

NOMINATION OF ROBERT M. GATES

HEARINGS

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

OF THE

UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

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

SEPTEMBER 16, 17, 19, 20, 1991

VOLUME I

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

MONDAY, SEPTEMBER 16, 1991

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Select Committee met, pursuant to notice, at 9:30 a.m., in room SH-216, Hart Senate Office Building, the Honorable David L. Boren (Chairman of the Committee) presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, DeConcini, Metzenbaum, Glenn, Murkowski, Warner, D'Amato, Danforth, Rudman, Gorton, Chafee and Moynihan.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. The hearing will come to order.

We open hearings this morning on the nomination of Robert M. Gates to be Director of Central Intelligence. Mr. Gates' nomination was sent to the Senate on June 24, 1991, and referred to this Committee the same day. We had planned, of course, to hold these hearings before the August recess, but unexpected developments made it impossible for us to obtain all of the information required to finish our work before the recess. With the concurrence of the Administration and the nominee, we decided to delay them until now.

If confirmed, Mr. Gates would be the 15th person to serve as Director of Central Intelligence, a position created by the National Security Act of 1947, to serve both as head of the Central Intelligence Agency and as coordinator of all U.S. intelligence activities.

In the early days, the position was filled by military officers, some of whom were on active duty and rotated back to the military to complete their careers. The Director in those days had to struggle against entrenched, recalcitrant bureaucracies in order to do what the President wanted, which was pull together all of the intelligence available to the government and provide an objective analysis, independent of particular political agendas.

That remains the basic task today, but the Director of Central Intelligence now commands vast capabilities to collect and analyze information that his predecessors could not have imagined. These capabilities give the Director a unique role to play in the business of government. On the basis of the information he provides, policy decisions are made, diplomatic initiatives are mounted, military operations are planned and carried out, and research and develop-

ment efforts are targeted. To some degree, the wisdom of government policy decisions rests upon the quality of the Director's efforts.

The Director's job is also unique in terms of the range of sensitive activities the CIA is asked to carry out, again, largely in secret. Covert actions, for example, are undertaken abroad in support of U.S. policy but without official acknowledgment by the United States Government. While the Oversight Committees attempt to do a thorough job of monitoring these activities, in the end, it is the Director's judgment that often determines whether they remain consistent with U.S. policy and values.

The Director must also understand, respect, and work cooperatively with the Intelligence Oversight Committees of the Congress. This Committee has worked hard to reform the oversight process over the past five years. We are proud of what has been accomplished. A new independent audit unit has been created in the Committee staff to provide us with the capability to examine even the most sensitive programs of the Agency. A statutory Inspector General has been established for the CIA. Regular and systematic quarterly reviews of all covert actions are undertaken by the Committee and its staff tracks these programs on a much more frequent basis. To ensure that the Committee meets its own responsibilities, it has also adopted strict rules and procedures for its Members and staff to prevent any leaks or compromise of sensitive classified information. It is important that the Director understand the oversight process as a fundamental protection for the American people who have a right to have their elected representatives pass upon even the most secret programs which they are financing as taxpayers.

At no time in our history has this appointment been more important. The next Director of Central Intelligence will perhaps have more to do with shaping the future of intelligence than any other Director who has come before him or will come after him. The new Director will face a challenge and opportunity of immense proportion.

Perhaps the greatest threat to our national security is the danger that we will not change our thinking to coincide with all the changes in the world around us. World leadership in the next century will depend upon a whole different set of assets than were required for leadership in the last half of this century during the era of the Cold War, between the nuclear superpowers. Military strength, while still needed, will be relatively less important in determining leadership and influence in the world, and economic and social strength will become far more crucial for our country.

As our friends and allies become less fearful of the Soviet military threat, they will also become less willing to follow America's lead automatically. To be politically influential we must be economically strong and also build a society at home that will stand as a worthy model for others to follow.

All of this means that policymakers will need intelligence with a new focus.

Clearly, the Intelligence Community is likely to be more streamlined. Hopefully, it can be less expensive as well. With about half of our intelligence assets, especially those in the area of expensive

technologies, targeted in the past on the Soviet military threat, substantial budget savings should be achievable to more than meet new priorities and fund new missions.

These hearings give us the opportunity not only to examine the past actions of this nominee and probe his qualifications for the position, but also give us the opportunity to begin a valuable public debate about the future of American intelligence.

For well over a year, the Senate Select Committee on Intelligence has been conducting a study on the basic purposes and the future of the Intelligence Community through hearings and personal interviews with a wide cross section of present and former top government officials, intelligence experts, and historians. Our findings have led us already to push the community to make budgetary shifts to reflect major changes in the goals of intelligence collection and analysis.

I have no quarrel with those who want to overhaul our current intelligence system. An intelligence organization designed to meet the challenges of the Cold War era clearly can no longer do the job—and would not be worth what we've been paying for it in the past.

Some have focused on rearranging the bureaucratic structure of the Intelligence Community while others have gone so far as to urge the disbanding of the CIA. Our real task, however, is to redefine the very mission of intelligence in the new world which we face. Issues and challenges may change but policymakers will always need to make informed decisions based upon timely and accurate intelligence. That is why we will always need an institution devoted to the collection and analysis of intelligence.

While the military has a role in the Intelligence Community, it would be a mistake to place our entire Intelligence Community or operation in the Department of Defense at a time when competition for world leadership is being increasingly defined in economic and social terms. Nor can the State Department be expected to totally meet the intelligence needs of our government. It is not equipped to provide the kinds of intelligence needed by our military services. Furthermore, the collection of raw intelligence is not always consistent with the process of diplomacy. For intelligence to be as objective as possible, the producers of intelligence should not be subordinate to any consumer agency, whether the State or Defense Department.

With these considerations in mind, the broad outlines of the new Intelligence Community are already taking shape.

For one thing, it is clear that there must be more emphasis on human intelligence. With fewer forward positions around the world, we must have more and better information about the intentions of potential adversaries and earlier warnings of hostile acts.

The greatest intelligence failure of the recent Persian Gulf crisis was our inability to more quickly detect the threat that Saddam Hussein posed to his neighbors. With better human intelligence about Saddam's intentions—even six months before the invasion—the President could have considered pursuing various options like joint exercises with Saudi Arabia or a beefed-up air presence in the region. These actions might have deterred Iraq's aggression and enabled us to avoid a war altogether.

Not only must we have better human intelligence, it must be focused differently. Too much of our intelligence gathering and analysis is still targeted on the Soviet Union. The failed coup attempt confirms—even to the most skeptical—that the Cold War is over. And while we should not ignore Eastern Europe and the U.S.S.R., we clearly must improve our capabilities in the Third World and in regions like the Middle East where our coverage is thin. Terrorism and international narcotics trafficking also merit more attention.

Economic intelligence is another area that demands both more resources and clearer policy guidance. The aggressive acts of espionage pursued by foreign governments—at times in collaboration with their intelligence services—to steal private American commercial secrets to serve their own national economic interests are a clear indication of this threat. How to deter these activities and to set appropriate limits of American countermeasures remains to be defined.

The line between civilian and military threats to our national security becomes blurred. This is a matter that we have been discussing jointly between our Committee and the Armed Services Committee, chaired by my colleague to my right, Senator Nunn. We can no longer afford to support two separate empires that do not talk to each other. Last year in the Intelligence Authorization Bill, the Senate Intelligence Committee warned that, I quote, "Tactical and national intelligence communities appear to be excessively isolated from one another. Military commanders seek self-sufficiency, while the civilian community pays scant attention to the commander's needs."

Simply reforming human intelligence priorities is not enough. If we are to really improve human intelligence, we must invest more in education, especially in the areas of international, cultural, and foreign language studies. Just as we did after SPUTNIK with the passage of the National Defense Education Act, it's time we invest some of our military and intelligence budget dollars in grants to students and colleges in key areas of study vital to our national security as it is being redefined in the new world environment. Our Committee has proposed a National Security Education Act which will be considered on the Floor of the Senate to allow more college undergraduates to study in foreign countries, to give grants to colleges and universities to improve their courses of study in foreign languages, international studies and area studies like Middle Eastern or Latin American studies, and to provide more graduate fellowships in these fields.

Finally, we must examine the process by which intelligence analysis is developed for policymakers from the President on down. Current analysis is often too bureaucratic and cautious. General Schwarzkopf rightly said that intelligence is often, and I quote him, "caveated, footnoted, and watered down to the point of being irrelevant." Less value should be placed on bureaucratic consensus and more value on crisp clear predictions with room for forceful expression of dissenting views and the reasoning behind competing viewpoints.

The next Director of Central Intelligence will preside over the first sweeping redesign of American intelligence since the National Security Act was passed forty-four years ago. As Abraham Lincoln

once said, "We must think anew and act anew." And it is critical that our top intelligence officials have the vision and the determination to do exactly that.

To meet these challenges, the President has nominated Robert M. Gates to be the next Director of Central Intelligence. Mr. Gates is well-known to the Members of this Committee. He is a professional in the intelligence field with almost 25 years in government service, much of it in senior positions at the CIA and at the White House. A native of Kansas, and an honors graduate of William and Mary University, with a master's degree from Indiana University and a Ph.D. from Georgetown, Mr. Gates began his career as a junior analyst at the CIA. A Soviet analyst by profession, he served as a CIA representative to the SALT II Talks from 1971 to 1973, and later served on the National Security Council staff in the late 1970's under Dr. Brzezinski in the Administration of President Carter. In 1980, he returned to CIA and in 1982 was designated Director of Intelligence, responsible for all CIA analysis and production. In April of 1986, he was nominated to be the Deputy Director of the Central Intelligence Agency and was confirmed by the Senate for that position. When Mr. Casey became seriously ill in December of 1986, Mr. Gates was appointed Acting Director where he served until April of 1987, when Judge Webster became Director. After serving again as Deputy Director under Judge Webster—we had a lot of experience working with Mr. Gates during that period of time as he served as Judge Webster's deputy—Mr. Gates again returned to the White House in January of 1989 to serve as Deputy Assistant to the President for National Security Affairs, the position which he currently holds.

We welcome him to the Committee today.

The Committee has respect for this nominee's professional ability and intellectual capabilities. We appreciate the cooperative spirit with which he has worked with this committee, both as Acting Director, as Deputy to Judge Webster, and again as Deputy National Security Advisor to the President. I would say, and I think my colleagues would agree with me, that our experience with this nominee during the time both as Acting Director and Deputy to Judge Webster, demonstrated that he strongly supported the oversight process, that he advised constantly the Director to be as open as possible with this Committee and wherever possible, if there was a question, to err on the side of providing too much rather than too little information to this Committee. And we appreciate that record of cooperation that we have with this nominee.

At the same time, our first responsibility is to the American people. Since so many of the activities of this sensitive position are conducted in secret, we, acting as trustees for the people, must assure ourselves to the best of our abilities that the record of this nominee reflects those personal qualities that would qualify him to serve as Director.

Our task is complicated by the fact that the investigation of the Iran-Contra affair by the Independent Counsel is still ongoing. In recent weeks, with the pleas entered by Mr. Alan D. Fiers, Jr., the former Director of the Central American Task Force of the CIA, and the indictment of Mr. Clair George, the former Deputy Direc-

tor for Operations, new questions have been raised which require careful scrutiny.

The Committee is handicapped in its efforts because grand jury rules prohibit a sharing of information about testimony before the grand jury with our Committee by the Independent Counsel.

Since the law provides that the investigation of the Independent Counsel could continue for months, since there is a possibility of legal action based upon grand jury testimony, it could be as long as five years of additional process under the law from now. It would not be possible for this Committee to further delay its work and still give the President's nomination the fair consideration which it deserves.

The Committee has therefore endeavored to develop its own base of information relating to these events so that we can reach our own conclusions based upon the best evidence available to us.

When these hearings have come to a conclusion, it is my hope that the American people will be able to use three words to describe our efforts—thorough, fair and non-partisan.

We have sought to be as thorough as possible. We have reviewed the entire record of the Iran-Contra affair. We propounded a series of written questions to the nominee, designed to fill in factual gaps in that record when possible. The nominee answered these questions in a sworn statement and we are making these public today along with other documents.

The Committee requested and obtained the help of the FBI and the Inspector General of the CIA in further expanding its background checks of the nominee and in attempting to evaluate the factual basis of any and all allegations that have been raised privately or in the media about the activities of the nominee.

The Committee also found it necessary in some cases to obtain sworn statements from other Iran-Contra witnesses with respect to their previous testimonies relating to the nominee to clarify and supplement the record. These will be made public later this week.

In view of the information contained in the Fiers' plea bargain agreement made public in July, we also found it necessary to request additional documentation from the CIA and to examine additional CIA witnesses in an attempt to ascertain what, if anything, the nominee might have known with respect to the disclosures made by Mr. Fiers. Most have agreed to talk with us without immunity from prosecution. However, attorneys for several key officials, including Mr. George and Mr. Fiers, himself, would not permit their clients to provide testimony without immunity. The Committee did in fact obtain an immunity order for Mr. Fiers, and we will have him testify before us later this week. But we have not voted immunity for any other witness out of deference to the concerns of the Independent Counsel. We are still endeavoring to see if we can work out a way to receive the voluntary testimony of others that might be impacted by this decision. We have also heard voluntary testimony from the past Chief of the Latin American Division of the CIA and a declassified transcript of his testimony will be made public prior to the conclusion of these hearings.

While these hearings will be conducted in public to the maximum degree possible, there are some areas which require closed deliberation by our Members because of the classified information in-

volved. This includes materials related to the preparation of intelligence analysis and estimates which remain classified and highly sensitive. Our policy will be to release all information to the public related to the objectivity of intelligence analysis that can be released without compromising vital national security interests.

In addition to being thorough, we are determined to be fair. This nominee will be given an opportunity, after we have heard other witnesses, to appear before us again if he should desire to do so.

In preparing for these hearings, the staff designees, appointed by each of the 15 Republican and Democratic Members of this Committee representing all points of view, have participated in decisions regarding the calling of witnesses, obtaining of documents, and the propounding of questions. Any information requested by any Member of this Committee has been sought from the appropriate agency.

It is my view that it is my own personal responsibility and my responsibility as Chairman to reach no final conclusions about this nomination until I have heard all of the evidence and testimony. I believe that other Members of the Committee approach the task before us with a similar determination to be both thorough and fair.

Finally, these proceedings will be used solely as a forum to judge the qualifications of this nominee and not for any broader political purpose. This nominee, after 25 years of professional service, is entitled to consideration on his own merits. I am proud of the fact that during the almost five years that I have been privileged to serve as Chairman of this Committee, along with two distinguished Vice Chairmen from the other party, Senator Frank Murkowski, here today, the current Vice Chairman of our Committee, and the former Vice Chairman, Senator Bill Cohen, that we have never had a single vote strictly along party lines in this Committee. We have sought to put aside party considerations and to render the best possible judgments we could make for our country. We intend to do just that in the hearings that begin today.

With this background, let me briefly outline the Committee's plan for the hearings. It is anticipated that the initial questioning of the nominee will take place today and tomorrow following the opening statements of Members and introductory statements of the nominee. There will be no hearings on Wednesday, which is Yom Kippur.

On Thursday, the hearing will be devoted to outside witnesses focused principally upon Iran-Contra issues. We will hear Alan D. Fiers, Jr.; former Deputy DCI John McMahon; Charles Allen, a senior CIA official; acting Director of Central Intelligence Richard Kerr; former Deputy Director Admiral Bobby Inman; and from former CIA officer Tom Polgar.

If we complete the testimony of these witnesses, on Friday we will have the closed session I referred to earlier on the objectivity of intelligence estimates. There will need to be additional consideration, I might say also in closed session, of classified intelligence sharing activities with certain other countries.

It is impossible to set an exact timetable. The hearings could go into next week, in which case they will resume on Tuesday, the

24th. They will be expeditious, but they will last as long as they need to last for the Committee to do its job properly.

If there is no objection, I ask that the following documents be placed into the record of these hearings. First, the nominee's answers to the Committee's standard questionnaire. Second, the nominee's answers to our supplementary questions pertaining to Iran-Contra issues. Third, a letter dated July 1st, 1991, from Steven D. Potts, Director, Office of Government Ethics, transmitting the financial disclosure form of the nominee. Fourth, the declassified transcript of Director Casey's testimony before the Committee on November 21, 1986. Fifth, the declassified transcript of Mr. Gates' appearance before the Tower Board on January 12, 1987. And, finally, the declassified transcript of Mr. Gates' appearance before the House Select Committee on Intelligence on December 10, 1986.

Without objection, these will all be entered into the record.

