give a judgment that a military attack was likely or even the most likely outcome. In each case the attack did occur. In each case the attack occurred when our analysis had persuaded us that this would be a dumb thing for the Soviets to do and they probably would not be doing dumb things. In both cases part of our failure was our hang up in internal debates. Rather than trying to lay out the threatening situation to the reader, acknowledging both our uncertainties and the potentials, we routinely got bogged down in an internal contest as to whose views would win the institutional place. Who would be judged right at least for the purposes of putting out the product?

When Bob Gates became the DDI, he was placed in the middle of this situation. It is well known that Gates did not have a benign view of the Soviet Union. His criticisms of the analysis of the Agency and his views were echoed by many members of the administration that was coming into office in the early 1980's.

Yet, according to Mr. Maceachin—a man who described his biases regarding the Soviet Union as closer to Mel Goodman's than Bob Gates:

In my experience he was as he has said, ready to be persuaded by evidence and analysis. I found him more ready to ensure treatment of competing hypotheses, honest treatment than many of the people criticizing him here for imposing his own outlook. And he was definitely ready to publish intelligence judgments that ran counter to the very strongly held views and vested interests of many consumers. And I found this to be true even when he himself was not persuaded that the judgment was necessarily right.

Mr. Graham Fuller stated:

At no time was I ever told what either the administration or Casey or Gates wanted to come out of an estimate or what it should say or what conclusions it should reach. Not only was I never told what to say, but I would have regarded it as outrageously improper to never hear the suggestion.

Where Casey did not always hide what he hoped analysis would indicate, Gates was always fully aware of the requirements of analytic procedure and of the validity of independent analysis.

Indeed, some contend that what happened in the Casey-Gates era was that the Agency's analytical judgments were not supported by the available intelligence. Rather, conclusions were drawn in finished analysis, without substantiation, where the product highlighted the more nefarious aspects of Soviet intentions.

For example, the Agency's work on Iran, particularly the 1985 memorandum to holders authored by Graham Fuller, has been cited as a case where the evidence simply did not bear out the analysis that the Soviets viewed Iran as a target of major opportunity. Still, the evidence does not support a conspiracy theory that Mr. Fuller's estimate was concocted intentionally to rationalize a later convert policy of arms for hostages—a policy Fuller himself testified he knew nothing about. But Fuller's own statement of his motivation for the 1985 piece bears repeating.

When the SOVA analyst brought me this portion of the estimate, Mr. Chairman, on Soviet policy toward Iran, I was immediately unhappy. It dismissed the possibility that the U.S.S.R. would even seek to take advantage of the desperate arms need in Iran and it comfortably dismissed any serious design or intention to gain dominant influence in Iran in the foreseeable future.

But would not Moscow have leapt at the chance to gain a foothold in Iran a few years after the invasion and the occupation of Afghanistan even if the possibility were only slight the impact of such a logical move by Moscow to support left wing forces in Iran to exploit chaos or to become a sole arms source to Iran would have been a major political coup for Moscow and a major loss for the U.S. It would

have been nothing short of derelict of the Intelligence community to point out this warning. I believe that it can only be through the relentless examination of various new hypotheses and counter hypotheses that the Intelligence Community will ever have a chance to get at the illusive truths of forecasting the unknowable.

Topics should not have been discussed so contemptuously just because CIA analysts have no evidence that the Soviets were involved in one or another activity. This is one of the dilemmas of good intelligence work. It is not good versus evil. So is the absence of evidence mean that something is not there. Or it has not happened? How much should we rely on intuition judgments and experience in appraising the likelihood of events or motives, or the issues of who benefits from an event?

The dilemma can never be solved. SOVA seems to have clung to the idea that the sweeping force of "no evidence" means that we don't think it happened; which is a safe and perhaps appropriate position for a junior analyst.

Is wisdom couched exclusively at lower levels with the hard facts? Or does it reside, perhaps nearer the top with senior, experienced officials who have seen much of the world and a lot of politics—and indeed some of whom may also have their own agendas as well.

Politicization is an extremely serious charge. One that we have not dismissed lightly. It is also a charge that, once made, is difficult to completely resolve. Again, I quote from Mr. Maceachin's testimony:

But it's right out of Franz Kafka. Because once you are accused, the Inspector General will never come back and say you're absolved. You will never be definitely acquitted. They will say we found no evidence to substantiate it. Charged but not indicted. Ostensibly acquitted.

There are many elements of the record which do not support the charge of systematic politicization. If politicization were as systematic as alleged:

Would the CIA have published a paper on Soviet chemical weapons in 1984 stating the view that the Soviets were unlikely to initiate extensive use of chemical weapons during a war with NATO at a time the House of Representatives was debating appropriations for binary chemical weapons?

Would the CIA have categorically stated in 1983 that U.S. policy aspirations in Lebanon were ill-founded and would not succeed? Would the Agency tell the Secretary of State that the May 17 accords were doomed to failure?

Would Bob Gates have supported the Office of Soviet Analysis' judgment in 1983 that the growth in Soviet defense spending has leveled off—that it was approaching zero growth during the Reagan defense build-up against the strong wishes of the Department of Defense and the Defense Intelligence Agency?

Would Bob Gates in June of 1988 have allowed Doug Maceachin, then Director of CIA's Office of Soviet Affairs, to publish a view, contrary to his own, that the Defense burden would lead Gorbachev to take unilateral cuts—cuts that were indeed taken six months later by the Soviets?