[The documents referred to follow:]

SELECT COMMITTEE ON INTELLIGENCE

UNITED STATES SENATE



QUESTIONNAIRE FOR COMPLETION BY
PRESIDENTIAL NOMINEES

EFFECTIVE JANUARY 1986

PART A - BIOGRAPHICAL INFORMATION

1. NAME: Robert Michael Gates
2. DATE AND PLACE OF BIRTH: 9/25/43 - Wichita, Kansas
3. MARITAL STATUS: Married
4. SPOUSE'S NAME: Rebecca Wilkie Gates
5. SPOUSE'S MAIDEN NAME IF APPLICABLE: n/a
6. NAMES AND AGES OF CHILDREN: . 6

| <u>Name</u> | <u>Age</u> |
|----------------|------------|
| Eleanor Marie | 16 |
| Bradley Robert | 11 |
| | |
| | |
| | |

7. EDUCATION SINCE HIGH SCHOOL:

| <u>INSTITUTION</u> | <u>DATES ATTENDED</u> | <u>DEGREE RECEIVED</u> | <u>DATE OF DEGREE</u> |
|--------------------------------------|---------------------------|----------------------------|---------------------------|
| <u>College of William & Mary</u> | <u>1961-65</u> | <u>BA</u> | <u>1965</u> |
| <u>Indiana University</u> | <u>1965-66</u> | <u>MA</u> | <u>1966</u> |
| <u>Georgetown University</u> | <u>1969</u> | <u>PhD</u> | <u>1974</u> |

-2-

8. EMPLOYMENT RECORD (LIST ALL POSITIONS HELD SINCE COLLEGE, INCLUDING MILITARY SERVICE. INDICATE NAME OF EMPLOYER, POSITION TITLE OR DESCRIPTION, LOCATION, AND DATES OF EMPLOYMENT):

| <u>EMPLOYER</u> | <u>POSITION/TITLE</u> | <u>LOCATION</u> | <u>DATES OF EMPLOYMENT</u> |
|-----------------|-----------------------|-----------------|----------------------------|
|-----------------|-----------------------|-----------------|----------------------------|

(See Attached)

9. GOVERNMENT EXPERIENCE (INDICATE EXPERIENCE IN OR ASSOCIATION WITH FEDERAL, STATE OR LOCAL GOVERNMENTS, INCLUDING ADVISORY, CONSULTATIVE, HONORARY OR OTHER PART-TIME SERVICE OR POSITION. DO NOT REPEAT INFORMATION ALREADY PROVIDED IN ANSWER TO QUESTION 8):

| | | | |
|---|---|------------------|---------|
| Williamsburg, VA Public Schools | School Bus Driver (part-time when student) | Williamsburg, VA | 1963-65 |
| State of Kansas Grain Inspection Department | Grain Inspector (Summer job) | Wichita, KS | 1961 |
| Wichita, KS Parks Commission | Laborer (Summer job) | Wichita, KS | 1962-65 |

8. EMPLOYMENT RECORD (LIST ALL POSITIONS HELD SINCE COLLEGE, INCLUDING MILITARY SERVICE. INDICATE NAME OF EMPLOYER, POSITION TITLE OR DESCRIPTION, LOCATION, AND DATES OF EMPLOYMENT):

| <u>EMPLOYER</u> | <u>POSITION/TITLE</u> | <u>LOCATION</u> | <u>DATES OF EMPLOYMENT</u> |
|--------------------------------------|--|---|----------------------------|
| CIA | Biographic Analyst | Washington, D.C. | 8/66-10/66 |
| U.S. Air Force | Commissioned Officer 1st LT | Washington, D.C. Officer Training School Lackland AFB, TX 351st Strategic Missile Wing Whiteman AFB, MO | 10/66-1/68 |
| U.S. Air Force (on detail to CIA) | Analyst, Office of Current Intelligence | Washington, D.C. | 1/68-1/69 |
| CIA | Analyst, Office of Current Intelligence | Washington, D.C. | 1/69-6/71 |
| CIA | Staff Member, CIA SALT Support Staff/ Intelligence Adviser U.S. SALT Delegation | Washington, D.C. Vienna, Austria Geneva, Switzerland | 6/71-11/73 |
| CIA | Assistant National Intelligence Officer for Strategic Programs | Washington, D.C. | 11/73-6/74 |
| CIA (on detail to NSC Staff) | Staff Member for USSR and Europe, National Security Council | White House | 6/74-12/76 |
| CIA | Staff Member, Center for Policy Support Directorate of Intelligence | Washington, D.C. | 12/76-6/77 |
| CIA (on detail to NSC Staff) | Special Assistant to National Security Advisor, Zbigniew Brzezinski | White House | 6/77-12/79 |
| CIA | Director, Strategic Evaluation Center, Office of Strategic Research | Washington, D.C. | 12/79-2/80 |
| CIA | Executive Assistant to Director of Central Intelligence | Washington, D.C. | 2/80-10/80 |

(Continued)

8. (Continued)

| | | | |
|-----------------|--|------------------|------------------|
| CIA | National Intelligence Officer for USSR/ Eastern Europe | Washington, D.C. | 10/80-3/81 |
| CIA | Director, DCI-DDCI Executive Staff | Washington, D.C. | 3/81-1/82 |
| CIA | Director, Office of Policy and Planning | Washington, D.C. | 7/81-1/82 |
| CIA | National Intelligence Officer for USSR/ Eastern Europe | Washington, D.C. | 10/81-1/82 |
| CIA | Deputy Director for Intelligence | Washington, D.C. | 1/82-4/86 |
| CIA | Chairman, National Intelligence Council | Washington, D.C. | 9/83-4/86 |
| CIA | Deputy Director of Central Intelligence | Washington, D.C. | 4/86-1/89 |
| The White House | Deputy Assistant to the President for National Security Affairs | Washington, D.C. | 1/89-8/89 |
| The White House | Assistant to the President and Deputy for National Security Affairs | Washington, D.C. | 8/89- Present |

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10. HONORS AND AWARDS (PROVIDE INFORMATION ON SCHOLARSHIPS, FELLOWSHIPS, HONORARY DEGREES, MILITARY DECORATIONS, CIVILIAN SERVICE CITATIONS, OR ANY OTHER SPECIAL RECOGNITION FOR OUTSTANDING PERFORMANCE OR ACHIEVEMENT):

| | |
|---|-----------|
| Admiral Cary T. Grayson Scholarship (College of William & Mary) | 1961-1965 |
| Richard Lee Morton Scholarship (Honors in History) | 1964-65 |
| (College of William & Mary) | |
| Algernon Sydney Sullivan Medal (presented by William & Mary to | 1965 |
| graduating senior who has made greatest contribution to fellow man) | |
| Arthur S. Flemming Award (to 10 most outstanding young people in | 1978 |
| Federal Service - by Jaycees) | |
| CIA Intelligence Medal of Merit | 1981 |
| CIA Distinguished Intelligence Medal | 1986 |
| CIA Distinguished Intelligence Medal | 1989 |
| National Intelligence Distinguished Service Medal | 1989 |

11. ORGANIZATIONAL AFFILIATIONS (LIST MEMBERSHIPS IN AND OFFICES HELD WITHIN THE LAST TEN YEARS IN ANY PROFESSIONAL, CIVIC, FRATERNAL, BUSINESS, SCHOLARLY, CULTURAL, CHARITABLE OR OTHER SIMILAR ORGANIZATIONS):

| <u>ORGANIZATION</u> | <u>OFFICE HELD</u> | <u>DATES</u> |
|--------------------------------------|-------------------------------|--------------|
| Council on Foreign Relations | None | 1982-Present |
| Security Affairs Support Association | Member, Board of Directors | 5/88-6/89 |

12. PUBLISHED WRITINGS AND SPEECHES (LIST THE TITLES, PUBLISHERS, AND PUBLICATION DATES OF ANY BOOKS, ARTICLES, REPORTS OR OTHER PUBLISHED MATERIALS YOU HAVE AUTHORED. ALSO LIST THE TITLES OF ANY PUBLIC SPEECHES YOU HAVE MADE WITHIN THE LAST 10 YEARS FOR WHICH THERE IS A TEXT OR TRANSCRIPT. TO THE EXTENT POSSIBLE, PLEASE PROVIDE A COPY OF EACH SUCH PUBLICATION, TEXT OR TRANSCRIPT:

(See attached)

12. PUBLISHED WRITINGS AND SPEECHES (LIST TITLES, PUBLISHERS, AND PUBLICATION DATES OF ANY BOOKS, ARTICLES, REPORTS OR OTHER PUBLISHED MATERIALS YOU HAVE AUTHORED. ALSO LIST THE TITLES OF ANY PUBLIC SPEECHES YOU HAVE MADE WITHIN THE LAST 10 YEARS FOR WHICH THERE IS A TEXT OR TRANSCRIPT. TO THE EXTENT POSSIBLE, PLEASE PROVIDE A COPY OF EACH SUCH PUBLICATION, TEXT OR TRANSCRIPT:

1. "The Prediction of Soviet Intentions" (SECRET); Studies in Intelligence, Spring 1973.
2. "An Opportunity Unfulfilled -- The Use and Perceptions of Intelligence Analysis at the White House" (SECRET); Studies in Intelligence, 1980.
3. "The Soviet Threat"; Speech at 50th Session of Military Operations Research Society, March 1983.
4. "Is the CIA's Analysis Any Good?"; Washington Post, 12 December 1984.
5. "CIA and the University"; Speech at Harvard University, 13 February 1986.
6. "The Soviets and SDI"; Address to the World Affairs Council of Northern California Bay Area International Forum, 25 November 1986.
7. "War By Another Name"; Address to the Commonwealth Club of California, 25 November 1986.
8. "Issues and Trends Affecting U.S. Business in Latin America and the Caribbean"; Address to the Executive Committee and Trustees of the International Center of Florida, 11 December 1986.
9. "The Soviets and SDI"; Address to the National Military Intelligence Association, Potomac Chapter, 15 January 1987.
10. "War By Another Name"; Address to the Dallas Council on World Affairs, 3 February 1987.
11. Statement of Nominee to be Director of Central Intelligence, Senate Select Committee on Intelligence, 17 February 1987.
12. "CIA and American Foreign Policy"; Address to the Chicago Committee, sponsored by the Chicago Council on Foreign Relations, 5 May 1987.
13. "War By Another Name"; Address to the Agency Military Reserve Unit Lecture Program, 14 September 1987.
14. "CIA and the Making of American Foreign Policy"; Address to Princeton University, Woodrow Wilson School of Public and International Affairs, 29 September 1987.
15. Discussion Paper to the Consortium for the Study of Intelligence, 4 December 1987.
16. "The CIA and American Foreign Policy"; Foreign Affairs, Winter 1987/88.
17. "What is Going on in the Soviet Union"; Address to the Dallas Council on World Affairs, 19 January 1988.
18. "Technology Transfer"; Address to the American Electronics Association Texas - Council, 16 February 1988.
19. "The Traditional Functions of National Intelligence"; Address to Indiana University of Pennsylvania 29th Annual Raymond L. Lee Public Affairs Forum, 11 April 1988.
20. "What is Going on in the Soviet Union"; Address to Austin Foreign Affairs Council, Lyndon Baines Johnson Library, 26 May 1988.
21. "The Gorbachev Era: Implications for U.S. Strategy"; Address to the Current Strategy Forum, Naval War College, 16 June 1988.
22. "Recent Developments in the Soviet Union and Implications for U.S. Security Policy"; Address to the American Association for the Advancement of Science Colloquium on Science, Arms Control and National Security, 14 October 1988.
23. "Future Intelligence Challenges"; Address to the Association of Former Intelligence Officers 14th Annual Convention, 15 October 1988.
24. "Developments in the Soviet Union: Implications for U.S. Strategy"; Address the Air Force Symposium, 21 October 1988.

25. "Gorbachev and Critical Change in the Soviet Union: Implications for the West"; Address to the Center for Strategic & International Studies Conference, The 1990's: Critical Change, 1 April 1989
26. "National Security Policymaking: The View from the Kitchen"; Address to the 17th National Collegiate Security Conference Sponsored by the Georgetown International Relations Association, 26 October 1989.
27. "Change, Hope and Uncertainty"; Address to the CSIS International Counselors, 4 June 1990.
28. "Eastern Europe: Change, Hope and the United States"; Address to the American Electronics Association (Conference on Eastern Europe), 27 June 1990.
29. Address to the Electronic Industries Association, Washington, D.C., 14 February 1991.
30. "American Leadership in a New World"; Address to the American Newspaper Publisher's Association, Vancouver, B.C., 7 May 1991.

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PART B - QUALIFICATIONS AND REFERENCES

13. QUALIFICATIONS (DESCRIBE WHY YOU BELIEVE YOU ARE QUALIFIED TO SERVE IN THE POSITION FOR WHICH YOU HAVE BEEN NOMINATED):

(See attached)

14. REFERENCES (PROVIDE THE NAMES AND BUSINESS ADDRESSES AND TELEPHONE NUMBERS OF FIVE INDIVIDUALS WHOM YOU BELIEVE ARE IN A POSITION TO COMMENT ON YOUR QUALIFICATIONS TO SERVE IN THE POSITION FOR WHICH YOU HAVE BEEN NOMINATED. INCLUDE THREE INDIVIDUALS WHO HAVE KNOWN YOU FOR AT LEAST FIVE YEARS):

| <u>NAME</u> | <u>BUSINESS ADDRESS</u> | <u>BUSINESS TELEPHONE</u> | <u>YEARS KNOWN</u> |
|--------------------------------|--|---------------------------|--------------------|
| <u>Brent Scowcroft</u> | <u>The White House Washington, D.C. 20500</u> | <u>(202) 456-2257</u> | <u>17</u> |
| <u>Richard B. Cheney</u> | <u>The Pentagon, Rm 3E880 Washington, D.C. 20301</u> | <u>(202) 695-5261</u> | <u>10</u> |
| <u>B. R. Inman</u> | <u>available upon request</u> | | <u>15</u> |
| <u>Lawrence S. Eagleburger</u> | <u>Department of State Washington, D.C. 20520-7512</u> | <u>(202) 647-9640</u> | <u>15</u> |
| <u>William H. Webster</u> | <u>available upon request</u> | | <u>10</u> |

13. Qualifications (describe why you believe you are qualified to serve in the position for which you have been nominated):

My qualifications to serve as Director of Central Intelligence include a quarter century of experience in leadership roles in the CIA and intelligence and policy communities. I have served as Deputy National Security Advisor, Deputy Director of Central Intelligence, head of the CIA's Intelligence Directorate, and Chairman of the National Intelligence Committee. I have served as an intelligence analyst, a senior intelligence manager, a policy user of intelligence, and a close observer of how the most senior officials of five administrations have viewed and used intelligence.

Analyst

I began my career in U.S. intelligence 25 years ago as a military intelligence officer in a Minuteman Missile Wing. I spent my first half dozen years at CIA as an analyst, specializing in the Soviet Union. I subsequently served twice as National Intelligence Officer for the Soviet Union and Eastern Europe -- the most senior position in the Intelligence Community on those subjects.

Senior Manager

As Deputy Director for Intelligence and Chairman of the National Intelligence Council, I developed a strategy for long-range improvement of a major element of American intelligence and implemented that strategy successfully over a number of years. In January 1982, I introduced measures to bring about the long-range improvement of CIA analysis, including accountability (for the first time) of analysts for their forecasts and assessments; significantly expanded contact with outside experts and exposure of analysts to different points of view; more rigorous standards with respect to the quality of the product; greatly increased supervisory involvement in reviewing assessments and ensuring quality control; greater use of alternative scenarios and more candor about uncertainties; a cohesive program of research developed in cooperation with policymakers; and creation of a permanent mechanism to evaluate and learn from past performance. Ninety days before my appointment as DDI, the directorate had undergone the most wide-ranging reorganization in a generation -- and I brought near to fruition the reorganization's objective of integrated, multi-disciplinary analysis. New centers were created to concentrate on terrorism, narcotics, insurgency, political instability and counterintelligence analysis. CIA contacts and dialogue with policymakers were dramatically intensified. The number of National Estimates was significantly expanded, and the process by which they are produced was changed to highlight different points of view among agencies. Efforts were undertaken to make estimates more timely and relevant and increase the likelihood that senior policymakers would read them.

During my tenure as Deputy Director for Intelligence, I encouraged the establishment of a new covert action review system within CIA under which covert action proposals would be reviewed by the Deputy Director for Intelligence and by appropriate experts in the intelligence Directorate to validate premises underlying a proposal, assess the risk involved, and suggest ways to make proposed activities more effective. More generally, as DDI, I worked with the Directorate of Operations to improve HUMINT intelligence coverage and to ensure that this effort would be properly guided by the requirements process. I pushed especially hard to improve the quality and quantity of clandestine human political and economic reporting from the Third World.

Intelligence Community

For seven years (1982-1989), I worked with two DCI's to improve relations among elements of the Intelligence Community. When I was DDI, we established, under the chairmanship of my deputy, the Intelligence Producers Council, bringing together for the first time managers of the principal analytical elements of the Community to discuss common problems, to compare prospective research programs, and to enhance the sharing of information on a wide range of issues. In response to suggestions from the intelligence committees, I urged that the IPC be used to share information on external contracts, both prospective and completed, to ensure that duplication was minimized and that all elements of the Community would share in the finished product. More military and other non-CIA officers served on the National Intelligence Council when I was Chairman and then DDCI than at any time in its history. Indeed, for the first time since CIA was created, a senior military officer served Chairman of the Council and oversaw the preparation of all national estimates. For the first time, CIA and DIA cooperated in the production of joint assessments of Soviet production of more than 200 categories of weapons for the preceding ten years. In 1986, again for the first time, at my suggestion CIA and DIA collaborated in the preparation of joint testimony to the Joint Economic Committee of the Congress and appeared together for the first time to provide that briefing.

As Deputy Director of Central Intelligence for nearly three years, I gained the unique perspective that can come only from sharing, along with the DCI, full responsibility for the performance of this country's Intelligence Community. Building on the progress made by Admiral Inman and John McMahon, we made further changes in the process of preparing the Intelligence Community budget to ensure the full participation of senior community managers. In this process we attempted to look at the budget from the standpoint of requirements -- our performance against policy community requirements, gaps in performance, and the measures necessary to remedy those gaps. We made organizational changes in the Intelligence Community Staff to consolidate these changes.

First as Acting DCI, and then working with DCI Webster, I developed a steering group of senior intelligence community managers to work out major budget problems and to accommodate changes or reductions in intelligence programs as we adjusted to a rapidly changing budgetary climate -- but doing so in a collaborative manner leading to DCI decisions.

User of Intelligence

I am fortunate to have gained extensive experience and familiarity with how intelligence is used and perceived in policy agencies and by policymakers. I began to acquire this perspective early in my career with my assignment as an intelligence advisor to the U.S. SALT delegation and then to the National Security Council Staff for more than five years. I subsequently tried to translate what I had learned into improved intelligence support for policymakers.

Observing both the strengths and weaknesses of our policymaking process and of intelligence support to that process, and the interaction between Executive and Legislative branches, I have watched at close hand five Presidents and their advisors deal with innumerable foreign crises, large and small -- and the role played by intelligence in those crises.

Since January 1989, as Deputy National Security Advisor and Chairman of the NSC Deputies Committee, I have had the opportunity to see and use the intelligence contribution both for policy development and for crisis management -- all during a period of extraordinarily rapid change in international affairs and in the internal affairs of countries important to U.S. interests. I also saw first hand the strengths and weaknesses of intelligence during the Persian Gulf War, and how decisionmakers used and viewed that intelligence. These experiences have given me not only insights to the intelligence needs of our leaders but also direct exposure to many of our foreign adversaries and friends alike that is useful to understanding the challenges facing U.S. intelligence and the challenges confronting our country.

PART C - POLITICAL AND FOREIGN AFFILIATIONS

15. POLITICAL ACTIVITIES (LIST ANY MEMBERSHIPS OR OFFICES HELD IN OR FINANCIAL CONTRIBUTIONS OR SERVICES RENDERED TO, ANY POLITICAL PARTY, ELECTION COMMITTEE, POLITICAL ACTION COMMITTEE, OR INDIVIDUAL CANDIDATE DURING THE LAST TEN YEARS):

None.

16. CANDIDACY FOR PUBLIC OFFICE (FURNISH DETAILS OF ANY CANDIDACY FOR ELECTIVE PUBLIC OFFICE):

None.

17. FOREIGN AFFILIATIONS

NOTE: QUESTIONS 17 A AND B ARE NOT LIMITED TO RELATIONSHIPS REQUIRING REGISTRATION UNDER THE FOREIGN AGENTS REGISTRATION ACT. QUESTIONS 17 A, B AND C DO NOT CALL FOR A POSITIVE RESPONSE IF THE REPRESENTATION OR TRANSACTION WAS AUTHORIZED BY THE UNITED STATES GOVERNMENT IN CONNECTION WITH YOUR OR YOUR SPOUSE'S EMPLOYMENT IN GOVERNMENT SERVICE.

- A. HAVE YOU OR YOUR SPOUSE EVER REPRESENTED IN ANY CAPACITY (E.G., EMPLOYEE, ATTORNEY, BUSINESS, OR POLITICAL ADVISER

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OR CONSULTANT), WITH OR WITHOUT COMPENSATION, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FULLY DESCRIBE SUCH RELATIONSHIP.

No.

- B. IF YOU OR YOUR SPOUSE HAS EVER BEEN FORMALLY ASSOCIATED WITH A LAW, ACCOUNTING, PUBLIC RELATIONS FIRM OR OTHER SERVICE ORGANIZATION, HAVE ANY OF YOUR OR YOUR SPOUSE'S ASSOCIATES REPRESENTED, IN ANY CAPACITY, WITH OR WITHOUT COMPENSATION, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FULLY DESCRIBE SUCH RELATIONSHIP.

No.

- C. DURING THE PAST TEN YEARS HAVE YOU OR YOUR SPOUSE RECEIVED ANY COMPENSATION FROM, OR BEEN INVOLVED IN ANY FINANCIAL OR BUSINESS TRANSACTIONS WITH, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FURNISH DETAILS.

No.

- D. HAVE YOU OR YOUR SPOUSE EVER REGISTERED UNDER THE FOREIGN AGENTS REGISTRATION ACT? IF SO, PLEASE FURNISH DETAILS.

No.

18. DESCRIBE ANY LOBBYING ACTIVITY DURING THE PAST TEN YEARS, OTHER THAN IN AN OFFICIAL U.S. GOVERNMENT CAPACITY, IN WHICH YOU OR YOUR SPOUSE HAVE ENGAGED FOR THE PURPOSE OF DIRECTLY OR INDIRECTLY INFLUENCING THE PASSAGE, DEFEAT OR MODIFICATION OF

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LEGISLATION AT THE NATIONAL LEVEL OF GOVERNMENT, OR FOR THE PURPOSE OF AFFECTING THE ADMINISTRATION AND EXECUTION OF NATIONAL LAW OR PUBLIC POLICY.

None.

PART D - FINANCIAL DISCLOSURE AND CONFLICT OF INTEREST

19. DESCRIBE ANY EMPLOYMENT, BUSINESS RELATIONSHIP, FINANCIAL TRANSACTION, INVESTMENT, ASSOCIATION OR ACTIVITY (INCLUDING, BUT NOT LIMITED TO, DEALINGS WITH THE FEDERAL GOVERNMENT ON YOUR OWN BEHALF OR ON BEHALF OF A CLIENT), WHICH COULD CREATE, OR APPEAR TO CREATE, A CONFLICT OF INTEREST IN THE POSITION TO WHICH YOU HAVE BEEN NOMINATED.

None.

20. DO YOU INTEND TO SEVER ALL BUSINESS CONNECTIONS WITH YOUR PRESENT EMPLOYERS, FIRMS, BUSINESS ASSOCIATES AND/OR PARTNERSHIPS OR OTHER ORGANIZATIONS IN THE EVENT THAT YOU ARE CONFIRMED BY THE SENATE? IF NOT, PLEASE EXPLAIN.

I have no such business connections.

21. DESCRIBE THE FINANCIAL ARRANGEMENTS YOU HAVE MADE OR PLAN TO MAKE, IF YOU ARE CONFIRMED, IN CONNECTION WITH SEVERANCE FROM YOUR CURRENT POSITION. PLEASE INCLUDE SEVERANCE PAY, PENSION RIGHTS, STOCK OPTIONS, DEFERRED INCOME ARRANGEMENTS, AND ANY AND ALL COMPENSATION THAT WILL OR MIGHT BE RECEIVED IN THE FUTURE AS A RESULT OF YOUR CURRENT BUSINESS OR PROFESSIONAL RELATIONSHIPS.

I have no such financial arrangements.

22. DO YOU HAVE ANY PLANS, COMMITMENTS OR AGREEMENTS TO PURSUE OUTSIDE EMPLOYMENT, WITH OR WITHOUT COMPENSATION, DURING YOUR SERVICE WITH THE GOVERNMENT? IF SO, PLEASE FURNISH DETAILS.

No.

23. AS FAR AS CAN BE FORESEEN, STATE YOUR PLANS AFTER COMPLETING GOVERNMENT SERVICE. PLEASE SPECIFICALLY DESCRIBE ANY AGREEMENTS OR UNDERSTANDINGS, WRITTEN OR UNWRITTEN, CONCERNING EMPLOYMENT AFTER LEAVING GOVERNMENT SERVICE. IN PARTICULAR, DESCRIBE ANY AGREEMENTS, UNDERSTANDINGS OR OPTIONS TO RETURN TO YOUR CURRENT POSITION.

No present plans; no agreements; no understandings or options.

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24. IF YOU ARE PRESENTLY IN GOVERNMENT SERVICE, DURING THE PAST FIVE YEARS OF SUCH SERVICE, HAVE YOU RECEIVED FROM A PERSON OUTSIDE OF GOVERNMENT AN OFFER OR EXPRESSION OF INTEREST TO EMPLOY YOUR SERVICES AFTER YOU LEAVE GOVERNMENT SERVICE?

No.

25. IS YOUR SPOUSE EMPLOYED? IF THE NATURE OF THIS EMPLOYMENT IS RELATED IN ANY WAY TO THE POSITION FOR WHICH YOU ARE SEEKING CONFIRMATION, PLEASE INDICATE YOUR SPOUSE'S EMPLOYER, THE POSITION AND THE LENGTH OF TIME THE POSITION HAS BEEN HELD. IF YOUR SPOUSE'S EMPLOYMENT IS NOT RELATED TO THE POSITION TO WHICH YOU HAVE BEEN NOMINATED, PLEASE SO STATE.

My spouse's employment is not related in any way to the position to which I have been nominated.

26. LIST BELOW ALL CORPORATIONS, PARTNERSHIPS, FOUNDATIONS, TRUSTS, OR OTHER ENTITIES TOWARD WHICH YOU OR YOUR SPOUSE HAVE FIDUCIARY OBLIGATIONS OR IN WHICH YOU OR YOUR SPOUSE HAVE HELD DIRECTORSHIPS OR OTHER POSITIONS OF TRUST DURING THE PAST FIVE YEARS.

| <u>NAME OF ENTITY</u> | <u>POSITION</u> | <u>DATES HELD</u> | <u>SELF OR SPOUSE</u> |
|-----------------------|-----------------|-------------------|-----------------------|
|-----------------------|-----------------|-------------------|-----------------------|

None.

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27. LIST ALL GIFTS EXCEEDING \$500 IN VALUE RECEIVED DURING THE PAST FIVE YEARS BY YOU, YOUR SPOUSE, OR YOUR DEPENDENTS. GIFTS RECEIVED FROM RELATIVES AND GIFTS GIVEN TO A SPOUSE OR DEPENDENT TOTALLY INDEPENDENT OF THEIR RELATIONSHIP TO YOU NEED NOT BE INCLUDED.

Nicholas F. Brady
(in his private capacity)

Airline transport, motel room, meals for
self and spouse: trip from Washington,
D.C. to Louisville and return, May 4-5, 1990

\$1,500

28. LIST ALL SECURITIES, REAL PROPERTY, PARTNERSHIP INTERESTS, OR OTHER INVESTMENTS OR RECEIVABLES WITH A CURRENT MARKET VALUE (OR, IF MARKET VALUE IS NOT ASCERTAINABLE, ESTIMATED CURRENT FAIR VALUE) IN EXCESS OF \$1,000. (NOTE: THE INFORMATION PROVIDED IN RESPONSE TO SCHEDULE A OF THE DISCLOSURE FORMS OF THE OFFICE OF GOVERNMENT ETHICS MAY BE INCORPORATED BY REFERENCE, PROVIDED THAT CURRENT VALUATIONS ARE USED.)

| <u>DESCRIPTION OF PROPERTY</u> | <u>VALUE</u> | <u>METHOD OF VALUATION</u> |
|--|--------------|----------------------------|
| Personal Residence | \$285,000 | County Assessment (1990) |
| Dominion Resources, Inc. (Common stock) | 6,000 | Market Value |
| US EE Savings Bonds | 17,000 | Face value (at maturity) |
| IRA Bank Deposit/Sovran Bank (self) | 19,110 | Cash value |
| IRA Bank Deposit/Sovran Bank (spouse) | 19,110 | Cash value |

29. LIST ALL LOANS, MORTGAGES, OR OTHER INDEBTEDNESS (INCLUDING ANY CONTINGENT LIABILITIES) IN EXCESS OF \$10,000. (NOTE: THE INFORMATION PROVIDED IN RESPONSE TO SCHEDULE D OF THE DISCLOSURE FORM OF THE OFFICE OF GOVERNMENT ETHICS MAY BE INCORPORATED BY REFERENCE, PROVIDED THAT CONTINGENT LIABILITIES ARE ALSO INCLUDED.)

| <u>NATURE OF OBLIGATION</u> | <u>NAME OF OBLIGEE</u> | <u>AMOUNT</u> |
|--|-----------------------------|--------------------|
| Mortgage (personal residence) | Associates National | \$90,000 (12/1/90) |
| Second Trust (mortgage) (home improvements) | American General Finance | 15,790 |

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30. ARE YOU OR YOUR SPOUSE NOW IN DEFAULT ON ANY LOAN, DEBT OR OTHER FINANCIAL OBLIGATION? HAVE YOU OR YOUR SPOUSE BEEN IN DEFAULT ON ANY LOAN, DEBT OR OTHER FINANCIAL OBLIGATION IN THE PAST TEN YEARS? IF THE ANSWER TO EITHER QUESTION IS YES, PLEASE PROVIDE DETAILS.

No.

31. LIST SOURCES AND AMOUNTS OF ALL INCOME RECEIVED DURING THE LAST FIVE YEARS, INCLUDING ALL SALARIES, FEES, DIVIDENDS, INTEREST, GIFTS, RENTS, ROYALTIES, PATENTS, HONORARIA, AND OTHER ITEMS EXCEEDING \$500. (IF YOU PREFER TO DO SO, COPIES OF U.S. INCOME TAX RETURNS FOR THESE YEARS MAY BE SUBSTITUTED HERE, BUT THEIR SUBMISSION IS NOT REQUIRED.)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Salary | \$132,407 | \$144,506 | \$144,255 | \$153,081 | \$150,127 |
| Fees, royalties | | | | | |
| Dividends | | | | 33 | 153 |
| Interest | 428 | 396 | 254 | 181 | 285 |
| Gifts | | | | | 1,500 |
| Rents | | | | | |
| Other-exceeding \$500 | | | | | |
| Total | \$132,835 | \$144,902 | \$144,509 | \$153,295 | \$152,065 |

32. IF ASKED, WOULD YOU PROVIDE THE COMMITTEE WITH COPIES OF YOUR AND YOUR SPOUSE'S FEDERAL INCOME TAX RETURNS FOR THE PAST THREE YEARS?

Yes.

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33. HAVE YOUR FEDERAL OR STATE TAX RETURNS BEEN THE SUBJECT OF ANY AUDIT, INVESTIGATION OR INQUIRY AT ANY TIME? IF SO, PLEASE PROVIDE DETAILS, INCLUDING THE RESULT OF ANY SUCH PROCEEDING. -

Virginia State Return (1981). Interest computed incorrectly.
Assessed additional \$76.42

34. ATTACH A SCHEDULE ITEMIZING EACH INDIVIDUAL SOURCE OF INCOME WHICH EXCEEDS \$500. IF YOU ARE AN ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL; ALSO ATTACH A SCHEDULE LISTING ALL CLIENTS AND CUSTOMERS WHOM YOU BILLED MORE THAN \$500 WORTH OF SERVICES DURING THE PAST FIVE YEARS.

None other than listed in response to question 31.

35. DO YOU INTEND TO PLACE YOUR FINANCIAL HOLDINGS AND THOSE OF YOUR SPOUSE AND DEPENDENT MEMBERS OF YOUR IMMEDIATE HOUSEHOLD IN A BLIND TRUST? IF YES, PLEASE FURNISH DETAILS.

No.

36. EXPLAIN HOW YOU WILL RESOLVE ANY ACTUAL OR POTENTIAL CONFLICTS OF INTEREST THAT MAY BE INDICATED BY YOUR RESPONSE TO THE QUESTIONS IN THIS PART OR IN PART C (QUESTIONS 15 THRU 35).

n/a

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PART E - ETHICAL MATTERS

37. HAVE YOU EVER BEEN DISCIPLINED OR CITED FOR A BREACH OF ETHICS FOR UNPROFESSIONAL CONDUCT BY, OR BEEN THE SUBJECT OF A COMPLAINT TO, ANY COURT, ADMINISTRATIVE AGENCY, PROFESSIONAL ASSOCIATION, DISCIPLINARY COMMITTEE OR OTHER PROFESSIONAL GROUP? IF SO, PROVIDE DETAILS.

No.

38. HAVE YOU EVER BEEN INVESTIGATED, HELD, ARRESTED, OR CHARGED BY ANY FEDERAL, STATE, OR OTHER LAW ENFORCEMENT AUTHORITY FOR VIOLATION OF ANY FEDERAL, STATE, COUNTY, OR MUNICIPAL LAW, REGULATION, OR ORDINANCE, OTHER THAN A MINOR TRAFFIC OFFENSE, OR NAMED EITHER AS A DEFENDANT OR OTHERWISE IN ANY INDICTMENT OR INFORMATION RELATING TO SUCH VIOLATION? IF SO, PROVIDE DETAILS.

No.

39. HAVE YOU EVER BEEN CONVICTED OF OR ENTERED A PLEA OF GUILTY OR NOLO CONTENDERE TO ANY CRIMINAL VIOLATION OTHER THAN A MINOR TRAFFIC OFFENSE? IF SO, PROVIDE DETAILS.

No.

40. ARE YOU PRESENTLY OR HAVE YOU EVER BEEN A PARTY IN INTEREST IN ANY ADMINISTRATIVE AGENCY PROCEEDING OR CIVIL LIGATION? IF SO, PROVIDE DETAILS.

No.

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41. HAVE YOU BEEN INTERVIEWED OR ASKED TO SUPPLY ANY INFORMATION AS A WITNESS OR OTHERWISE IN CONNECTION WITH ANY CONGRESSIONAL INVESTIGATION, FEDERAL OR STATE AGENCY PROCEEDING, GRAND JURY INVESTIGATION, OR CRIMINAL OR CIVIL LITIGATION IN THE PAST TEN YEARS? IF SO, PROVIDE DETAILS.

1975 - Interviewed by staff members of Pike Committee investigating U.S. intelligence.
 1980 - Interviewed by staff members of Congressional Committee investigating Billy Carter's association with Libya (regarding actions taken by others in response to a memorandum I wrote urging Zbigniew Brzezinski to prevent Mr. Carter from traveling to Libya).
 1985 - Interviewed by FBI and Senate Judiciary Committee during Senate consideration of Stanley Sporkin to be U.S. District Court Judge.
 1986-1991 - Interviewed by, provided depositions to, or was witness before Senate Select Committee on Intelligence, House Permanent Select Committee on Intelligence, the Tower Commission, the Joint House-Senate Iran-Contra Committee, the Independent Counsel and the Grand Jury concerning Iran-Contra.

42. HAS ANY BUSINESS OF WHICH YOU ARE OR WERE AN OFFICER, DIRECTOR OR PARTNER BEEN A PARTY TO ANY ADMINISTRATIVE AGENCY PROCEEDING OR CRIMINAL OR CIVIL LITIGATION RELEVANT TO THE POSITION TO WHICH YOU HAVE BEEN NOMINATED? IF SO, PROVIDE DETAILS. (WITH RESPECT TO A BUSINESS OF WHICH YOU ARE OR WERE AN OFFICER, YOU NEED ONLY CONSIDER PROCEEDINGS AND LITIGATION THAT OCCURRED WHILE YOU WERE AN OFFICER OF THAT BUSINESS.)

No.

PART F - ADDITIONAL INFORMATION

43. DESCRIBE IN YOUR OWN WORDS THE CONCEPT OF CONGRESSIONAL OVERSIGHT OF U.S. INTELLIGENCE ACTIVITIES. IN PARTICULAR, CHARACTERIZE WHAT YOU BELIEVE TO BE THE OBLIGATIONS OF THE DIRECTOR OF CENTRAL INTELLIGENCE, THE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, AND THE INTELLIGENCE COMMITTEES OF THE CONGRESS RESPECTIVELY IN THIS PROCESS.

(See attachment)

43. Describe in your own words the concept of congressional oversight of U.S. intelligence activities. In particular, characterize what you believe to be the obligations of the Director of Central Intelligence, the Deputy Director of Central Intelligence, and the Intelligence Committees of the Congress respectively in this process.

Accountability -- with respect to adherence to the law, relevant Executive orders, guidelines, and regulations, as well as effective management and performance -- is in my judgment, the fundamental purpose of congressional review of intelligence activities.