But to deal with this issue as one of black and white would be a mistake. There were failures here. There were shortcomings in the process. Some would call it a failure of leadership, some a lack of maturity or sensitivity. But the fact is that there are clear winners and losers in every judgment made by the Intelligence Community. And during the 1980's, we must conclude that there were problems of morale and confidence at lower working levels. The process either did not accommodate the views of the minority or failed to give them an adequate forum to fully articulate their point of view. Disenfranchised analysts came to feel that their point of view once neglected would never prevail again.

The facts show that Bob Gates was a tough manager. He demanded that analysts clearly marshal the facts and all of the evidence. The environment was tough, no place for the meek, and in the process, some professionals came to feel that people were being leaned on and that their views were not treated with respect.

A review of the documents do not bear out charges of blanket politicization. But, leadership and sensitivity were lacking. Those on the losing side of decisions felt mistreated.

The critical question in my mind is: Has Bob Gates grown? Is he ready to lead, and by leading, nurture all in his flock?

My own personal conclusion is that he has. People must be judged at different points in their careers. I believe he understands the needs of people, and the real pain of the 1980's.

He served a difficult and opinionated Director in the 1980's. But he also served under two of the finest intelligence officers we have known. Bobby Inman and John McMahon. He also has served as deputy to a man of outstanding character and integrity, Bill Webster. Bob Gates served Bill Casey, but he also served these men as well. So when blanket indictments are being delivered, they are being delivered against other individuals as well, men who I believe would not tolerate imposing their own world views or politics upon analytical judgments.

After watching and working with Bob Gates as chairman of this committee for over five years, I believe he has matured, has grown and is ready to face the challenges ahead and address the concerns of the people he will lead. This is my own judgment—and one I hope my colleagues will consider.

Let me say a few words about the courageous people—analysts, young and old, who came forward to cooperate with the committee during the confirmation process. They have my commitment, indeed the commitment of this committee, that no untoward action will be taken against them, and that their careers will not be disrupted. If Bob Gates is confirmed, I intend to hold him accountable and carefully scrutinize his decisions and actions to ensure that needed changes are made. This committee will pay increased attention to the less glamorous but important issues of the morale and well-being of the men and women at the Central Intelligence Agency. I have given my personal assurances to at least two indi-

viduals that for my remaining five years in the Senate, long after I have left this committee I will intervene on their behalf at the slightest hint of retribution. And I say openly to the men and women at CIA, that I believe that Bob Gates will live up to the standards of decency and fairness required. But if he does not, I will be the first to take action, whether I serve on this committee or not. This is my personal commitment to the men and women at CIA.

Finally a note about who got it wrong on the failure of communism and the rise of democracy in the Soviet Union, and whether being right or wrong should influence our deliberations about Mr. Gates.

My reading is that CIA, at least for the last five years, has been consistent and unequivocal in its description of a steadily worsening failure of the Soviet political economic system to provide the material basis for its society.

The question that could not be answered with confidence, and over which there was substantial debate—among analysts within the Soviet office, within the community, the government and academic community—was: What would be the outcome when the seemingly inevitable crisis occurred? Would it result in a move backward toward more repressive totalitarianism, or would forces for political reform break out toward a more democratic process?

It is no secret that Bob Gates had decidedly hardline views on questions regarding the political future of the Soviet Union—while he was right about his concern that hard-liners would make a last effort through a coup or other means to reverse Gorbachev's reforms, he was clearly too pessimistic about the outcome.

But I do not believe anyone should be faulted for being wrong. If what we want out of intelligence is straightforward clear points of view, both majority views and dissenting views that are not relegated to obscure footnotes. If we get in the business of punishing people for being wrong, we will end up destroying any chance we have of getting better analysis, and moving away from the "mush" we have been receiving.

In addition to the allegations on politicization, the committee, in closed session, looked into the nominee's actions or involvement in two areas.

The first involved his knowledge of the reporting which involved contacts between Members of Congress and officials of the Sandinista regime during the mid-1980's, as testified to by Alan Fiers, and whether such reports may have been used improperly. While the committee's inquiry into this area is still ongoing, I believe we have ascertained that which relates to Mr. Gates. We have also heard from the nominee under oath on this subject. I see nothing here that suggests improper action on the part of the nominee.

The second area we dealt with in closed session involved the CIA's relationship with the Government of Iraq during the mid-1980's. This involved only the provision of certain intelligence—no arms of equipment—in support of the Iraqi war effort.

Questions were raised whether the transfer of this information should have been treated as a covert action under the law, requiring a Presidential finding and reporting to the committees. Intelligence exchanges in the past had not been considered covert ac-

tions, but there were circumstances here which suggested to some that the purpose of the sharing arrangement may have more than simply providing a Quid Pro Quo for intelligence collection. My view is that this activity was not a covert action. It was not intended to influence Iraq to do anything it was not already doing. It was intended to support an ongoing activity. The U.S. did not enter the relationship to induce Iraq to undertake a new policy, but rather to show Iraq how to succeed at the policy it had already adopted. Throughout this relationship, the U.S. provided nothing but intelligence and advice. No evidence has been uncovered up to this time to indicate that the CIA or any other entity or the U.S. Government supplied arms or related military equipment or technology to Iraq.

Against the factual record involving the service of Mr. Gates, I also have considered what the nominee says will be his priorities for the future.

I think it is significant that the nominee believes the DCI, while not playing the role of a policy advocate, must be deeply involved, in a very practical way, in the policy making process within the administration. Otherwise, this enormous investment we make in intelligence will have little practical impact.

It is significant that he sees the DCI as taking more of a leadership role in the intelligence community, suggesting that the DCI's authorities themselves should be reviewed, that national capabilities must be better integrated to support the military, and that better ways must be found to get the intelligence output to policy makers to make a difference.

I applaud his statements that he will make dealing with the threat of proliferation of chemical, nuclear and biological weapons his first priority, that he sees economic intelligence as something we must do much better in the future, and that we need more emphasis on obtaining better human source intelligence about the intentions of potential adversaries to provide earlier warning in an era when fewer American forces are forward positioned around the world. He also understands the need for new education programs like the National Security Education act proposed by this committee to create a larger pool of expertise in foreign language and area studies. He also sees the possibility of a greater use of CIA assets to assist in solving global environmental problems.

He also accepts the need for change and for budget reductions, which we all think are inevitable, but wants to manage them in a way that keeps our eye on what still matters to the U.S. insofar as its strategic interests are concerned.

In short, the nominee's views about the future of intelligence accord largely with my own and those of many committee members.

Lastly, I have tried to imagine how this appointment would affect the CIA itself.

Clearly, there are many at CIA who are anxious about this nomination.

To deal with these concerns, it will take not just a firm hand, but a gentle hand as well. This will be a time for healing, not stridency; for compassion, not vindictiveness. A time to get on with the future, a future that holds enormous challenge for the intelligence

community, and not to reopen old wounds or rekindle old animosities.

It will not be easy for this nominee, but I believe he can do it. He would start with an important advantage: He is close to this President. As has been said several times at these hearings, there is nothing more important to morale at the CIA than for its employees to feel their work means something. And with Mr. Gates as DCI, I believe he would see that it does. He would make intelligence relevant to the policy process.

I think the nominee also understands how critical the CIA employee is to the process. If CIA is to provide insight to the policymakers, it must have employees who are themselves insightful, who are trained and experienced in international affairs, who are well-traveled and conversant with other cultures, and who are intellectually rigorous. It also needs employees who will stay there and become experts and specialists in their own right. And people, ultimately, do not stay where they are unhappy, where they are not challenged, where their work is not appreciated, or their concerns addressed. I think Mr. Gates appreciates how important this intangible factor really is.

In concluding, I believe, that on balance, Robert M. Gates is prepared to provide that kind of leadership we need as we approach the next century. He has the necessary expertise. He has a first-rate mind. He has a sincere commitment to the oversight process and a partnership with Congress while enjoying the respect of the President. Like all of us, he is not the same person he was five or ten years ago. I am convinced that he has learned from his mistakes and in fact that he will be an even better Director because he has passed through difficult times.

I will vote to confirm this nominee and I hope that my colleagues in the Senate will do the same. It is my honest view that he has the ability to be not just an adequate or acceptable Director of Central Intelligence, but an outstanding one.

## ADDITIONAL VIEWS OF VICE CHAIRMAN FRANK H. MURKOWSKI

The Select Committee on Intelligence undertook a rigorous—even remarkable—confirmation process following the President's nomination of Robert Gates to serve as the Director of Central Intelligence.

In the nearly six months that have transpired since the President announced his intention to nominate Dr. Gates, the Committee has studied reams of documents, interviewed scores of individuals, and sought the answers to thousands of questions. In the open hearing sessions alone, the nominee personally responded under oath to more than 850 questions. I am not aware of a case where a nominee for any position has received greater scrutiny and attention from any Committee than has Robert Gates.

The Committee's examination was demanding and remarkably bipartisan. At the outset, the Chairman and I agreed that we would not impose artificial constraints on the scope or timeframe of the process we were undertaking. We agreed that we would hold as much of the hearings as possible in open session. We agreed that we would tackle the issues as they arose, and attempt to deal with them in a comprehensive and balanced manner.

When we began, we expected the principal focus of our inquiry to involve issues dealing with the Iran-Contra affair. Little did we realize at the time that other issues would emerge—some of which were rather bizarre and others quite serious. At times, even the most far-fetched issues became the subject of national news reporting and gained more prominence than they deserved. Regardless, we realized that the Committee had to do the best job that it could at tracking down whatever allegations were made about the nominee.

We deployed our staff resources in a bipartisan manner in developing as much information as possible prior to, during, and even subsequent to our public hearings. Neither the Chairman nor I directed our staff to build a partisan record or a record that either supported or opposed this nomination. To the best of my knowledge, we honored every request that was made to produce either witnesses or documents, no matter who made the request.

The hearings were most revealing. I cannot think of another instance in which the public was provided as much insight into the inner workings of the Central Intelligence Agency. Each member explored areas of particular individual concern. I, for one, was particularly interested in developing the record on how the Agency was managed during the years of Director William Casey in an effort to try and place issues about Dr. Gates in the context of the times.

We have provided to the public a rich body of information on the analytical process of the CIA, management structures, and even

personalities. While some of these matters were discussed in a most critical way, I do not take the pessimistic view that the morale of the CIA has been shattered by the experience. Rather, it is far healthier to discuss problems than to suppress them. I am confident that we have exceptionally high caliber people working in the CIA, and that we will continue to attract high quality intelligence officers who understand the importance of the work they do.

I believe we accomplished what we set out to do, and this report represents our effort to present the facts surrounding this nomination for the benefit of our Senate colleagues. Many members, including myself, have chosen to file additional views in order to highlight our own personal insights and conclusions about the character and fitness of Robert Gates to serve our nation as Director of Central Intelligence.