The mechanism now in place recognizes that the Executive and Legislative Branches each have legitimate responsibilities and concerns that must be respected if the interests of the nation are to be served. At the same time, the current framework provides assurance to the public that activities which must be conducted in secrecy will be carried out lawfully, responsibly and effectively.

Because the National Security Act spells out the obligations of both the Director of Central Intelligence and the intelligence committees, I believe it is appropriate simply to cite them. By law, the Director of Central Intelligence and, implicitly, the Deputy Director of Central Intelligence, are obligated, with certain caveats,

- to keep the two intelligence committees "fully and currently informed of all intelligence activities";
- to provide advance notice to the SSCI and HPSCI regarding significant intelligence activities, such as covert action operations;
- to furnish any information or material concerning intelligence activities which is requested by either of the Committees to carry out their responsibilities.
- to report in a timely fashion to the Intelligence Committees any illegal intelligence activity or significant intelligence failure and any corrective action that has been taken or planned; and
- to notify the intelligence and the appropriations committees prior to certain funds transfers.

The Oversight Act also obligates the Intelligence Committees to establish procedures to protect from unauthorized disclosure

all classified information and all information relating to intelligence sources and methods furnished to the committees. In my view, this reflects an intent that the protection of our Nation's security must be a mutual responsibility.

I believe intelligence agencies must not only be truthful in discharging their obligations to provide information to the intelligence committees, but also candid and straightforward. They must respond promptly and forthcomingly to Committee requests and attempt whenever possible to help the members of the Committees and the staffs carry out their responsibilities.

There is broad recognition of the support the Committees have rendered the Intelligence Community with respect to resources, protection they afford against abuses, and ability to bring about improved efficiencies in the Community. While the oversight process may occasionally lead to difficulties in the gray area of overlap between Congress' authorities and the duties of the Executive, it has been the practice of both the Executive and the Congress to try to resolve those difficulties in a spirit of comity and mutual understanding. I fully support the intent of the Oversight Act to "ensure that the legitimate concerns of both branches and the Nation as a whole are respected."

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44. DEFINE IN YOUR OWN WORDS THE DUTIES OF THE POSITION TO WHICH YOU HAVE BEEN NOMINATED.

(See attached)

45. PLEASE ADVISE THE COMMITTEE OF ANY ADDITIONAL INFORMATION, FAVORABLE OR UNFAVORABLE, WHICH YOU FEEL SHOULD BE CONSIDERED IN CONNECTION WITH YOUR NOMINATION.

None.

44. Define in your own words the duties of the position to which you have been nominated.

In few words, the National Security Act of 1947, tasks the DCI to direct and coordinate the intelligence activities of the United States and to advise the National Security Council of such activities; to correlate, evaluate and disseminate within the government intelligence related to the national security; to perform services of common concern for the benefit of the existing intelligence agencies; and to perform "such other functions and duties as the National Security Council may direct."

Focus on the Future

Let me add to these directives my personal views and elaborate on the emphasis I intend to bring to this important aspect of the position. At this moment in history perhaps the most important challenge for the DCI is to focus on the future. He must insure that the Intelligence Community accurately projects the types of issues and problems that will confront the policymaker five to ten to even twenty years ahead and develops the investment, collection, analytical and recruitment strategies that will enable us to deal with an agenda just forming. The world so familiar to us for two generations has changed dramatically in a very short time. The next DCI must lead a fundamental reappraisal of intelligence priorities from a substantive perspective. He must also evaluate the structure of the intelligence community and its broad strategies and then plot a course for the future that best and most efficiently serves our national interest. Old attitudes also must be re-examined. A DCI cannot do this alone, but only in close collaboration with the President and senior national security officials and in close consultation with the Congress through the Intelligence Committees. But the DCI must initiate and lead the process.

Providing Intelligence

While planning and organizing for the future, the DCI also is responsible for providing timely, objective and relevant intelligence to the President, other policy makers in the Executive Branch, and to the Congress. I believe this requires the DCI personally to give painstaking attention to the quality of our collection and analysis and to ensure that our collection strategies and requirements process are providing the most policy-relevant field reporting possible. As the President's principal intelligence advisor, I believe the DCI has a special and personal obligation to ensure that the President receives straightforward, unvarnished intelligence regarding foreign developments and bearing on policy issues on the national agenda.

Supervising Covert Activities

One of the most sensitive tasks of the DCI is that of overseeing covert activities undertaken by CIA. The decision to undertake covert action is a policy decision not one for a non policy Agency such as the CIA. CIA is the instrument through which that decision is implemented. CIA cannot legally, and does

not, undertake covert action on its own and without a Presidential Finding. Once the President directs a covert action to take place, the DCI must ensure that activities flowing from it are proper and legal, that command and control is effective, that the effort is planned and managed efficiently, that no longer effective activities are identified to proper authorities and their cessation recommended, and that appropriate resources are requested to enhance the prospects of success. Finally, it is the DCI's responsibility to ensure that the intelligence committees are kept fully and currently informed about covert actions. We owe it to the policy community to ensure that congressional consideration of a decision to use covert action not be influenced negatively by our shortcomings in implementation -- either in the field or with Congress.

Agency Management

The DCI must take the lead in successfully managing relations with the intelligence oversight mechanisms. This includes the authorizing and appropriations committees, the President's Foreign Intelligence Advisory Board and the President's Intelligence Oversight Board. I have expressed my views regarding relations with Congress in my answer to another question. On a somewhat more philosophical note, let me say that it is an important part of any DCI's mission constantly to consider and reconcile the intelligence community's need for secrecy with the unique demands of our open democratic society and political process.

The DCI must provide effective management of both CIA and the Intelligence Community, rationalizing and harmonizing the efforts and budgets of the various components. In a period of budgetary stringency, maintaining and improving the efficiency of the intelligence community -- especially in terms of investment strategy and elimination of excessive redundancy -- demands a high level of attention from the DCI. At the same time, the DCI has the responsibility to advise the President and the Congress as to the resource needs of the Intelligence Community -- and the adequacy of those resources to meet present and future needs. The DCI has a special responsibility to "scout the future" and structure priorities and the Intelligence Community itself accordingly.

Finally, the DCI must provide leadership for the Intelligence Community. He must establish an atmosphere of cooperation and harmony. He must set a high standard for integrity, objectivity and the lawful conduct of intelligence operations. He must insist on adequate resources for the Community to do its work. He must be constructively critical and lead towards constant improvement. And he must set a positive example in the relationship with both the policy community and the Congress.

AFFIDAVIT

I, Robert Michael Gates, do swear that
the answers I have provided to this questionnaire are, to the best
of my knowledge, accurate and complete.

June 7, 1991
(DATE)

Robert M. Gates
(NAME)

Subscribed and sworn to before me this 7th day of June, 1991.

Wanda Kay Riddle
(NOTARY) June 7, 1991
District of Columbia
My commission expires May 14, 1993

THE WHITE HOUSE
WASHINGTON

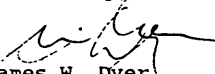
September 9, 1991

Dear Mr. Chairman:

As I discussed with members of your staff this morning, I have found a typographical error in the responses of Robert M. Gates to the Supplement To The Committee's Questionnaire Concerning The Nominee's Knowledge Of The Iran Contra Affair. The last sentence of the response to question number 22 on page 14 should read "I do not know why this particular piece of paper apparently never came to my attention prior to November 25."

I appreciate your attention to this matter. Please do not hesitate to contact me at 456-7054 should you have any questions.

Sincerely,



James W. Dyer
Deputy Assistant to the President
For Legislative Affairs (Senate)

The Honorable David L. Boren
Chairman
Senate Select Committee on Intelligence
Room 211 Hart Senate Office Building
Washington, D.C. 20510

**SUPPLEMENT TO THE COMMITTEE'S QUESTIONNAIRE CONCERNING THE
NOMINEE'S KNOWLEDGE OF THE IRAN-CONTRA AFFAIR**

**PART I. WHAT WAS YOUR KNOWLEDGE OF THE DIVERSION AND WHAT
ACTIONS DID YOU TAKE ON THE BASIS OF SUCH KNOWLEDGE?**

1. According to his interview by the Iran-Contra Committees, then Deputy Director for Intelligence Richard Kerr recalls that he recounted Charles Allen's diversion speculation to you in the period August-September 1986 and that you told Mr. Kerr that you wanted to be kept informed about the matter. (Iran-Contra Report, p. 273) In his deposition for the Iran-Contra Committees (pp. 542-545) Charles Allen stated that he discussed possible diversion to the contras with Mr. Kerr in the August period. In your letter to the committee of 2 March 1987, you wrote "I simply have no recollection of any conversation with Kerr regarding the kind of speculation and concern I remember first hearing from Allen on 1 October 1986."

Have you had an subsequent recollection of this discussion? Is there any other CIA official who may have information about the discussion between Mr. Kerr and Charles Allen and possibly you, or any documentary evidence reflecting such discussion?

I have had no subsequent recollection of this conversation that Mr. Kerr recalls took place in the August-September 1986 time period. I was on vacation from 1-17 August, 1986. I met with Mr. Kerr routinely, often many times a day, to discuss a variety of issues, but I have no recollection that this particular discussion took place. To my knowledge, there is no other CIA official, other than Mr. Kerr or Mr. Allen, who may have information concerning whether this discussion took place. There is no documentary evidence, of which I am aware, relating to whether this discussion occurred and the circumstances of any such discussion that may have taken place.

2. Allen stated in his Iran-Contra deposition that in March 1986 he saw a memorandum by CIA operations officer George Cave on a meeting where the Iranian intermediary, Ghorbanifar, proposed diversion of profits to Nicaragua. (p. 641)
 - a. Did Allen mention this memorandum or Ghorbanifar's proposal to you on October 1?

I believe Mr. Allen did not mention this memorandum or Ghorbanifar's proposal to me at our meeting on October 1, 1986.

- b. Did you learn of this memorandum or Ghorbanifar's proposal at any other time before November 25, 1986?

I did not learn of this memorandum or Ghorbanifar's proposal at any other time prior to November 25, 1986.

3. 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," "K calls to Geo - 4 times Sat, 2 times today."

What is your explanation for this entry?

I have not reviewed LTC North's notebooks and I do not know the meaning of the entry.

4. On September 9, 1986, Allen discussed with North the need to raise "a minimum of \$4 million" to resolve Ghorbanifar's financial problems and North said it might have to be taken "out of the reserve." Allen prepared a memorandum to Director Casey reporting this September 9 discussion with North (Allen Exhibit 68). Allen stated in his Iran-Contra deposition (at p. 803) that he sent a copy of this memo "to Gates and Mr. Casey."

- a. Did you receive this memorandum? If so, what was your response?

I have no recollection of receiving or reading this memorandum at the time. Therefore, I made no response to it.

- b. Did you subsequently connect it with Allen's discussion with you on October 1?

Because I do not recall reading this memorandum, I would have no way of connecting it with Mr. Allen's discussion with me on October 1, 1986.

5. A North notebook entry for 30 September 1986 refers to a "1300 mtg w/Mike L." followed by "Call Charlie Re letter to Gates." What is your explanation for this entry?

I have not reviewed LTC North's notebooks, and I do not know the meaning of the entry.

6. You stated at the 1987 DCI confirmation hearings that Charles Allen's statements to you on October 1, 1986, regarding a possible diversion were based on "indications from intelligence information that there had been some

overcharging and perhaps some cheating" which you "did not consider particularly unusual in an international arms deal" and on the involvement of "the same private individuals" in both the Iranian affair and the private funding for the contras. (pp. 75-76; see also pp. 87-88, 162) In your testimony to the SSCI on December 4, 1986, you also stated that Allen's concern was based on what he was "reading about in the intelligence." (p. 109) You made a similar statement to the Tower Board (p. 17) and in your deposition for the Iran-Contra Committees. (pp. 8-15)

- a. Was your knowledge of this reporting based solely on Allen's description, or did you see the intelligence reporting on price discrepancies upon which Allen's description was based?

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 as 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 determine what was occurring." In sum, what I knew and understood of the reporting was due solely to Allen's description.

- b. At his meeting with you on October 1, what other information besides intelligence reporting did Allen mention as an indication of overcharging or cheating?

As I recall, Allen mentioned no source other than the raw intelligence reporting described in 6 a. above as an indication of overcharging and cheating at the meeting I had with him on October 1, 1986.

7. Did Allen mention to you on or before October 1, or did you learn at any other time before November 25, 1986, that in August 1986 Allen received a "frantic call" from the Iranian intermediary, Ghorbanifar, who expressed concern about overpricing and his resultant financial problems, and that Allen called North to report what Ghorbanifar said? (see Allen Iran-Contra deposition, pp. 676, 689-691)

I believe Mr. Allen did not mention to me on October 1, 1986, nor did I learn at any other time before November 25, 1986, that in August 1986 Mr. Allen received a "frantic call" from Ghorbanifar. I also had no knowledge before November 25, 1986 that Mr. Allen called LTC North to report this information.

8. Allen stated in his Iran-Contra deposition that Oliver North insisted that CIA operations officer George Cave defend as legitimate the prices charged to the Iranians, that in August North proposed printing up a new price list to justify those prices, and that Allen and Cave were very concerned about this proposal. (pp. 671-675, 773-779) Did Allen inform you on or before October 1, or did you learn at any other time before November 25, 1986, that North may have done this?

I believe that Mr. Allen did not inform me on or before October 1, 1986 that in August of that year LTC North proposed printing a new price list to justify the prices charged to the Iranians for certain military equipment. Further, I had no contemporaneous independent knowledge of LTC North's request to Mr. Cave at any other time before November 25, 1986.

9. In his deposition for the Iran-Contra committees, Allen stated that he believed by the end of August, 1986 that it was "the NSC" that had put a price on the arms with the intermediaries and that "there must have been a very heavy price charged by the NSC to the financiers." (pp. 676-677) Did Allen inform you on or before October 1, or did you learn at any other time before November 25, 1986, that the "NSC" may have done this?

I believe that Mr. Allen did not mention the NSC in this connection at our meeting on October 1, 1986, and I had no information to this effect until after November 25, 1986.

10. Charles Allen stated in his Iran-Contra deposition that, when told by Allen on October 1, 1986 about the possible diversion, you said "that in the past [you] 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 [Allen] see the Director." (p. 588) Allen also stated in the same deposition that, when Allen discussed the possible diversion with you and Director Casey on October 7, you "talked about [your] admiration for Colonel North as a man who gets things done, but that this was going too far, if this was true." (p. 594) Do you recall making these remarks?

I do not recall making these remarks about LTC North. I am aware, however, that Mr. Allen has stated that he remembers my having done so. Although I have been reminded of Mr. Allen's recollections in the Committee's interrogatories, I have no recollection of making these statements.

11. You stated in your Iran-Contra deposition that Charles Allen made "no reference in any of his discussions" to anyone in the United States Government being involved in activity

related to a possible diversion. You stated that you did not ask North about the diversion at your lunch with him and Director Casey on October 9, 1986 "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. (p. 13) You made a similar statement to the Tower Board (pp. 17-18) How do you reconcile these statements with the above remarks about North "going too far" cited in Allen's deposition?

As I stated in response to interrogatory number 10 above, I do not recall making these statements about LTC North to Mr. Allen or anyone else prior to November 25, 1986. I did not, therefore, question LTC North about the diversion at the October 9, 1986 lunch because, as I have previously stated, I was unaware of any suspicion at that point that LTC North or anybody else at the NSC was in any way associated with Mr. Allen's speculation about a possible diversion of funds paid by the Iranians to support the Contras. I was not aware of any evidence at any time during this period of involvement in such a diversion by CIA, NSC or U.S. Government officials, nor was any concern expressed to me about a violation of law. I regarded the information he gave me as worrisome, but extraordinarily flimsy.

12. 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."

I have not reviewed LTC North's notebooks, and I do not know the meaning of the entry. Although I have no context from which to comment intelligently on its intent or purpose, I will try to respond to the questions posed.

- a. Is there any connection between this entry and Charles Allen's meeting with you on 1 October where Allen discussed a possible diversion?

I do not know if there is any connection between this entry and Charles Allen's meeting with me on October 1, 1986.

- b. Did you discuss this matter with Dewey Clarridge on October 1?

Assuming that "this matter" means Mr. Allen's speculation about a diversion of funds paid by the Iranians to support the Contras, I do not recall discussing this matter with Mr. Clarridge on October 1, 1986, and believe I did not. I have reviewed my phone log and calendar for that day, and Mr. Clarridge's name does not appear on either document.

- c. Do you know whether Charles Allen or any other CIA employee discussed this matter with Dewey Clarridge on October 1?

I do not know whether Mr. Allen or any other CIA employee discussed this matter with Mr. Clarridge on October 1, 1986.

- d. What time of the day was your October 1 meeting with Allen?

According to my calendar, my meeting with Mr. Allen was scheduled for 5:00 p.m. on October 1, 1986.

- 13. A CIA Memorandum for the Record dated 3 October 1986 and initialed by you reflects that you 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."

- a. In your letter to the Committee of 2 March 1987, you stated that you "have 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." Can you recall, however, why you wanted Twetten and Allen to call you?

I do not recall why I wanted Mr. Twetten and Mr. Allen to call me. It may have been related to LTC North's trip to Frankfurt, which was made in connection with the Iranian initiative.

- b. What did you subsequently convey to Tom Twetten or Charlie Allen?

I do not remember what I conveyed to Mr. Twetten or Mr. Allen.

- c. On this or any other occasion prior to November 25, 198[5] sic, did you discuss with Tom Twetten any of the matters that Allen discussed with you on 1 October? If so, please explain.

I do not recall doing so.

- 14. You and Director Casey had lunch with LTC North on October 9, 1986, eight days after Charles Allen raised his concern with you that proceeds from the arms sales may have been diverted to the contras, and two days after he reiterated it to you and the Director. You have testified that at the end of that lunch, as you were about to leave the table, LTC North made a "cryptic remark" concerning "Swiss bank accounts and the contras."

- a. . Can you explain why this remark would not trigger your recollection of Allen's concern expressed two days before?