#### ROBERT GATES

I am convinced that Bob Gates should be confirmed as the new Director of Central Intelligence, and I am equally convinced that he can and will provide the leadership necessary to overcome problems that came to light in our hearings. He is the right person to lead the community into the uncharted waters of the future.

Before the hearings, I was well aware of the President's confidence in Bob Gates. The relationship between him and the President is a significant factor in the ability of Dr. Gates to lead the intelligence community. Simply put, he will have the President's attention when the tough decisions must be made.

After observing Bob Gates in our hearings, I have a better understanding of why he has the President's trust:

He has clearly mastered the complexities of the intelligence community. The new DCI must have a complete understanding of how the community operates in order to shape its future.

He has proven that his intellectual capacity is deep. He is articulate and well-informed. He is experienced as both a provider and a consumer of intelligence.

He has withstood enormous pressure in these hearings and certainly will be able to withstand the rigors of being Director of Central Intelligence.

Finally, I am confident he has learned much from these confirmation hearings. I have no doubt that some matters discussed have not been pleasant for him to hear, and he surely understands that there is at least a perception problem in the CIA concerning his past tenure there. I, for one, believe he will be a better manager as a result of this knowledge. On the other hand, I have no doubt that he will drive the intelligence community hard, that he will make tough decisions, and that he will demand hard work and precise thinking.

I support Bob Gates to be the next DCI, and I have every confidence that he will do an outstanding job. I also share the Chairman's view that Bob Gates will work well with the oversight committees of Congress. His track record in this regard is unmatched. He supports oversight and works extremely well with those of us who have been called upon to perform the oversight function.

I will now specifically address some of the issues that were raised and give my evaluation of them.

#### IRAN-CONTRA

With regard to the Iran-Contra matters, the record shows that once Bob Gates became fully aware of the possible diversion of funds in October of 1986, he took action to learn whether the Agency was implicated. The record is not at all clear as to the level of information or the intensity with which the information was conveyed to him prior to October 1, 1986. It may well have been that Dick Kerr mentioned Charlie Allen's suspicions to Bob Gates some time between May and August 1986. However, neither Dick Kerr nor Charles Allen thought the information was sufficiently serious to draft a Memorandum for the Record or other memoranda to memorialize the fact that information was provided to the Deputy Director for Central Intelligence. Nor did they keep in touch with Bob Gates before October 1. This is not to criticize either Dick Kerr or Charles Allen. I mention it merely to underscore the fact that many other things were happening in the CIA in 1986 before the Iran-Contra affair was fully understood.

It is absolutely clear to me that on some issues Bob Gates was expressly kept out of the chain of command by Director Casey, by Alan Fiers, and likely by Clair George. The record is clear that Bill Casey had direct lines of communication with Alan Fiers and others on a host of different issues. He did not keep his Deputy fully informed. In fact, he instructed persons such as Charles Allen and Alan Fiers to limit dissemination of information to a very small group, or to none at all.

There simply is no credible evidence to suggest that Bob Gates condoned the illegal diversion of money to the Contras.

What seems to be lost in the hours of testimony we have had on the Iran-Contra matter is what steps Bob Gates took after October 1, 1986, when Charles Allen specifically presented the diversion scenario. Rather than look the other way or remain ignorant of the Agency's involvement with Iran-Contra, Bob Gates did the following:

During his October 1, 1986, meeting with Allen, he directed that Allen schedule a meeting with Director Casey. The meeting took place on October 7.

When Allen briefed Director Casey and Bob Gates on the diversion, Allen was instructed to draft a memorandum. The memo was ultimately produced on October 14.

Two days after meeting with Director Casey, on October 9 Gates and Casey had lunch with Oliver North to discuss the shooting down of the Eugene Hasenfus aircraft. Gates wanted to insure that CIA had no involvement in the matter and he was assured by North that, "CIA was completely clean."

At the same lunch, Gates told North that he should obtain a copy of the January 17, 1986, Finding which covered the Iranian initiative.

Six days after the lunch, Gates met with CIA's General Counsel and they discussed Allen's suspicions about a diversion. Gates specifically asked the General Counsel to review

CIA's involvement in the Iranian arms sales to make sure that CIA activity was legal. By October 30, the CIA General Counsel assured Gates that the CIA activity was proper. Gates also referred this matter to Admiral Poindexter for review by White House legal counsel.

During the week of November 17-21, Gates was assisting in the preparation of DCI Casey's testimony before the Senate Committee on November 21. By all accounts the preparation of that testimony was chaotic and haphazard. By the same token, no one involved in that activity suggested that Gates did anything other than try to learn as much as possible about the CIA's involvement.

After November 25, 1986, when the Iran-Contra affair became public, on three different occasions Gates ordered the Inspector General to investigate various aspects of the CIA's involvement, if any, in Iran-Contra matters.

Many of us can look back over the Iran-Contra affair and wish we had read the tea leaves better or had taken more direct action to uncover the truth. Bob Gates has said as much in his opening statement to us. However, I think the record ought to also reflect that Bob Gates did take steps after October 1986 to get to the bottom of CIA's involvement in the Iran-Contra matter.

#### INTELLIGENCE ANALYSIS

Another major area of concern has been whether Bob Gates intentionally slanted the intelligence product of the CIA in order to please policymakers or to promote the point of view of persons within the Reagan Administration including Bill Casey. This is a most serious accusation and the Committee has devoted a great deal of time and attention to it.

In evaluating this matter, I have been particularly struck by the comments of Mr. Larry Gershwin, who provided some standards by which we should judge the accusations and the accusers.

Evidence should be first-hand and not impressionistic or hearsay.

Allegations should be supported by persons who have had direct, personal experiences with the nominee.

Finally, allegations must be judged on facts and not on atmospherics or debating skills.

The principal accusations against Bob Gates have been made by Mel Goodman. I find it most troubling that certain of the allegations made in our closed session, under oath, were considerably modified or even eliminated when the Committee moved to open session.

Certain facts asserted by Mr. Goodman are simply not borne out by the evidence.

Let me cite just one example. Director Webster did not conduct an investigation of the slanting of intelligence as Mr. Goodman has asserted. Moreover, Mark Matthews, the lawyer who allegedly conducted the investigation, simply denies that it ever took place.

These and other factual inaccuracies cause me to believe that Mr. Goodman vastly overstated his case.

What does a hard look at the evidence show?

First of all, let's put these allegations of slanting intelligence analysis into perspective. In the period Bob Gates was DDI or DDCI, nearly 2500 major assessments and estimates crossed his desk. And how many of these is he seriously alleged to have slanted? According to our own staff analysis, less than ten and probably less than five. And a close look at even that handful reveals there is, in fact, not a single case where the evidence clearly points to Bob Gates deliberately slanting intelligence.

What we have instead are many instances where Dr. Gates' strong views, rigorous standards and tough criticism left analysts with bruised feelings. We have some instances where Dr. Gates' managerial style probably engendered more hard feelings than was necessary. Bob Gates is a tough man in a tough business.

It is noteworthy that none of Dr. Gates' senior colleagues at the time, including Hal Ford, apparently thought Bob's style was a serious problem. At least they never raised it with him directly.

Let's remember the circumstances under which Bob Gates became DDI in 1982. At an extraordinarily young age he was selected for the top analytical post in the CIA because William Casey and Admiral Inman both saw in him an extraordinary talent. They also thought it was time to groom a professional intelligence officer as a future DCI.

Admiral Inman testified that this decision put Dr. Gates in an extraordinarily difficult position. He had little management experience and he had no background on the operations side of intelligence. Because of his youth, he would inevitably be resented by many of those more senior officers who had been passed over. Under the circumstances, it would have been unbelievable if he had not ruffled some feathers, and even made some mistakes. What is extraordinary is how few he made.

Dr. Gates' position was made all the more difficult by the fact that William Casey was one of the strongest-minded DCI's in recent history. The Reagan Administration came into office with a clear policy agenda, and Mr. Casey was closely attuned to the President's views. Mr. Casey was not adverse to pushing the intelligence community hard when an issue—such as the possible Soviet role in the Papal assassination attempt—aroused his or the President's interest.

Under these circumstances, it fell largely to Robert Gates to make CIA responsive to the needs of policymakers in the new Administration while, at the same time, protecting the non-political character of intelligence analysis. To please both Mr. Casey and the professional CIA analysts was a daunting—maybe impossible—task. It is clear to me, however, that Bob Gates performed with extraordinary skill and integrity under the circumstances.

Bob Gates is the first to admit that the persistent allegations of slanting intelligence are a cause for real concern. He is also the first to admit that his youthful management style eight or ten years ago may have been unnecessarily abrasive.

The question is not whether he did everything right in the early 1980's. The question is whether he has grown and learned so that he is the right man for the early 1990's. Has he become the man Admiral Inman expected? I believe the answer is clearly yes. I call the attention of my Senate colleagues to Dr. Gates' eight point plan

for dealing with the issue of slanted intelligence. It is a serious plan that provides convincing evidence that he has listened to the critics and he intends to come to grips with their concerns.

Based on those who have had first hand dealings with Bob Gates when he was director of the analysis section of CIA, it appears clear that he wanted to change the way the agency did its business. I was impressed by Mr. Gershwin's summary:

But I think what you really have to do is look at who knows what as opposed to who heard people talk. I must say that there are a lot of people who do not like Mr. Gates and we have all known that for years. There are lots of reasons and some of them may be valid. But some of them, I think, are to the fact that he makes life uncomfortable. He made life uncomfortable for me. But I think it was better that he did because I think I did better work as a result.

I think some of his memos that were scathing were very rough on analysts. A lot of people do not like to be told to do better because they thought they did well enough already. He makes life very uncomfortable.

I think we are entering an era in the 1990's when life is going to be very uncomfortable for all of us intelligence analysts. It is very uncomfortable for me . . . I do not know where we are headed, but I know that my job in the future is going to be real different from what it was in the past.

And frankly, I think with a man like Mr. Gates there, I think he is going to shake us all up in a big-time way and it is going to be very valuable for all of us.

These are going to be uncomfortable and difficult times for the intelligence community. We will need the very best Director of Central Intelligence that we can find. I believe the President has identified that man in Robert Gates, and I urge the members of the Senate to vote favorably on his confirmation.

## ADDITIONAL VIEWS OF SENATOR ERNEST F. HOLLINGS

Although I came to this process prepared to support Mr. Gates, the testimony of former intelligence analysts Mr. Ford and Ms. Glaudemans, the sworn statements of Mr. Hibbitts, Mr. Limberg, and Ms. Ekedahl, and the additional information that has come to the Committee from serving and former intelligence officers, together convince me that Mr. Gates is not well-suited to lead the Intelligence Community during the 1990's.