I did not make a connection between Mr. Allen's concerns of October 1 and LTC North's cryptic remark about Swiss accounts and the Contras made at the end of the October 9 lunch for a number of reasons. First, to the best of my recollection, Mr. Allen never mentioned to me or speculated that anyone in the U.S. Government, including the CIA, NSC or the White House, was involved in the possible diversion of funds paid by the Iranians to support the Contras. Mr. Allen's chief concern was operational security. Second, as the lunch was breaking up, LTC North made this comment at the end of a conversation dealing with the shoot down of the Hasenfus plane in Nicaragua -- not in connection with the Iran project. I was uneasy about the remark, however, and went back into Mr. Casey's office after lunch to see if he had understood what LTC North had been saying and if we should be concerned by it. He had not heard or picked up on the remark at all. He seemed unconcerned, and so I did not pursue it further. Third, I joined the previously arranged Casey-North luncheon because of Mr. Hasenfus' claims made in the media that morning that he had worked with "CIA people." My focus was on this issue and a meeting Mr. Casey and I were to have with the leadership of the Intelligence Committees that same afternoon on Mr. Hasenfus' assertions.

- b. The Iran-Contra hearings disclosed that, during this same period, North had made arrangements for a third-country donation to the contras through a Swiss bank account. In light of this disclosure and the context of your luncheon discussion, do you believe North may have been referring to this third-country donation?

I did not know whether LTC North was referring to this third-country donation when he made the statement about Swiss accounts and the Contras.

- c. Were you aware on 9 October 1986 that U.S. officials had solicited donations to the contras from this or any other country?

I had heard rumors of donations to the Contras by other countries, including having seen media accounts, but, to the best of my recollection, I was unaware that the U.S. Government was soliciting such donations at that time. I recall that I believed on October 9, 1986 that LTC North was facilitating contact between potential private donors in this country and the Contra leadership.

15. At his trial, LTC North gave the following testimony concerning his October 9, 1986 luncheon with you and Director Casey:

"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 shootdown 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 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 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 there were prepositioned in Central America that we had been using for the resupply effort for those many months and get the pilots out, get all of that cleaned up specifically because I believe this is right on the next day or two after the shootdown 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)

Were you present during any of the conversations between LTC North and Director Casey which LTC North has testified took place during the course of the luncheon at CIA on October 9, 1986? If so, what do you recall about these conversations?

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 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 Iranian arms sales money was being used for the Contras.

During the lunch, LTC North briefed Mr. Casey on his recent meetings in Frankfurt with Iranians representing a new channel to senior officials in Tehran. Three subjects were discussed in my presence: 1) the recent meeting with the Iranians; 2) the security of the project; and 3) the downing of the private benefactor supply plane in Nicaragua and the capture of Eugene Hasenfus.

Citing his conversation with Mr. Furmark, Mr. Casey expressed his concerns about the operational security of the Iran project, and there was, as I recall, considerable discussion about the change of Iranian channels and the unhappiness of private investors associated with the first channel. I believe Mr. Casey told LTC North he should get this straightened out. In this connection, Mr. Casey did not say, in my presence, anything about getting "airplanes out of countries where they were prepositioned in Central America." I told Mr. Casey, in LTC North's presence, that he should insist on getting a copy of the January 17 Finding, and LTC North said he would try to arrange it.

The conversation, as I recall it, then turned to the Hasenfus shoot down, which was the primary reason I was interested in meeting with LTC North. The morning of October 9, Mr. Hasenfus said at a press conference that he believed he worked with people that he thought were CIA employees. There was a furor in the press and in the Congress about this, and there were many allegations and questions concerning CIA involvement. Mr. Casey and I were to brief the leadership of the two Intelligence Committees on this issue that afternoon. While we had assurances from our people that CIA was not involved, I asked LTC North, as a cross-check, if there were any CIA involvement, direct or indirect, in the private funding effort on behalf of the Contras. He told us that the CIA was "completely clean" of any contact with those organizing and funding the operation. Because of the allegations in the press of CIA wrongdoing with respect to the Contras, I made a record of LTC North's comments concerning the absence of Agency involvement.

I left Mr. Casey's office before LTC North, and do not know what may have been discussed after my departure.

16. In a memo transmitted to you and to the DCI, dated 14 October 1986, Allen discussed the likelihood that Ghorbanifar would publicly state that "the Government of the

United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel." (Allen Exhibit 76) You stated in your Iran-Contra deposition that you "interpreted it" to mean that Allen "became less certain about what was going on or about his speculation here and therefore couched it in more general terms," but that you "did not ask him." (p. 978) Please explain why you did not seek clarification from Allen.

At the time, there did not seem to be a reason to ask Mr. Allen for further clarification. It is important to keep in mind that the reference cited above was one sentence out of a seven page single spaced memorandum. Mr. Allen had been tentative about his suspicions in our discussion on October 1. While Mr. Allen's concerns about problems with the Iran initiative and operational security were spelled out in great detail in his memorandum of October 14, I interpreted his memorandum's much more vague formulation concerning a possible diversion and his attribution of that to what Ghorbanifar might say if he went public as indicating that Mr. Allen had become even more uncertain about what he had described on 1 October as "sheer speculation."

17. In an Iran-Contra committee deposition, then CIA General Counsel David Doherty stated that in his meeting with you on October 15, 1986, you discussed Allen's speculation about a diversion "to provide assistance to the rebels in Central America," and that you "mentioned speculation on contributions from other countries as well." You have testified that you recall advising the General Counsel concerning Allen's speculation about a diversion. (SSCI, 2/87, p. 40) Do you recall making the additional statement to Doherty about contributions from other countries?

No, I do not recall making the additional statement to Mr. Doherty about contributions from other countries.

18. Where specifically did you travel on your "tour of the Middle East" from October 17-30, and for what purpose? Did you have any communications with anyone at CIA HQs on the subject of the diversion during your travel? with any other person during the course of your travel?

I have included my itinerary for this trip in a classified annex. I had no communications with anyone at CIA Headquarters or any other person on the subject of the diversion during the course of my travel.

19. You have testified that sometime after you returned from the trip on October 30, 1986, you met with the General Counsel Dave Doherty who assured you orally that the Agency was

"clean" and that you had taken the appropriate action in bringing the matter to the attention of Admiral Poindexter. You have also testified you were unaware of what the General Counsel did to arrive at these conclusions. (SSCI, 12/4/86, as reprinted in SSCI, 2/87, p. 110) Doherty has testified that, in fact, he did no investigation at all to arrive at these conclusions, nor did he understand that you had asked him to undertake such an investigation. (SSCI, 12/18/86, p. 53) He simply reacted to your description of the facts. Were you aware that the General Counsel had done nothing at all to carry out your instructions? Why did you not inquire as to the basis for his conclusions?

As I stated in earlier testimony, I told our General Counsel to review the Iran project to ensure that the CIA was not involved in anything illegal. I do not think it is accurate to say the General Counsel did "nothing at all" to carry out my instructions. While Mr. Doherty did testify in his deposition that he did not undertake a factual review of the situation because of the compartmentation of an ongoing operation, he did provide legal analysis and advice based on the facts that I provided to him prior to my trip on October 17. I followed Mr. Doherty's advice that we should get all the information we had to Admiral Poindexter and recommend to him that the White House Counsel review the project to ensure that it was proper. Had 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.

20. In an answer to questions for the record submitted to the House Committee on 12/23/86, you stated, "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 meeting 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." How do you reconcile the last statement with your testimony that you did not learn anything more about the diversion between your meeting with Charles Allen on October 1 and the Attorney General's announcement November 25?

When I testified before the Senate Intelligence Committee on December 4, 1986, I said that I recalled the Furmark-Allen meeting in New York only because I had read about it in a chronology during the day or two prior to my testimony. I do not recall ever seeing the memorandum for the record of the meeting on October 17 or of being advised before November 25 of Mr. Furmark's report of Ghorbanifar's belief that some Iranian money had gone to Central America. As I have testified elsewhere, I do not recall having received any indication of a diversion other than what Mr. Allen speculated to me on October 1 and the general reference in his memorandum of October 14 to the possibility that Ghorbanifar might allege that profits from the transactions with Iran had been redistributed to other projects.

In testimony before the House Intelligence Committee on December 10th I described what information was available to some people at CIA -- though in this case not presented to me -- during that period. By early December I had learned of the existence of Mr. Furmark's comments to Mr. Allen in October about Ghorbanifar's concerns.

I was unclear myself during this period about what Mr. Furmark had said and when he said it. In my SSCI testimony of 4 December, I unknowingly incorrectly characterized the Casey-Furmark conversation of October 7. I corrected the record. I made the same error in talking to the House Committee staff, and corrected that in my testimony of 10 December. I never met Mr. Furmark, never talked to him, and what I later learned was second- or third-hand. Indeed, as the 23 December 1986 response to the House question accurately states, "I was confused about precisely what was reported in which meeting until preparations were undertaken for Congressional testimony within the last two weeks."

To my knowledge, Mr. Furmark's contact with Mr. Casey on October 7 was unrelated to speculation of a diversion. The significance of the conversation was twofold: (1) the fact that private investors, some of whom were foreigners, were financing and appeared to know a considerable amount about a highly sensitive government covert activity and (2) the possibility that the unhappiness of the private investors might become an operational security problem should they go public with the fact of the arms for-hostages exchange.

21. According to Doherty's testimony before the SSCI and in his interview with the Iran-Contra committees, a meeting was held in your office in early November when he was permitted to read the January 17, 1986 Finding (which had only recently been given CIA) for the first time. Attending the meeting were Clair George and Tom Twetten. What do you recall about this meeting?

According to my calendar, I was scheduled to meet with Dave Doherty, Tom Twetten and Clair George at 10:00 a.m. on November 12, 1986. My calendar indicates that the topic of the meeting was to be "Iran." I do not recall anything about the meeting.

22. In a memorandum addressed to the DCI and to you, dated 7 November 1986 (Allen Exhibit 84), Allen recounted a meeting with Roy Furmark in which he discussed the belief of the Canadian investors "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." Did you receive this memorandum or learn of its substance prior to November 25, 1986? If so, what do you recall having done about it? If not, what is your explanation for not receiving this memorandum which was addressed to you?

I do not recall seeing the Allen memorandum of 7 November 1986 or learning of its substance prior to November 25, 1986. CIA has located the copy of the memorandum that went to my office, but I have never recalled reading it prior to November, 25. I do not know why this particular piece of paper apparently came to my attention prior to November 25.

23. A CIA chronology dated 21 November, 1986 makes no reference to Allen's meeting with you on 1 October and a subsequent discussion of a possible diversion. Another CIA chronology prepared in December includes those references. In his deposition to the Iran-Contra committees (p. 862-869) Allen explains this difference in terms of his being only a participant in drafting the earlier chronology, while he took the lead in drafting the later chronology. Can you shed any additional light on why the earlier chronology had failed to mention the October 1st discussion with Allen?

I did not personally prepare any CIA chronologies. I directed that chronologies be prepared to bring together all the facts about CIA's involvement and help frame the testimony Mr. Casey was going to give. I do not know why one version of the chronology mentioned the October 1 discussion with Mr. Allen and another did not.

24. According to your letter of 2 March 1987 to the Committee, the Attorney General advised Director Casey on the evening of November 24, the evening prior to his public announcement confirming the diversion of funds, that he had found the North memo suggesting a diversion had taken place. When was this information also given to you? In your March 2, 1987 letter to the Committee you state that "no evidence remotely resembling the North memo ever came to my attention, or, to the best of my knowledge, to the attention of any other CIA officer." By this statement, do you mean that no

information, written or verbal, providing reliable confirmation of the diversion ever came to your attention?

I did not learn that the Attorney General had found the North memo referred to until the Attorney General's announcement on November 25, 1986.

I was in San Francisco on official business from November 23-26, 1986. I believe that documents reflecting my travel during the past ten years have been provided to the Committee under separate cover. If not, I will be happy to provide them. I learned of the Attorney General's findings at the same time as the general public. I think my letter speaks for itself, but I will attempt to rephrase what I meant by the statement "no evidence remotely resembling the North memo ever came to my attention, or, to the best of my knowledge, to the attention of any other CIA officer." By this statement I meant that no evidence comparable to LTC North's memo--that is, first hand knowledge of a U.S. official who knows or has access to sufficient relevant facts--ever came to my attention.

25. According to Oliver North's schedule, you were to meet with him and a group of other officials on Iran at 11:00 a.m. on Tuesday, November 25, 1986, shortly before the Attorney General's press conference announcing the diversion. Did that meeting take place? If so, what occurred at the meeting? If not, can you recall what the purpose of the meeting was to have been?

I was not a participant in any such meeting and I do not know whether this meeting took place. If it did, I did not attend: as I stated in response to interrogatory number 24 above, I was in San Francisco at the time. I cannot explain my name being on LTC North's calendar inasmuch as my trip was a long-planned one.

PART II. WHAT WAS YOUR ROLE IN PREPARING DIRECTOR CASEY'S TESTIMONY OF NOVEMBER 21, 1986. DID YOU VIEW IT THEN, OR DO YOU VIEW IT NOW, AS MISLEADING?

1. In your letter of 2 March 1987 to the Committee addressing particular allegations, you state that you prepared a note for the DCI to send to Admiral Poindexter on November 12, 1986, in response to a request from the House intelligence committee for a briefing. In the note you say you "urged that CIA not appear unless we could brief on the finding and CIA's full operational role." (Although you note that the Committee received a copy of this note, it could not be located. Please provide a copy.) How did Admiral Poindexter respond to your request?

As I recall, Admiral Poindexter orally approved the request to brief the Committee on the Finding and the CIA's full operational role.

2. Director Casey left the country on November 17, 1986 asking you to take charge of preparing his testimony for November 21 on the CIA's involvement in the Iran arms sales. Where did Director Casey go, and why did he choose this critical juncture to take an overseas trip? What communications did you have with him during his trip?

Mr. Casey was travelling on a previously scheduled trip to several countries in Central America. It would have been better for Mr. Casey not to be out of the country at this time. I believe I called Mr. Casey once while he was away to suggest that he should return sooner than he had planned. As it turned out, apparently Admiral Poindexter had called him earlier to request that Mr. Casey return to the U.S. on November 19.

3. You have previously testified that you gave instructions that the Casey testimony be confined to the role of the Agency, and that the statement not attempt to defend Administration policy on this. (SSCI, 12/4/86, p. 108) Can you recall why you gave this instruction? Did it stem from your own misgivings about the policy (see SSCI, 2/87, p. 182) or what may have occurred in this operation that you did not know about, e.g. the speculation involving an illegal diversion of funds?

My instructions that Mr. Casey's testimony be confined to the role of the CIA and not attempt to defend Administration policy resulted from an effort to focus the written testimony to Congress on the facts as best we knew them at the time. I thought, at the time, that by putting the facts on the table candidly and thoroughly at the outset, we could avoid a crisis of confidence with the Congress and a long, drawn out investigation. The reason I did not want Mr. Casey's testimony to be a defense of administration policy was that I thought it would be inappropriate for him to defend the policy because formulation and defense of policy is not CIA's job. I thought it preferable to have the written testimony focus on the facts concerning the CIA role and have Mr. Casey reserve any discussion of the policy concerns for the question and answer session following the prepared testimony.

4. Despite all that had transpired prior to the Director's testimony (see Part I above) with respect to speculation over a possible diversion, despite the number of CIA employees involved in the preparation of the testimony who were aware of this speculation, and despite your own apparent concern over such diversion, the Director's testimony made no mention of the possibility. You have

testified on several occasions that, in essence, you had only one person's speculation which was too insubstantial to warrant inclusion.

- a. In your letter to the Committee of 2 March 1987, you acknowledged that while they made no written input to Director Casey's testimony, four CIA officers (Allen, Twetten, Cave, Clarridge) were involved in oral discussions involving the testimony. At least two of them (Allen and Cave) were aware of the speculation concerning the diversion. Are you aware whether Twetten and Clarridge also had knowledge of the speculation prior to November 21, 1986? If so, please explain.

I do not know now, and I did not know then whether Mr. Clarridge or Mr. Twetten knew of the speculation of the diversion prior to November 21, 1986.

- b. Relatedly, David Doherty had awareness and also participated in the development of the testimony. Yet none of the three (Doherty, Allen, Cave), apparently, suggested that such speculation be included in the Director's statement? How do you explain this?

As the testimony was in the process of being prepared, there were meetings with many people discussing the details of the Iran initiative and who knew what pieces of information. I do not recall, however, any discussion about Mr. Allen's speculation of October 1 or its inclusion in the testimony. As Interrogatory number 5 below points out, Mr. Doherty and Mr. George recall an instance during one of the meetings in which I asked Mr. Casey whether he had any knowledge of a diversion, or words to that effect. The focus of the meetings, as I recall, was on the facts of CIA's role.

5. Clair George and General Counsel Doherty remember an exchange that occurred during a meeting at CIA Headquarters on 20 November, 1986 to prepare the Director's testimony for the next day. According to the description in your Iran-Contra deposition, you turned to Casey and asked if he had any knowledge of any kind of diversion, or words to that effect. Doherty is said to have spoken up to say there has been some speculation to that effect. And Casey is reported to have said words to the effect, no, I don't know anything about that. You stated in your Iran-Contra deposition that you do not remember this exchange, but that "because two of the 15 or 16 people on the room recall the same thing, it is probably worth putting on the record." (pp. 1019-1020)

Do you have any further recollection of this episode?

I still do not recall this episode.

6. You have testified that when it came to preparing the Casey testimony regarding the November, 1985 flight, there was much uncertainty in terms of what CIA's role had been and what its knowledge had been. (SSCI, 2/87, p. 148) In particular, you have testified that you were concerned about North's suggestion that the Casey testimony say the request for assistance came from the Israelis rather than from himself. You insisted this be changed and you have testified the White House acquiesced. (Iran-Contra dep., pp. 50-51) But in Casey's prepared testimony, the fact that the request for assistance came from North is not mentioned at all. Why was this omitted, particularly after your effort to correct the statement that had been suggested by North?

In the last draft of Mr. Casey's testimony that I saw (1200, 20 November), the text specifically stated that "In late November 1985, the NSC asked our officers to recommend a charter airline..." I do not know when or why this reference was subsequently deleted from Mr. Casey's testimony. While the last draft of the testimony I saw contained many more operational details concerning the role of individuals and the NSC, the final draft had many more details concerning the weapons involved in the airline shipment. The CIA is trying to locate a complete copy of the 1200, 20 November draft.