I recognize that one person's "skewing" of intelligence is someone else's "sharpening the analysis". But Mr. Gates' direction of the process, repeated in so many estimates, developed into a policy of skewing: in the marginal notes in the drafts, in the selection of alternate teams of analysts to work an issue after the previously tasked team came to unpalatable conclusions, in the selection of a particular paper's scope, in the effort to limit dissent, in analysts' recollections of Mr. Gates' verbal statements of Mr. Casey's views. As the analysts have stated, this process creates a self-censorship by the analyst and a tendency to write reports that fit the boss' views and support the current policy, a tendency to hesitate and seek compromise rather than to write or speak frankly. This tendency is nothing less than cancer in an intelligence organization.

It became clear to me in these hearings that the cancer of politicization spread because top management at CIA in the 1980's had policy and ideology agendas. The agendas originated with Mr. Casey, and they were carried out in the analytical world by Mr. Gates. This is the perception and recollection of many analysts who served (and in some cases still serve) in many different offices at CIA. The sense that Mr. Gates skewed intelligence is not limited to one office in the Soviet Analysis Division (SOVA), as Mr. Gates has said. Analysts specializing in Latin America, Africa, scientific affairs, and leadership analysis have come forward with separate instances of the same perception. Mr. Gates has been out of CIA for almost three years, but the perception remains strong.

Mr. Gates was faced in the 1980's with a strong politicizing force, Mr. Casey, at the top of the Agency. The record of that period is that he did not resist Casey's pressure to politicize, but rather transmitted the pressure to his subordinates. Therefore I am not confident that he will resist the pressures of politicization today, particularly as he has been a policymaker at the National Security Council, boasts of his close relationship with the President, and has a vested interest in the success of the policies he recommended. Mr. Gates' record is not one of staunch independence when it comes to intelligence challenging the assumptions of policymakers, and I don't expect him to change in the future.

It is essential to the ability of our divided government to formulate and execute sound policy that the Director of Central Intelligence be completely removed from policy making and neutral as to

policy. In 1947 and for almost thirty years thereafter, the Agency was the preserve of the Executive Branch and the Director's job was a policy appointment. The Agency worked exclusively for the President and intentionally frustrated Congress' ability to learn its activities. But after the Church Committee, the institution of the two Intelligence Committees, Iran-Contra, and a series of intelligence failures ranging from Afghanistan, Iran, and Ethiopia in the 1970's up to Iraq and the disintegration of the Soviet Union today, Congress has asserted ever-greater oversight of the Intelligence Community. At the same time, Congress has become more dependent on the Agency's estimates, especially when issues of foreign relations or defense are being decided. Today's equal role of Congress means that the Directorship is no longer a policy appointment.

The Agency's responsibility to both branches of government means that the Director must be an absolutely neutral provider of ground truth. Mr. Gates' record leads me to conclude that he will not be able to maintain the neutrality and the distance from policy and from both branches of government that is required.

## ADDITIONAL VIEWS OF SENATOR DENNIS DeCONCINI

The position of Director of the CIA requires an individual of distinguished character and judgment; an individual with a sharp, brilliant mind; an individual with superior management skills who recognizes he will have less to work with because of budget constraints; an individual who commands loyalty and gets it; and finally, an individual with foresight—who recognizes the complexities of a rapidly changing world. I do not believe Robert Gates is that individual.

Robert Gates has served President Bush well as Deputy National Security Advisor. Robert Gates has had a distinguished career in the CIA that goes back 25 years. Nevertheless, there is a credibility problem linked to Mr. Gates. For the most part, this credibility problem goes back to the 1980s—when Bill Casey in 1981 elevated Mr. Gates to be his Executive Assistant, and it culminated in 1986 when Mr. Casey recommended Robert Gates to be the Deputy Director of the CIA.

In preparation for and during the Gates' confirmation hearings, the committee found that the CIA had not been completely forthcoming in adhering to the oversight process. The Committee found it was badly misinformed on the intelligence sharing relationship between the U.S. and Iraq during the Iran-Iraq war. We also discovered a number of key details on CIA involvement in the Iran-Contra scandal. And five years after the fact, we finally learn the intimate details of the monitoring of members of Congress and their staffs.

To further add to the credibility problems associated with Robert Gates, we have the allegations of the slanting of intelligence by him and the suppression of alternative analysis. These serious charges, as members of the committee found, are nearly impossible to prove, but can be devastating in regard to the perception they create. These allegations of politicization and those instances in which the agency failed to keep the committee fully informed, occurred when Robert Gates was a senior official of the CIA.

One of the individuals who stepped forward and testified in opposition to Mr. Gates had a lasting impression on this Senator. The primary reason for his influence was credibility and lack of motivation. Harold Ford has 40 years experience as an intelligence officer and analyst, including several years duty with the National Intelligence Council. Mr. Ford is an author and lecturer on intelligence analysis and the recipient, from William Casey and Robert Gates, of the National Intelligence Distinguished Service Medal.

In response to allegations of politicization, Robert Gates provided a forceful 20-point rebuttal. However, he limited his response to those allegations made by only one of the witnesses. And on several of his rebuttal points Mr. Gates was evasive—and did not provide the complete picture.

I could go through and detail the discrepancies in Mr. Gates' rebuttal and his failure to address still other politicization charges, however, the staff of the Intelligence Committee has drafted a fair and balanced presentation of the facts and I urge Senators to review the politicization section of this report.

The committee hearings proved to me that this is not the time to confirm a graduate of the current intelligence process. The hearings demonstrated to me the need to go outside the intelligence community for an individual who carries no baggage; an individual who can provide a new vision and fresh ideas on how to address the intelligence needs of our country in this radically changing world; an individual who can gain the confidence and trust of the American people—an individual who can erase the perception of politicization and rebuild morale within the Agency.