7. You have also testified that a key focus of the debate surrounding the preparation of Casey's testimony was whether anyone in CIA or the U.S. Government knew that the November 1985 flight had carried missiles. (Iran-Contra dep., p. 55) You testified that Casey had stricken the reference in the early draft of his statement that "no one in the U.S. Government" knew what the planes were carrying. (Iran-Contra dep., p. 53) But in terms of CIA's knowledge, you have testified that the facts were not clear at the time. (Iran-Contra dep., p. 55)

Rather than acknowledge the conflict within CIA or State that some CIA employees believed the November, 1985 flight was carrying missiles, however, Director Casey's prepared statement provided only that CIA had been asked to "transport bulky cargo to an unspecified location in the Middle East," and..."[w]hen the plane got to Tel Aviv, the pilots were told the cargo was spare parts for the oil field and it was to go to Tabriz." Thus, the statement itself avoided any reference to awareness by anyone at CIA headquarters whether the airplane was carrying either oil drilling equipment or HAWK missiles. When Senator Leahy subsequently asked Casey during the questioning about CIA's knowledge that the plane was carrying 18 HAWK missiles, he

repeated that "the people on the airplane were told that they were oil field parts," but said that he wanted to look into it further. (See Report of Iran-Contra committees, p. 303)

- a. Accepting your testimony that CIA was unsure of the facts surrounding the November, 1985 flight, do you continue to regard Casey's testimony on this point as "a fair statement of what we knew at the time," as you previously described it (SSCI, 2/87, p. 145)?

In the days leading up to Mr. Casey's November 21 testimony, there was growing uncertainty in CIA about who in the Agency had known what was on the plane at the time the November 1985 flight had taken place. The afternoon of November 19, 1986, General Counsel Doherty came to me saying he had heard that the pilot of the proprietary airplane, perhaps the Chief of Station in a European country and others might have known contemporaneously what was on the aircraft. Because of this uncertainty and the need to obtain additional information, we decided to delete any reference to exactly who knew what about the flight because of the likelihood of getting it wrong.

Further, subsequent to my earlier testimonies, I have been told by one of the drafters of the testimony that the sentence "No one in the U.S. Government" knew what the planes were carrying was never in the draft testimony. I believe this language appeared only as a result of Mr. Casey writing it on a copy of a draft chronology that we carried with us to the White House on November 20, after LTC North or Admiral Poindexter made a statement to that effect at that meeting. I believe Mr. Casey's handwritten note was not included in any formal chronology or any draft of his statement.

Accordingly, given the uncertainty and confusion on this point by November 19-20, I believe it was reasonable to wait to address this issue until the CIA had a clearer idea of the facts. It was this issue in particular that prompted the inclusion of the statement toward the end of the testimony that we were still combing our records and would promptly report any new information that came to light.

- b. According to the Iran-Contra committee interview with David Doherty as part of preparing for the testimony of Director Casey, he had called former CIA General Counsel Stanley Sporkin concerning the cargo aboard the November, 1985 flight, and Sporkin confirmed the plane carried missiles. Were you aware of this confirmation? Why would Sporkin's recollections not have been reflected in the statement?

No, I was not aware of Mr. Doherty's conversation with Mr. Sporkin. I do not know why Mr. Sporkin's recollections were not reflected in Mr. Casey's statement. The record is not clear whether Mr. Sporkin was referring to what was known at the time of the flight or within a few days thereafter because Mr. Sporkin was not advised of the flight until after the flight occurred.

8. In your testimony about the planning meeting that occurred at CIA on November 17, 1986, you said you gave instructions that John McMahon and Ed Juniewicz, the former Deputy Director and Assistant Deputy Director for Operations, respectively, be contacted to obtain their recollections of the early period. (Iran-Contra dep., p. 49) Both had personal knowledge of the November, 1985 flight. Do you know whether their contributions were actually solicited for purposes of preparing the testimony as you directed?

I did not know at the time but I have subsequently learned that John McMahon and Ed Juchniewicz were contacted regarding their knowledge of the November 1985 flight.

9. Notably, the Casey statement makes no mention of the December 5, 1985 Finding requested by McMahon, drafted by Sporkin with the help of three CIA lawyers (Bernie Makowka, George Clark, and Ed Dietel) who were still on the General Counsel staff, which retroactively authorized the assistance CIA provided, and expressly authorized the provision of "certain foreign materiel and munitions" for "American hostages".

You have testified that you attended a meeting in John McMahon's office on December 5, 1985 where a DO officer confirmed that a Finding had been signed authorizing the Agency's earlier activity. (SSCI, 2/87, p. 12, 148) The DO officer who made this statement also was still a CIA employee. Relatedly, Director Casey had sent you a memo regarding preparation of his testimony, dated November 16, 1986, before he left town, asking you, among other things, to check with Stan Sporkin, the former General Counsel, about his recollections of this matter. (See Gates Exhibit 3, in Iran-Contra dep., p. 1058) Sporkin had prepared the December 5, 1985 Finding.

You have explained the omission of the 1985 Finding essentially as an oversight by those who were busy putting the facts together. (SSCI, 2/87, p. 148) But can you shed any further light on why none of the recollections of persons who were very familiar with the 1985 Finding, some of whom were still employees of CIA, was not brought to bear on the testimony?

As I have testified before, in November 1986 I had no independent recollection of the December 5, 1985 meeting until Mr. McMahon's assistant reconstructed her notes from that time. She did not do that until November 28, 1986, a week after Mr. Casey testified. Thus, I had no recollection of the effort to get a finding in December 1985 at the time the testimony was being prepared. I do not know why others did not speak up and urge inclusion, except for possible uncertainty in November 1986 as to whether a Finding had ever been signed in November-December 1985.

Indeed, the Inspector General report of January 7, 1987 states (even at that late date) "what remains unanswered on the basis of material currently available to the Inspector General is whether the initial Finding drafted by the Agency on 26 November 1985 was actually signed by the President and subsequently superseded by two Findings signed in January 1986 or simply never signed at all." The Tower Board also could not be sure the Finding had been signed. Indeed, evidence available to the Board suggested that the Finding had not been signed. (Report of the President's Special Review Board at III-10 (February 26, 1987)).

It is not at all clear from Mr. Casey's memorandum dated November 16, 1986 that his reference to Stan Sporkin was related to the December 5, 1985 Finding. Indeed, the context suggests that the reference may well refer to Mr. Sporkin's views on non-notification of Congress.

10. The President had held news conferences on November 13 and 19, 1986, where he asserted there had been no "arms for hostages." The wording of the December 5, 1986 Finding belied those assertions. We now know that the "chronologies" prepared by the NSC during the same period purposely omitted any reference to the December 5 Finding. (See Iran-Contra Committee report, p. 300) We also know that Admiral Poindexter on November 21, 1986 destroyed the only signed copy of the December 5 Finding because it would have been politically embarrassing for the President. (Poindexter testimony, 7/15/87, pp. 42-44). Are you aware of any information that would indicate a decision on the part of Admiral Poindexter, Director Casey or anyone in the Reagan Administration to deliberately withhold mention of this Finding in the Casey testimony of November 21? If so, please explain.

No, I am not aware of any such information.

11. At your April 10, 1986 confirmation hearing as Deputy Director of Central Intelligence, you had the following exchange:

"SENATOR LEAHY. Dr. Gates, if you became aware that others in the CIA, whether the Director or anybody

else, had given us misinformation, either intentionally or negligently, on matters that come within our jurisdiction, would you correct the testimony that had been given to us?

MR. GATES. You have my assurance that I would do so." (SSCI, 4/10/86, p. 45)

In the questioning of Director Casey on November 21, 1986, the following exchange took place regarding the January 17, 1986 Finding and the discussions which had led up to it:

"SENATOR BYRD. Now, that discussion, the discussion which led up to the decision that there should be a Finding [on January 17]...began as early as December, as I understand.

MR. CASEY. Yeah, I think maybe even earlier. Maybe late December.

SENATOR BYRD. You mean late November.

MR. CASEY. November. After the shipment had been completed and had been authorized, and we said we're not going to do this again without a Finding, and then I think they started talking about the kind of Finding, and when." (transcript, p. 69)

Thus, not only did Director Casey's statement avoid mention of the December 5, 1985 Finding, but he expressly states in questioning that the November activity had been accomplished without a Finding. Were you later made aware of this exchange? If so, did you regard it as "an intentional or negligent" effort to conceal the existence of the December 5th Finding from the Committee? If so, what actions did you take?

No, I was not aware of this exchange between Mr. Casey and Senator Byrd. I did not accompany Mr. Casey to the Hill when he testified, and he did not brief me on the specifics of his remarks. Further, I did not review a transcript of his testimony, and thus I did not know precisely what was said by Mr. Casey or the Committee members.

12. In his testimony before the Iran-Contra Committees, LTC North stated that Director Casey clearly knew that the November, 1985 flight was carrying HAWK missiles at the time his testimony was being prepared. (See Iran-Contra hearings, 7/7/87, pp. 95-100) If this is true, Director Casey would appear to have deliberately misled the Committee on November 21, 1986, by saying "[a]s far as I can find out, the Agency did not know what it was handling at that time"?

(Transcript, p. 36) Do you have any reason to believe Casey knew on November 21, 1986, that the CIA proprietary aircraft was carrying HAWK missiles?

Yes, I believe Mr. Casey did know on November 21, 1986 that the proprietary aircraft was carrying HAWK missiles. However, as I said in Interrogatory number 7 above, it was still very unclear on November 21, 1986 who, if anyone, from the Agency had contemporaneous knowledge (November 1985) of the nature of the cargo. I do not know whether Mr. Casey had contemporaneous knowledge of the cargo.

13. Casey's prepared testimony on November 21 makes no mention that private persons (e.g. Secord, Hakim) are involved in the operation, referring only to "U.S. officials" or "the U.S. side." During questioning, the following exchange takes place:

"SENATOR EAGLETON. ...And don't you also have intelligence information...that General Secord who is one of these private warriors that ships arms around the world, has shipped \$125 million worth of material, armored personnel carriers, to Iran, prior to this incident [the November, 1985 flight] that is before the Committee?

Mr. CASEY: I don't have the specificity of that in my own mind, but we do know and do believe that Secord has been doing business with the Iranians in arms. Other people all over the world have been doing that." (transcript, p. 50)

Subsequently during the hearing, Senator Bradley asks about who on "the U.S. side" did the translating at a February, 1986 meeting with the Iranians held in Germany. According to the report of the Iran-Contra committees (p. 218), Albert Hakim, a Farsi speaker, had been brought in by Secord from Geneva to do the translation at this meeting. But the Senator's inquiry is answered as follows:

"SENATOR BRADLEY. The point is, who at this meeting spoke Farsi?

MR. CASEY. They had an interpreter.

SENATOR BRADLEY. They had an interpreter?

MR. CASEY. Yeah...I understand there was an interpreter who lived in Geneva. They later superseded him by our interpreter.

MR. [CHARLES] ALLEN. We understand one of the Iranian intermediaries who spoke English did the interpreting.

SENATOR BRADLEY. The Iranian intermediary?

MR. CASEY. Yeah.

SENATOR BRADLEY. So the U.S. Government went to this meeting but did not have its own Farsi speaker, is that correct?

MR. CASEY. That's right; yeah, that's right."
(transcript, p. 82)

These responses appear to have been an attempt to avoid revealing to the Committee the involvement of Secord and Hakim in the Iran initiative, in much the same way as the prepared statement. Were you subsequently made aware of these responses by the Director? If so, did you regard them as misleading? If so, did why did you not feel obliged to report them to the Committee in accordance with your earlier assurance (see question 11, above)?

No, I was not subsequently made aware of these responses by Mr. Casey to Senator Bradley's questions. He did not discuss them with me, and I did not review a transcript of his testimony. The last full draft of Mr. Casey's testimony that I saw (1200, 20 November) referred specifically to Hakim, noting that he had been tasked to maintain contact with the Iranians. I do not know why the reference to Hakim in the draft I saw was deleted.

14. Although Casey's prepared statement acknowledges that the "NSC" participated in the negotiations with the Iranians, the names of Poindexter and North are never mentioned. During questioning, Casey is asked more specifically about NSC involvement:

"SENATOR BRADLEY. Could you tell me who in the Executive branch participated in [the development of the January 17, 1986 Finding] -- in the White House?

MR. CASEY. I can't be sure.

SENATOR BRADLEY. You can't be sure?

MR. CASEY. No. You know, I am sure the NSC was involved in it. Who at the NSC worked at it --

SENATOR BRADLEY. The NSC was involved?

MR. CASEY. Yeah.

SENATOR BRADLEY. And who on the NSC participated?

MR. CASEY. I really can't tell you all who might have been in. I would be just guessing..." (p.76)

SENATOR BRADLEY. Has Mr. Poindexter participated in this venture any place outside the United States?

MR. CASEY. Not that I know of. I don't think so.

SENATOR BRADLEY. Did he meet any Iranians? Did he meet with any Iranians outside the United States?

MR. CASEY. I can't answer that, Senator. I haven't got his diary.

SENATOR BRADLEY. Pardon?

MR. CASEY. I haven't got his diary. I don't know. I can find out.

SENATOR BRADLEY. Could you find out and tell us?

MR. CASEY. I suspect that he met with Israelis in the United States but not outside the United States. I suspect that he did not meet with Iranians, although he may have met with them in the United States. He didn't meet with them out of this --

SENATOR BRADLEY. Could you provide that for the record?" (transcript, p. 80)

Were you subsequently made aware of this exchange? If so, did you regard the Director's responses as misleading? If so, why did you not report this to the Committee pursuant to your earlier pledge (see question 11)?

No, I was not subsequently made aware of these responses by Mr. Casey. He did not discuss them with me, and I did not review a transcript of his testimony.

15. Director Casey's prepared statement omits any discussion of the operational problems which occurred as part of the arms sales to Iran. For example, it does not identify the Iranian intermediary as Manucher Ghorbanifar, nor advise the Committee of CIA's previous assessments of him as untrustworthy and unreliable. It does not mention CIA's concern with the use of Secord and Hakim as interlocutors. While the statement did provide precise information on the weapons CIA had obtained and shipped to Iran, and how much CIA itself had been paid for these weapons, the statement

makes no mention of what the Iranians had paid through the intermediaries, nor does it discuss the complaints of the Iranians in terms of the quality of the weapons they were receiving. Nor does it mention the problems with the original investors which Roy Furmark had made known to CIA in October and November. All of these facts were known to CIA at the time but were omitted from the Director's statement.

You have previously testified that these omissions were simply a matter of judgment by those who put the testimony together, but that you regarded Director Casey's testimony as "a fair statement of what we knew at the time." (SSCI, 2/87, p. 145) Given these particular omissions, do you continue to stand by that characterization?

As I have said, I regret that Mr. Casey's testimony on November 21, did not contain a more complete account of the CIA's role in the sale of arms to Iran. In retrospect, we should have sought a postponement of the November 21 hearing until those preparing the testimony had assembled more information relating to the CIA's role in the operation. I did consider doing so, but concluded that a delay would not be politically acceptable. However, the testimony included a specific statement that the Agency was still searching its records and would report any further information.

The CIA was hampered in its fact finding by the compartmentation of the Iran initiative and the very short time frame in which it had to put together the disparate facts of this complex, highly compartmented operation. Those drafting the testimony had not been involved in the operation and were working from chronologies that did not reflect many of these operational problems. The statement was obviously incomplete, but it was an accurate reflection of what was known by those preparing the statement at the time.

The last full draft I saw (1200, 20 November) had more details and names than did the testimony as delivered. I do not know why Mr. Casey made these deletions.

16. You have testified that Casey told you that he had advised Admiral Poindexter on October 15, 1986, or sometime thereafter that LTC North should get a lawyer. (SSCI, 2/87, p. 41) You have also testified that on two occasions, Director Casey told Poindexter that he should have White House Counsel review the legality of the entire initiative. (SSCI, 2/87, pp. 40-41) Both actions would suggest a clear concern with regard to legality of the activities undertaken by LTC North.

Yet, when it came time to preparing the Director's testimony of November 21st, you testified in your deposition before

the Iran-Contra committee (p. 53) that you relied upon North's description of the CIA's role in the Iran arms sales prior to January 17, 1986.

In fact, there were problems with at least two of the provisions in the first draft of the Casey statement that North had suggested.

First, you have testified that you were so concerned with North's suggestion that the testimony say that the Israelis (rather than North himself) had requested CIA assistance that you insisted on raising this at the White House meeting to discuss the Casey testimony on November 20th. According to your testimony, North's proposed language was dropped without objection from Poindexter. (Iran-Contra dep., pp. 50-51)

Second, you testified before the Iran-Contra committee (Deposition, p. 53) that Casey himself struck out language suggested by North that "no one in the U.S. Government" knew what was on the November, 1985 flight.

Given your general concern about North's possible legal liability (and a possible desire to protect himself), why did you rely upon him to provide an accurate description of CIA's role?

First, I want to clarify what the question characterizes as our "general concern about North's possible legal liability (and possible desire to protect himself)." Mr. Casey did not speak to Admiral Poindexter in my presence about LTC North talking to counsel, and when he indicated to me that he had made the suggestion, it was not clear whether he had been referring to the White House Counsel or private counsel. More importantly, the suggestion to Admiral Poindexter about having the White House Counsel review the Iran initiative was cast, as I recall, in very broad terms, to address the propriety of the Iran project, not to focus on possible violations of law by any individual.

Second, for the record, the issue over who had requested the assistance of the CIA proprietary in November 1985 and the language "no one in the U.S. Government" knew what was on the November 1985 flight was developed in the context of a chronology being prepared as a working tool, not as part of the text of Mr. Casey's testimony. One drafter of the testimony advised me (subsequent to earlier testimony) that this phrase was never in a draft of Mr. Casey's statement. No sentence like this appears in the 1200, 20 November draft testimony--the last one I reviewed. Mr. Casey brought a one-page chronology of CIA's involvement in the Iran affair to the 20 November meeting in Admiral Poindexter's office. One entry on that chronology indicated that no one in CIA had known what was on the plane. Either Admiral

Poindexter or LTC North (I do not recall which one) observed that "no one in the U.S. Government" knew, and Mr. Casey wrote that on his chronology, but to the best of my knowledge it never appeared in the draft statements being prepared for his testimony.

Specifically to respond to the question, it is a fact that the people who were drafting the testimony on behalf of the CIA did not have direct knowledge of the events of fall of 1985 and had to work with LTC North in compiling a chronology for that period. At the time, he was the person most knowledgeable about these activities, and there was, then, no basis to exclude him from the preparation.

17. According to White House internal memos dated November 16 and 17, 1986, you, Clair George, and Jeff O'Connell were to meet with Admiral Poindexter and LTC North at 4:00 p.m. on Wednesday, November 19, to discuss Director Casey's testimony. This would have preceded the meeting on the 20th where Director Casey was himself present. According to your letter to this Committee of February 25, 1987, the purpose of the meeting was to have Clair George brief Poindexter on his briefings to the SSCI and HPSCI staffs of the previous day. Do you recall why this was done? What do you recall about this meeting?

Although I do not recall specifically why this was done, I believe it was so that Mr. George could provide Admiral Poindexter with a description of what issues were of primary concern to the Committees. I do not recall whether Mr. Casey's testimony was even discussed. It is common practice for intelligence officials to brief policy makers on the concerns of Congress, especially inasmuch as Mr. George had briefed the Committee staffs on CIA's part in support of a foreign policy initiative that had become controversial.

18. On the morning of November 21, immediately before the SSCI hearing at which Director Casey was to appear, the Chairman and Vice Chairman of the SSCI were to meet with Admiral Poindexter concerning the same series of events. With respect to what cargo had been on the November, 1985 flight, the Chairman and Vice Chairman were told essentially the same story by Admiral Poindexter that Casey gave the Committee a few hours later:

- both said they had only learned the day before that there may be U.S. knowledge of the November, 1985 flight;
- both said that the U.S. only learned in January, 1986 that the cargo may have been military equipment;

- both said they wanted to check the facts and get back to the Committee. (See Iran-Contra Committee report, p. 302)

Senator Warner, in his questioning at your prior confirmation hearings, (SSCI, 2/87, pp. 44-45) asked whether, given the similar statements of both men, there had been any coordination between the two men on what they would say about the November, 1985 flight. You replied:

"I know that, or I believe, that drafts of the testimony -- a draft -- was provided to the NSC. My impression has always been that it was more in terms of a part of the effort to get the facts right as opposed to coordinating a line, if you will, to take."

- a. Were you aware that Poindexter was meeting with the Chairman and Vice Chairman of the SSCI before Casey's testimony.

To the best of my recollection, I was not aware of this meeting.

- b. You attended the meeting on November 20th at the White House with Casey and Poindexter. Was a purpose of that meeting to go over Casey's testimony to ensure that Poindexter would not say anything contradictory to the Committee leadership?

As far as I was concerned or knew, the sole purpose of our attendance was to settle the question of who asked for the proprietary in November 1985. There was a discussion underway when we arrived between the Attorney General and Admiral Poindexter on the events of early fall, 1985. We did share a chronology of CIA's involvement. The Attorney General and Assistant Attorney General Cooper were present the entire time I was in the room.

- c. How do you explain the similarity in their statements concerning the November, 1985 flight?

I cannot explain the similarity in the statements concerning the November 1985 flight.

19. On November 19th at a press conference, President Reagan had stated that there was no U.S. involvement in the November, 1985 weapons shipment. Do you remember any discussion at the meeting with Poindexter on November 20th, that the Casey testimony must conform with the President's public statement of the previous day?

No.

20. In your letter to the Committee of 2 March 1987, you 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 relating to CIA's role. I did consider doing so, but concluded that a delay would not be politically tolerable [words omitted] [presumably "the statement"] that was produced for the November 21 hearing was as accurate as we could make it under the circumstances..."

Do you continue to stand by this assessment?

For the reasons set forth in the answers to the previous questions, I believe that the testimony, though incomplete, was a fair statement of what the drafters of the statement and I knew at the time. As I have stated previously, the people who were drafting the testimony did not have first-hand knowledge of the events of the fall of 1985. In my role as DDCI, I provided strategic direction for the preparation of the testimony until Mr. Casey returned from his trip and assumed this responsibility. Indeed, I did not even 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. As I wrote to the Chairman of the SSCI on March 2, 1987, 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.

PART III. WHAT KNOWLEDGE DID YOU HAVE OF THE NSC'S OR THE CIA'S EFFORTS TO ASSIST THE PRIVATE BENEFACTORS IN SUPPORT OF THE CONTRAS?

1. A March 12, 1986 entry in the North notebooks reads:

- "Call from Clarridge
[deleted] Green -- to DDI -- at Langley
- Two Brits w/FDN -
- No Names
- CIA been info d"

As the DDI at that time, can you shed any light on the meaning of this notebook entry?

I have not reviewed LTC North's notebooks and therefore I am reluctant to speculate on the meaning of the entry cited in your question. From the text of the excerpt, it is not clear whether the term "DDI" refers to me as the Deputy Director of Intelligence or to the Directorate of Intelligence which is commonly referred to as the "DDI" rather than as the "DI" by people both inside and outside the Agency.

2. According to a memorandum dated May 14, 1986 from Vincent M. Cannistraro to Admiral Poindexter (see Poindexter Exhibit 49), one of the agenda items for his May 15, 1986 meeting with you and Director Casey was the "status of Ollie's ship." The memo reflects that North had first offered to lease the ship (the Erria) to CIA for six months and then had proposed another arrangement, the specifics of which are not clear from the text. The memo goes on to say that CIA has rejected this suggestion because a former Agency officer, Tom Clines, was involved with the ship. This is confirmed in a CIA memo prepared for the DCI prior to the meeting. (See Appendix A, Vol. 2 Iran-Contra Affair Source Documents, p. 963)

The U.S. Government was attempting at that time to obtain the use of a Navy ship for a compartmented covert action program unrelated to Central America. The only reason any ship other than a U.S. Government ship was under discussion at all was because the Navy had not responded to the interagency request. The Committee's question seems to suggest that I had access to Mr. Cannistraro's memorandum dated May 14, 1986. I did not see his memorandum; in the CIA memorandum I received prior to the meeting with Admiral Poindexter, there was a reference only to efforts to obtain a Navy ship. I was not aware of any specifics of the ship being proposed by LTC North for charter or acquisition. In fact, my recollection is that he was simply suggesting use of the charter ship as an alternative to the Navy. The idea was, as I recall, not seriously considered by the Interagency group because of the Navy's reluctance to protect the ship against retaliation.

- a. What do you recall about this episode?

I have no recollection of this meeting, and neither Mr. Casey nor I prepared a Memorandum for the Record after the meeting nor did I make notes. CIA files contain a copy of the briefing material prepared for Mr. Casey and for me prior to the meeting. Mr. Casey made some notes on his copy as the meeting proceeded. There is no mention of the Erria in his handwritten notes, which are included herewith together with the other briefing materials.

- b. Specifically, were you aware that the Erria had been used to deliver arms purchased through General Secord to the Contras in 1985?

I was unaware at the time that the Erria had been used to deliver arms purchased through General Secord to the Contras in 1985. I did not learn the particulars until the investigation by the Select Committees. I recognize that the Select Committee report found that CIA was aware of the ship's use to transport arms, but this information was not brought to my attention. Our Office of Inspector General considered various issues related to the Erria in its report on the Agency's support to the Contras. (See the answer to question 10 below.)

- c. Did the fact that LTC North was pressing CIA to lease or buy the ship suggest to you that he was involved in the operational side of the "private benefactors" activities?

I did not make this connection at all. I was aware only of LTC North's suggestion in an interagency forum for charter of a private ship for an entirely different purpose. I have no recollection that he was pressing CIA to lease or buy the ship.

3. In a memorandum for record dated 11 July 1986, relating to a meeting with Admiral Poindexter, you wrote that you had raised the subject of Vince Cannistraro's remaining on the NSC staff which Poindexter had requested. But you noted:

"I also repeated our concern that should Vince take over the Central American account, that he have nothing to do as a CIA employee with the private sector people Ollie had been dealing with in support of the Contras."

- a. What was your understanding of the activities North had engaged in with the "private sector people" that would not have been proper for a CIA employee? What caused you to state this concern?
- b. In your Iran-Contra committee deposition, you described your understanding of LTC North's role vis-a-vis the "private benefactors", in the following exchange:

"MR. GATES. 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 them 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

in putting those two groups in touch with one another...

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

MR. GATES. And in an advisory capacity, no, certainly not in an operational sense..." (pp. 30-32)

If your understanding of LTC North's role vis-a-vis the "private benefactors" was as you stated it to the Iran-Contra committees, then in what way did these activities cause you concern should they be assigned Mr. Cannistraro?

During this time, it was widely known that LTC North was in contact with private benefactors, including Americans. The Boland Amendment and CIA's policy directives forbade Agency employees from having any contact with private benefactor activities in support of the Contras. Mr. Cannistraro was a CIA employee on assignment to the NSC. In accordance with my concern that all CIA employees comply not only with the letter but with 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.

4. In a PROF note from Admiral Poindexter to LTC North dated July 26, 1986, Poindexter writes: "I did not give Casey any such guidance. I did tell Gates that I thought the private effort should be phased out. Please talk to Casey about this. I agree with you."

In your letter to the Committee of 2 March 1987, you wrote that you "have no recollection of such a conversation with Poindexter. But this communication occurred at a time when planning was underway at the NSC to phase out the private benefactor program, following Congressional approval of \$100 million for support to the Nicaraguan resistance, and to prepare for CIA's assumption of operational responsibility under the new legislation. More specifically, also under discussion at that time was a restructuring of the NSC staff responsibility which would have removed all responsibility for Central America from Lt. Col. North and transferred it to another officer on the NSC staff..."

- a. When you wrote that "planning was underway at the NSC to phase out the private benefactor program," what was your understanding of the "program" being phased out?

My understanding was that because of new legislation that would provide the Contras with \$100 million dollars in aid, the White

House concluded that the private benefactor effort to help the Contras simply would no longer be necessary.

- b. Similarly, when you refer to LTC North being removed from responsibility for Central America, what was your understanding of the roles he had been playing vis-a-vis the "private benefactors?"

My understanding was that LTC North spent some of his time and effort encouraging private citizens to donate money to the Contras, and I assumed he had a role in putting those two groups in touch with one another.

- c. In his testimony before the Iran-Contra committees, Admiral Poindexter described his conversation with you as follows:

"My recollection is that when I eventually spoke to the CIA, I don't believe I spoke to Director Casey. I think it was Mr. Gates. And I simply indicated to him that there was an effective private logistics operation and that they ought to look into the possibilities of taking that over and didn't get into the details with Mr. Gates, whether it would be purchased or given or what sort of arrangements might be worked out." (Poindexter testimony, July 20, 1987, pp. 260-261)

Earlier, in his deposition, Poindexter had recalled:

"I believe I did talk to Gates. And I went over the arguments about why it would be useful to do that [for CIA to buy the assets]; and Bob said, 'Let me check into it,' or something like that." (Poindexter deposition, May 2, 1987, p. 1182)

Do either of Admiral Poindexter's recollections cause you to remember this conversation? If so, what do you recall about it? What, if anything, do you otherwise recall about North and Poindexter's efforts to arrange the sale of these assets to CIA?

I do not recall this conversation.

- d. At the North lunch on October 9, 1986, you asked him for assurance that CIA employees were in no way involved with support to the "private benefactors" who were assisting the Contras. You received such assurance and committed it to writing afterwards. You subsequently conveyed such assurances to the Committees. In light of the testimony that ensued in the Iran-Contra investigations, particularly as it related to the activities of the CIA station chief in

Costa Rica and other CIA locations in Central America, did you come to feel that North had lied to you when he conveyed this assurance?

At lunch on October 9, 1986, LTC North told Mr. Casey and me that there was no CIA involvement in the private benefactor effort. My recollection of the conversation is that LTC North told us that "CIA was clean." Subsequent investigations by our Office of Inspector General, by the Select Committees, by the Tower Board, and by a Special Counsel appointed by Judge Webster all found that, despite explicit instruction to the contrary, a CIA officer in Costa Rica was in unreported contact with private benefactor supporters and LTC North from the fall of 1985 through the fall of 1986. LTC North did not tell me of these contacts in response to my question.

6. In your deposition to the Iran-Contra committees, you denied any knowledge of the role of Joseph Fernandez in assisting the "private benefactors," or that he was receiving instructions from LTC North relative to such assistance. (p. 29) In May, 1986, however, during a visit to the region, the C/CATF became aware that Fernandez was in frequent contact with the private benefactors and was providing them certain types of assistance. (See testimony of C/CATF, 8/5/87, pp. 110-113) On May 28, 1986 shortly after you became DDCI, a cable was sent from CIA Headquarters to Fernandez reaffirming Agency policy on providing materiel or monetary support to the "representatives" of the contras. (Ibid., p. 111) This cable was followed by another cable to Fernandez on July 12, 1986, saying that the assistance he proposed to give to the private benefactors would violate Agency policy and the Agency's commitments to the Congress. (C/CATF Exhibit 33, reprinted at p. 648.

Were you aware of either cable, or the events which prompted them?

The cables sent on May 28, 1986 and July 12, 1986 were not provided to me, and it is unlikely that I would have seen them. To avoid violating Congressional prohibitions, Agency policy clearly stated that our employees should have no contact with the private benefactors, and I expected that these instructions would be made available to our employees and that our employees would comply with both the letter and the spirit of the proscription.

7. In LTC North's notebooks, there is an entry on the 13th of October, 1986 apparently summarizing a meeting North had with "RVS et al", presumably Richard V. Secord. One of the "boxes" under this meeting heading was a notation as follows:

- "W.J.C./-Bob G.
 -- Vulnerabilities if RVS becomes public/ SAT public;
 -- Rob Owen -- (unintelligible)
 -- FBI Investigation} SAT/
 -- Customs invest.}"

Did LTC North ever discuss with you any of the subjects mentioned in this notation? If so, please explain when this occurred and what you were told. If not, can you explain why the notation appeared in this form in the notebooks?

LTC North did not discuss these subjects with me.

8. In General Counsel Doherty's interview (See Tab #5), he stated that in his meeting with you on October 15 or 17, 1986 you told him that the FBI was doing an investigation of Southern Air Transport and that the FBI's investigation of SAT involved the Nicaraguan Humanitarian Assistance Office. According to Doherty, your concern was "that the FBI in the pursuit of its investigation of the NHAO aspect of SAT's activities, stumbled onto the Iranian operation." (p. 5) Doherty added that he impressed upon you the importance of not going to the FBI to foreclose or to delay their investigation. Is this account accurate?

- Please describe what you learned and did with respect to the FBI investigation of Southern Air Transport, including any discussions with other persons about possible delay of the investigation.

I have no specific recollection of my discussion with Mr. Doherty beyond what I have said in previous testimony. Beyond my conversation with Mr. Doherty, I do not specifically recall any conversation or activity with respect to the FBI investigation of Southern Air Transport.

9. Did you ever come to believe that Clair George or other CIA employees may have provided misleading information by assuring the intelligence committees after the Hasenfus crash that:

"I would like to state categorically that the Central Intelligence Agency was not involved directly or indirectly in arranging, directing or facilitating resupply missions conducted by private individuals in support of the Nicaraguan democratic resistance..."? (George transcript, HPSCI, 10/14/86, p. 4)

If so, why did you not report this to the committees, consistent with the assurance you provided at your April, 1986 confirmation hearings (see Part II, question 11)?

To the best of my knowledge, and according to his own subsequent testimony, Clair George's statement to HPSCI on October 14, 1986 was made without knowledge of Mr. Fernandez's activities. At the time Mr. George testified, I believe CIA senior management was not yet aware that Mr. Fernandez had been in unauthorized contact with private benefactor supporters and LTC North. As you recall, I discussed the state of our knowledge on this issue in the answers to supplemental questions submitted to me by the SSOCI on February 12, 1987, when I stated as follows:

"The only activities which I am aware of that may have had the purpose or effect of providing illegal or unauthorized assistance to the Nicaraguan resistance involve the actions of one of our officers in support of the Nicaraguan resistance during late 1985 and 1986.

On 13 January 1987, I informed the Chairman and Vice Chairman of this Committee that we had uncovered that this individual had violated Agency policy--but not necessarily the law--governing our involvement with the Nicaraguan resistance.

On 22 January, I was informed by CIA's Inspector General that our officer may have misled us in earlier interviews and conversations regarding his activities. I telephoned the Chairman and Vice Chairman of the two oversight intelligence committees to inform them of this within an hour of being apprised myself (emphasis added)."

The Committee should also be aware that, on December 29, 1986, a memorandum was provided to the HPSCI by the Agency which reported that we had developed information supplementing that provided by Mr. George on October 14, 1986. The concluding paragraph of that memorandum states as follows:

"As you know, the Deputy Director for Operations and the Chief of the Central American Task Force testified before the Committee regarding the Hasenfus matter on 14 October 1986. That testimony does not reflect what we now know."

I believe that the provision of the memorandum, the telephone calls to the Committee within an hour after learning facts myself, and my request that the CIA Inspector General pursue additional investigation (see question 10 below) reflect my efforts not only to develop all the facts but also are consistent with my assurance given to the Committee at my April 1986 confirmation hearings.

10. You testified at your DCI confirmation hearing in February 1987 that you had instructed the CIA Inspector General to reinvestigate certain activities by CIA officers in Central America and that you had not read the results. (pp. 89, 165) You stated in your Iran-Contra deposition (p. 1033) that there was some concern about the CIA Inspector General's initial Iran-Contra inquiry and that you wished "that some of the things that they have learned in the late spring [of 1987] they had learned earlier, in January and February." Please provide an unclassified summary of the Iran-Contra matters that were uncovered and reported by the CIA Inspector General as a result of the reinvestigation you ordered.

The Inspector General's inquiries concerning the Iran-Contra issue were undertaken over a period of time. The initial investigation, completed on 7 January 1987, focused primarily on U.S. Arms sales to Iran. One seven page portion of that report focused on the reported diversion of funds to the Contras. At the time the report was completed we had only the first glimmerings of Mr. Fernandez' activities.