#### ADDITIONAL VIEWS OF SENATORS JOHN H. CHAFEE AND JOHN W. WARNER

There has never been any serious doubt about Mr. Gates' aptitude or expertise. He has served this country with distinction for over twenty years in a variety of sensitive assignments. He was an Air Force officer, a CIA analyst and manager, and served in the National Security Council under both Republican and Democratic Administrations. He was promoted and rose quickly through the ranks because of his performance and effectiveness in the eyes of men such as Zbigniew Brzezinski, Stansfield Turner, and Admiral Bobby Inman. By all accounts, Mr. Gates functioned very effectively as Deputy National Security Adviser during the war with Iraq and during Operation Just Cause in Panama. So the key questions regarding Mr. Gates are not about his competence but his integrity. Has he been truthful about his role in the Iran-Contra affair? Was he guilty of cooking the books on sensitive intelligence estimates? Did he smother evidence about illegal BCCI activities in order to protect CIA operations? Did he illegally enter the United States with Ari Ben Menasche carrying a suitcase stuffed with \$16 million in unmarked \$100 bills?

We are satisfied that Mr. Gates has been forthcoming regarding the Iran-Contra Affair. The Iran-Contra Committees of the House and Senate interviewed over 500 witnesses and reviewed 300,000 documents pertaining to this matter. As Senators Boren, Nunn, and Rudman, who served on that committee know, this extensive and unprecedented investigation did not produce any evidence of impropriety on the part of Mr. Gates. Since that time, the Independent Prosecutor has spent over four years and \$25 million probing the Iran-Contra Affair, and he has publicly acknowledged that Mr. Gates is not a target of his investigation. The record has long shown that Mr. Gates was not involved in the diversion of funds to the Contras and that he raised the issue with his superiors when he was informed by Charlie Allen that such activities might be occurring. Our own independent investigation, which has included the testimony of individuals such as Alan Fiers and Charlie Allen, confirms these central facts. We believe that Mr. Gates acted honorably in difficult circumstances.

The other allegations against Bob Gates have also been thoroughly investigated and found to be lacking. The documents obtained by staff demonstrate that the CIA appropriately disseminated the information it had regarding BCCI to the Treasury Department and other federal agencies. We think the staff have also determined beyond dispute that Mr. Gates' travel records demonstrate that he could not have been in Miami when Mr. Menashe claims he was, and that it is physically impossible to fit \$16 million in \$100 bills into a Samsonite suitcase.

The allegations of politicization, however, are more serious and more troubling. After listening to the witnesses on this issue, we have concluded that there is a genuine perception of politicization on the part of some analysts as well as serious morale problems in some offices. It appears, however, that these difficulties preceded Mr. Gates and have continued since he left. We believe that the perception of politicization is attributable to a number of factors:

First, the CIA is a large organization, with thousands of analysts each focused on a very narrow subject and supervised on a daily basis by a sizeable management chain. As happens in such large organizations, direct and adequate communications between senior management, who have a broad perspective, and working-level analysts, with an in-depth but narrow focus, sometimes break-down. Simply put, instructions, positions, and views can be distorted or misinterpreted as they pass through the various layers of management. The consequence is that negative views or motives are sometimes attributed to senior management when they are not really present.

Second, there is a desire by some, and most likely a distinct minority, of mid-level managers and some analysts to achieve promotion by responding to the perceived views of their superiors. This is a problem that was clearly identified in the internal CIA review of the now celebrated assessment on the attempted assassination of the Pope. I think it is perhaps worth briefly quoting from this document, known as the Cowey report:

"So, despite the DDI's best efforts . . ."—and Mr. Gates was the DDI at the time—" . . . there was a perception of upper-level direction . . . In the event, however, our interviews suggested that it was not so much DCI or DDI direction as it was an effort on the part of some managers at the next one or two layers down to be responsive to perceived DCI and DDI desires."

In short, some people wanted to please their boss. This is a natural instinct and a problem inherent in the workplace. But the strong ethic of honesty in the Intelligence Community, as well as the careful vetting process that estimates go through within CIA or within the Intelligence Community, help to insure that "skewing intelligence to please the boss" is minimized.

Third, and finally, Bob Gates was prone to challenging estimates on the Soviet Union. Because of the Reagan Administration's hard-line views on the U.S.S.R., this on some occasions led to the perception of politicization. But the fact is, Mr. Gates himself was a renown specialist on the Soviet Union with a Ph.D. in Soviet studies from Georgetown University and years of work as a Soviet analyst. In short, he was an expert, and experts hold strong views; when they disagree, they do so forcefully. Mr. Gates was clearly

skeptical of Soviet actions and activities and critical of flawed methodologies. At the same time, the subordinates with whom he disagreed undoubtedly hotly contested his views, most often to their colleagues or immediate superiors. In this process, because the Reagan Administration shared similar views to Mr. Gates, he was sometimes accused of politicization.

Recently, Bill Colby noted that he was charged with politicization when he was nominated to be the Director of Central Intelligence in 1973. Judge Webster, who enjoys a reputation for incorruptible integrity, also stands accused of politicization in a manuscript that was recently sent to the Intelligence Committee by a former CIA analyst.

So, given the strong views held by experts, the professional ethic to "tell it like it is," and the multiple layers of management with CIA, politicization is an abiding perception that seems to be visited on senior management, and Mr. Gates was no exception. But when this Committee investigated the specific charges involved, they were found to be more ethereal than the fog to which one of our witnesses referred. Despite all of the allegations that have been made, we have yet to receive testimony from a witness who says that Bob Gates asked them to slant an estimate.

On the other hand, we have been supplied numerous documents that clearly demonstrate that Mr. Gates sent forward analyses that contradicted the Reagan Administration's policies. For example, there was an estimate stating that the Soviet Union was not likely to use chemical weapons in a war in Europe that was disseminated just prior to a vote on binary chemical weapons in Congress. On another occasion, at a time when Secretary of Defense Weinberger was trying to make the case for higher levels of defense spending, Bob Gates approved an estimate indicating that Soviet defense spending had leveled off. There was also the estimate indicating that US military forces could not bring stability to Lebanon. We all know in retrospect that that analysis should have been heeded.

In sum, we don't believe that the allegations that Mr. Gates politicized intelligence are valid. At the same time, we have concluded that there are some organizational problems in the Directorate of Intelligence that warrant further investigation, and we welcome Mr. Gates' eight suggestions for improving intelligence analysis.

We believe that this is a time when it is essential to have a DCI who does not need on-the-job training. We need a DCI who can manage the Intelligence Community during a period of profound change, minimizing the impact of budget reductions, while ensuring appropriate oversight by this committee. If the objective were to avoid controversy in the confirmation process, and not to ensure an effective, efficient and well managed intelligence effort, then we would say don't vote for this nomination. But we believe that this is an extremely able, honest, experienced and patriotic individual who is innocent of the allegations that have been made against him. We hope that he will soon be confirmed so that we can concentrate on the reorganization of the Intelligence Community, to whatever degree is required, in response to the dramatic changes underway in the world around us.

## ADDITIONAL VIEWS OF SENATOR SLADE GORTON

At the outset of these hearings, Chairman Boren expressed his desire that the hearings be fair, thorough, and nonpartisan. For the most part, I believe he accomplished these goals. The process was fair, the nominee testified at considerable length and both supporters and opponents of the nomination were heard in public. The hearings were thorough, arguably among the most thorough ever conducted. Finally, the Chairman hoped that the hearings would be totally nonpartisan. Well, two or two and a half out of three isn't bad, and the Chairman did his best there, too.

I believe one more word should be added to that list: healthy. Despite the rigor and acrimony that marked these hearings, in the long run this unprecedented public look inside the CIA will prove beneficial to the CIA and its employees, and to the Congressional oversight process. The American public's understanding of the CIA was also greatly enhanced. We now know, for example, that the CIA is not the monolith we all thought, a thousand minds working in concert for a common goal. Rather, the CIA is an organization resembling thousands of others across the nation. Competition and—spirited debate within the agency is a mark of strength, not weakness.

All agree, I believe, that the CIA operates best and most effectively when it has the trust of the Congress and of the American people. For that reason, whether Robert Gates is confirmed or not—and I think he will be confirmed—I hope the period of openness and honesty that Judge Webster initiated will continue.

If these hearings had one shortcoming, it was the inordinate amount of attention given to the past, and the insufficient time accorded the future. The past may be interesting, but it is the future with which we must be primarily concerned.

Never before has the United States and the intelligence community encountered the array and complexity of concerns with which we are faced.

The once dominant Soviet threat has receded but has been succeeded by a mixed bag of concerns. In addition, more nations are capable of building and delivering nuclear, biological and chemical weapons today than ever before. The threat of major international conflicts has diminished but the potential for domestic unrest and internal conflict in the Second and Third worlds has sharply increased. Narcotics continue to plague societies throughout the world, destroying lives and controlling governments. Terrorism is a continuing menace. And finally, economic espionage is becoming a more common topic of concern within and between governments. To meet all these perils, the intelligence community must adapt.

But the reality of changes at home is likely even more profoundly to alter our intelligence gathering network. A shrinking budget necessitates change, and with fewer dollars our next DCI will be

expected to do more. At the same time, a cumbersome intelligence organization must reorganize and restructure to become a more efficient, streamlined machine.

These demands will surely test our next Director of Central Intelligence. Though emphasized by the nominee, these issues went largely unnoticed by the Committee and the public who watched these proceedings on television.

Charges of wrongdoing, the principal focus of the Committee, were not proved and in the view of this Senator, do not exist.

After extended questioning of Mr. Gates and several others from the intelligence community, we learned once again that Bob Gates did not have any involvement in or knowledge of the Iran-contra affair. Perhaps he should have been more aggressive in pursuing limited evidence of illegal or unauthorized activities. What was not stressed was that having a DCI who lived through this debacle may be a real asset. The experience certainly has educated Mr. Gates.

After a week of testimony on allegations of politicization, we discovered that intelligent people can disagree, although the claim that Mr. Gates personally and systematically politicized the analytical process is unfounded.

In short, no "smoking gun" in Bob Gates' past was uncovered.

What did emerge from these hearings was a portrait of a man who is smart, experienced, innovative and a tough taskmaster: just the right man, in my opinion, to lead the CIA into uncertain and extremely challenging times.

Some believe President Bush took a gamble when he nominated Bob Gates. The real gamble, however, would have been to nominate a less controversial, less experienced and less qualified individual. That would have guaranteed confirmation, but not a bright future for the Nation's intelligence community.

If these hearings had focused on Bob Gates' competence and they would have ended well before they did. But those qualities were never in question. Now that the Committee's walk down memory lane is over, let's look to the future and confirm the single individual who not only knows the business inside-and-out, but who knows what it needs for the future.

I support this nomination and urge the confirmation of Bob Gates.