A second IG investigation, which focused entirely on Mr. Fernandez's activities, was then conducted and was completed on 24 April 1987. Thereafter an additional inquiry into the covert action program supporting the Contras was undertaken and was completed on 11 August 1987. The foreword to the third IG report summarizes these activities succinctly.

"The review of the Contra covert action program is an outgrowth of an earlier investigation by the Office of Inspector General (OIG) into the Agency's role in the sale of missiles to Iran and the diversion of profits from that sale to the Contras. It was during that investigation that the OIG first learned about the involvement of the Chief of Station (COS), San Jose, with "private benefactors" who provided independent support to the Contras during 1985 and 1986. While OIG was engaged in an investigation of the COS' activities (described in a separate IG report), [Acting DCI Gates] directed that it undertake a broader review of the Contra program."

The new information concerned CIA activity in Central America, and the key conclusions can be summarized as follows:

1. Activities of Mr. Fernandez with respect to involvement with private benefactors were in violation of clear CIA policy.
2. We learned that with the exception of the unilateral activities of the Chief of Station, San Jose, no Agency

officer provided assistance to the private benefactors in 1985 and 1986. (The 7 January report was provided to SSCI as I had promised and the 11 August 1987 report was reviewed at CIA Headquarters by four staffers from the Select Committees. The follow-up special counsel report conducted for Judge Webster and dated 15 December 1987 was provided to both the HPSCI and the SSCI.)

PART IV. WHAT WAS THE EXTENT OF YOUR INVOLVEMENT IN THE IRAN ARMS SALES PRIOR TO OCTOBER 1, 1986?

1. In your previous testimony before the SSCI, you stated that your first involvement with the Iran project occurred on December 5, 1985 when you attended a meeting in John McMahon's office at CIA. (SSCI, 2/87, pp. 12, 45)
- a. In his testimony before the Iran-Contra committees, former Deputy Director for Operations at CIA, Clair George, stated:

"In September of '85, Bill Casey had me, John McMahon, 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.'" (George testimony, 8/6/87, p. 214)

Do you recall being at the meeting referred to by Mr. George? If so, what do you recall with respect to this meeting?

I do not recall this meeting.

- b. You indicated in response to questioning at your earlier confirmation hearing (p. 45) that you were not aware in September, 1985, the NIO for Counterterrorism Charles Allen, who, at that time, reported to you as Chairman of the National Intelligence Counsel, had been tasked by LTC North to coordinate intelligence collection concerning Iran as part of a U.S. effort involving the hostages. When did you become aware that Mr. Allen was performing this function?

I cannot pinpoint a specific time when I first became aware that Mr. Allen had been tasked by LTC North to coordinate intelligence collection.

2. You have testified that you were not happy with being directed to put together intelligence packages to support the Iran initiatives. (SSCI, 2/87, p. 64). Indeed, DDCI McMahon sent a cable to Director Casey on January 24, 1986, stating there was strong opposition within the Agency to the provision of intelligence, and, indeed, to the Iran initiative as a whole.

- a. Director Casey and General Counsel Sporkin had been deeply involved in drafting the Finding of January 17, 1986. Were not your objections and those of John McMahon taken into account in the drafting process?

The Finding was drafted to implement a policy decision that already had been made. This drafting process took place before I was briefed on the program and had expressed my objections.

- b. What role did you take, if any, in the drafting of the January 24, 1986 McMahon cable to Casey? Did you agree with the position it was taking? Please have this cable reviewed for declassification and provide a sanitized version with your response.

I 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 Committees in connection with its investigation. In accordance with your request, I have attached hereto a sanitized copy of the cable.

3. In your letter to the Committee of 2 March 1987, you fleshed out the particulars of your involvement in the Iran arms sales initiative prior to October 1, 1986, as indicated by your letter, by a review of your meeting and telephone logs. As the Committee constructs it, this involvement is as follows:

December 5, 1985: Meeting in McMahon's office to discuss Iran in preparation for a White House meeting on December 7. Learns of November, 1985 flight and hears that a finding was signed.

Late December, 1985 or early January, 1986: Remembers hearing White House lawyers were having trouble with the "retroactive language" in the finding.

January 24, 1986: Meeting with McMahon, North, C/NE. Receives tasking from NSC to prepare intelligence material for passage to Iran. Tasks Chief of Persian Gulf branch to prepare.

January 29, 1986: Meets with Allen and receives MFR of Allen's January 13 meeting with Ghorbanifar. Covers U.S. hostages and some background on November 1985 shipment of HAWK missiles.

February 18, 1986: Meets Allen and receives another MFR regarding Allen's meeting with Ghorbanifar. Sees photos of alleged terrorists supplied by Ghorbanifar.

February 20, 1986: On distribution for another Allen MFR relating to Ghorbanifar and recommending "we begin to work with the subject."

March 3, 1986: Asks Director of Soviet Analysis to prepare briefing package on Soviet forces deployed against Iran for passage to Iran.

March 10, 1986: Meets with Director of Soviet Analysis and George Cave to go over briefing package.

April 16, 1986: May have been updated on talks with Iran by C/NE.

May 3, 1986: Received another Allen memo concerning Ghorbanifar and release of the hostages.

May 8, 1986: Meeting with Allen, was likely briefed on status of hostage negotiations and upcoming McFarlane trip.

- a. The Committee is also in possession of a memorandum for record which you prepared which reflects a meeting which you 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. Can you recall any of the discussion that occurred at that meeting?

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.

- b. Apart from the events listed above, your 2 March 1987 letter specifies no other meetings or contacts from May

29, 1986 until October 1, 1986, regarding the Iran initiative, although in your testimony before the SSCI (2/87, p. 46), you state that you were kept "periodically briefed on the different stages." At the time you prepared the 2 March letter, did you review your meeting and telephone logs for this period? Can you recall specifically any other meetings or contacts between May 29, 1986 and October 1, 1986 regarding the Iran initiative?

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.

- c. On May 28, 1986, Charlie Allen sent you a memorandum indicating that Michael Ledeen desired to meet with you. (A copy of the memorandum is in the Iran-Contra depositions, volume B-1, Page 1149.) Mr. Allen testified (in the same volume, page 759) that he believes this meeting did in fact take place. Is he correct? If so, what transpired at that meeting? Did Ledeen tell you of his concerns regarding the arms sales to Iran? If so, how did you react and what action did you take as a result?

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."

- d. On June 8, 1986, Bill Casey and you met with Admiral Poindexter. According to your 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. What was this proposal, and what became of it? Did you ever express any opinion of it?

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.

4. At your nomination hearing to be Deputy Director of Central Intelligence in April 1986, you obviously were 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.

- a. Although you have testified that you regretted not having done more to raise the notification issue with the Administration, why didn't your confirmation hearings cause you to ask for such a reassessment?

To answer the first part of this question, I would like to refer to a written statement included in my letter to Senator Boren dated March 2, 1987.

"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.

- b. Although you were not asked the question, how would you have responded to an inquiry as to whether there were covert action findings that had not been reported to the Committees?

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.

5. In your previous testimony, Senator Specter asked you whether you ever told Director Casey that you thought the

Iran policy was wrong. You responded "yes...we had several discussions about it in the summer of 1986...the NIO reminded me of a meeting we had in September as an example when the additional two Americans were kidnapped 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." (SSCI, 2/87, p. 182) Can you recall any other discussion you had with the Director on this point?

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.

PART V.

WHAT IS YOUR VIEW OF THE ROLE OF DIRECTOR CASEY IN THE IRAN-CONTRA AFFAIR?

1. In his testimony before the Iran-Contra committees, LTC North testified that Director Casey was aware of the diversion of proceeds from the Iranian arms sales to the contras. Both you and Charles Allen have testified that when this subject was broached with Director Casey on October 7, 1986, that he appeared "startled." At the meeting at CIA to discuss Casey's testimony on November 20, 1986, two of the people in the room (Clair George and Dave Doherty) recall Casey stating unambiguously that he did not know of the diversion. Having the benefit of this testimony, and on the basis of your own knowledge, do you now think Director Casey knew of the diversion?

I am aware that the only evidence that Mr. Casey did know about the diversion comes from LTC North; I am also aware that the Select Committees, which had access to far more information than I, concluded that he probably did know about it. I simply do not know the answer.

Casey is the one who gave the "off the shelf, full service" covert capability represented by the Enterprise." (See North testimony, 7/8/87, p. 164; Poindexter testimony, 7/15/87, pp. 145-148) Indeed, North gave Director Casey credit for the development of an "off the shelf, full service" covert capability represented by the Enterprise.

In your deposition to the Iran-Contra committees, you were asked about this testimony and responded:

"He never said anything that would have even suggested that he was thinking about such a thing. And I might add that such a notion would have been one that

if it had been pursued I would have considered it necessary to resign rather than tolerate." (p. 966)

Given your statement, what assessment do you make of North and Poindexter's testimony? Did Director Casey withhold this from you or do you regard the North/Poindexter testimony as improbable?

As with the knowledge of the diversion, I do not know whether Mr. Casey was aware of or involved in "The Enterprise." I therefore cannot make an assessment of the credibility of LTC North or Admiral Poindexter's testimony. However, I stand by my statement in my Iran-Contra deposition that I would have resigned rather than tolerate such activity had it come to my attention.

PART VI. MISCELLANEOUS

1. You stated in your Iran-Contra deposition (pp. 1034-1035): "people in the Agency have had to contemplate that people that they thought were upstanding and honest people they trusted both within the Agency and at the White House lied to them. In some cases one has to contemplate the possibility that people one trusted a great deal lied." Who do you believe lied to whom about what?

This deposition was taken on July 31, 1987, shortly after LTC North's public testimony. Based on some of his assertions, I began to wonder whether Mr. Casey had withheld information from me and perhaps even misled me. I made this particular observation at a time when the Congressional investigation had not been completed and therefore no conclusions had been reached. I, along with everyone else, was struggling with a number of questions about the state of various people's knowledge. I was very concerned that I and/or the Agency might have been misled. As I indicated in a previous answer, I still have not been able to answer for myself to what extent Mr. Casey was involved or knowledgeable.

2. At your February, 1987 confirmation hearing to be Deputy Director of Central Intelligence, in your prepared statement to the Committee, you wrote:

"...as Deputy Director of Central Intelligence for nearly a year now [since April, 1986], I have gained the unique perspective that can come only from sharing, along with the DCI, full responsibility for the performance of this country's Intelligence Community. When I became Deputy Director of Central Intelligence, Director Casey and I decided to integrate our two offices in order to involve me

fully in clandestine activities...and all other areas of decision-making."

But in questioning by the Chairman concerning your role in the Iran arms sales, the following exchange occurred:

"SENATOR BOREN. So...even though you were Deputy Director of the Central Intelligence Agency you were more or less in the dark as to how the [arms sales] operation was proceeding in terms of any detailed information, until again about the 1st of October. Is that correct?

MR. GATES. Well, I would describe it this way. Although the Director and I had no formal division of labor...in fact there was an informal division of labor. We both couldn't be on top of everything...So in this informal division of labor, the Iran project and I would say also our Central American activities which were of special interest to him were basically issues which he paid attention to." (SSCI, 2/87, p. 46)

How do you reconcile these two statements?

I do not think the two statements are in conflict. When I became DDCI, I made an effort to become involved with Mr. Casey in all aspects of decisionmaking, including clandestine activities. That said, because of our different backgrounds and because of the sheer magnitude of the task of managing the Intelligence Community, we in fact did have an informal division of work. For example, I spent far more time on the budget, management issues and the Intelligence Community than Mr. Casey. In the clandestine arena, he was more active -- as on the Contras and the Iran initiative -- even though I was involved in monitoring certain other operations. The first statement reflects that I was not assigned only to work on analytical or management tasks and hence, excluded altogether from clandestine activities. The second statement reflects the reality that despite our broad arrangement, some division of tasks was inevitable.

3. In testimony to the House Committee on 12/10/86, you stated that "you drafted a brief skeleton of a statement that the President might use" to discuss the Iran affair publicly and that this draft "was sent down to the White House on the 10th of November." Please provide a copy of this draft and explain what happened to it.

I have not been able to locate this draft, which as I recall was in a one-page, "bullet" format and which I gave to Mr. Casey. In searching for the draft, we located three drafts prepared by Mr. Casey, one of which included an item contained in my proposed

statement. As I reviewed these drafts, I was struck by the fact that Mr. Casey and Admiral Poindexter were having a dialogue about the content of proposed remarks. I was unaware of this discussion. In any event, the proposed statement was not used by the President.

4. Please provide records of any meetings which you attended with Admiral Poindexter or LTC North which reflect a discussion of the Iran initiative or efforts to assist the "private benefactors," which are not otherwise referenced in earlier questions.

I have found no records other than those referenced in previous questions. I have asked that all likely repositories be reviewed again to ensure that nothing responsive to this or previous questions has been overlooked. Should anything additional be located, I will provide it to the Committee.

5. In your letter of March 2, 1987, responding to questions from Senator Bradley, you provide detailed information concerning the development of the 30 May 1985 SNIE on Iran and related DI analyses during the same time period. Your answers do not include, however, a description of the role you personally played at the time as DDI and Chairman of the National Intelligence Council in terms of coordinating CIA's position on these analyses as DDI, or in terms of managing the production -- from start to finish -- of the Community's assessment as Chairman of the NIC. Please provide a description of your personal role in the conception, coordination, and dissemination of these analyses.

I appreciate the opportunity to describe my personal role in coordinating the preparation of analyses and NIE'S, including the ones on Iran. As I noted in responding to Question 13 of the recently submitted application form, during my tenure as Deputy Director for Intelligence (DDI) and Chairman of the National Intelligence Council (NIC), I developed a strategy for long-range improvement of a major element of American intelligence and implemented that strategy successfully over a several year period. In January 1982, I introduced a number of measures to bring about the long-range improvement of CIA analysis, including accountability (for the first time) of analysts for their record of forecasting and assessment; significantly expanded contact with outside experts and exposure of analysts to different points of view; more rigorous standards with respect to the quality of the product; greatly increased supervisory involvement in review of assessments and quality control; greater use of alternative scenarios and more candor about uncertainties; a far more cohesive program of research developed in cooperation with policymakers; and creation of a permanent mechanism to evaluate and learn from past performance.

As DDI I always reviewed the intelligence assessments and research papers. As Chairman of the NIC, I reviewed terms of reference and drafts of NIEs.

In my review of DI and NIC products, I did so with the following questions in mind:

- a. Does the paper make a persuasive case?
- b. Does the paper answer the question posed?
- c. Are there additional questions that should be addressed in the paper?
- d. Is the paper written in the most intellectually persuasive form?
- e. Are there plausible alternative interpretations that should be included?

For NIE's and SNIE's I included one additional question:

Are there additional views in the Community that should be considered?

I am certain that my role in the preparation of the particular SNIE and estimate was in accordance with these precepts.

There have been continuing questions raised about the integrity May 1985 estimate on Iran. I think it is worth repeating one of my responses contained in my letter to Senator Boren on March 2, 1987 with respect to this concern.

"Officials at State, DoD, and NSC often request preparation of estimates and list questions they would like to have addressed. In this case, as with other estimates, while the NSC requested the paper, it was not involved in drafting nor was it allowed to participate in the interagency intelligence coordination of the draft. There were no dissents to the Estimate from any agency. The independence and integrity of the intelligence process were preserved throughout. This can be independently corroborated, and has been in the NIO's memorandum to me of 27 February, which I am providing to the Committee. Finally, I might note that a 1986 SSCI report on intelligence estimates recommended that, 'once the production of intelligence reporting has begun, the National Intelligence Officer or other appropriate official should consult regularly with the principal consumer to ensure that the concept paper, terms of reference, or other guidance address the appropriate question. This is particularly important with respect to unscheduled product.' The report also stated that 'the

product should explore the effects of alternative policy options.'"

"The far-reaching organizational, procedural, and methodological changes I made in CIA's analytical directorate challenged long-established practice and attitudes. The results in terms of improved intelligence have been widely and publicly recognized. I am, and always have been, a challenger of the status quo. Moreover, the integrity and independence of intelligence assessments has been preserved and protected. It is not unusual for our assessments to challenge or be at odds with the positions of policy agencies, including the White House. A list of examples has been made available to the Committee; more are available. We call them as we see them. And, in the last six years, the Senate Intelligence Committee has not brought to our attention a single instance of what they believed was slanted or politicized intelligence -- and they get it all. We are sometimes wrong, but we are proud of our independence."

Finally, inasmuch as you have asked for a description of the role I played in managing CIA's analytical effort, I submit below my views on the alleged politicization of intelligence assessments - - views I presented in an address to all Agency analysts in January, 1985:

"Let me turn to a problem that we have talked about in these sessions, in branch and division chief meetings, in my branch meetings and in the newsletters: the politicization or slanting of intelligence."

"I believe that the emphasis we have placed on developing closer relationships with policymakers and making our work more relevant to their concerns and requirements has been accompanied by related growth of nervousness in the Directorate that we have become too attentive to the views of policymakers at all levels and that this had led to some shading of our analysis in some cases. Most of the people in this Directorate are sophisticated enough to understand that very few policymakers are unwise enough to call and pressure us directly. On the other hand, there is a constant, and it seems to me justifiable, concern that we will censor ourselves out of some misplaced desire to be helpful or to avoid offense, or that the pressures are even more subtle than that and involve our being co-opted or included in the inner-circle, if you will, by policymakers, thereby increasing our desire not to jeopardize that special access. Moreover, policymakers at all levels will often ask questions or levy tasking by framing the question in such a way as to increase significantly the odds of getting the response they seek -- that is, one supportive of what they

want to do. It seems to me that none of this should come as any surprise to us. It is only natural that a policymaker usually is going to seek support from us and not assessments that may undercut the very basis of his or her policy."

"What is important in this relationship between intelligence and policy is not what they seek from us or how they ask, but rather how we respond. The nature of our response, it seems to me, derives from what we think this intelligence business is all about in the first place. In the past there was a substantial school of thought in this Agency and in this Directorate that considerable distance should be maintained between ourselves and the policymakers to prevent the kind of subtle influences on intelligence by the policymaker that I have just described. Contacts with the policymakers even at senior levels were very limited and we essentially sailed our material over the transoms hoping that someone would find what we had to say of interest."

"If I learned one thing on the National Security Council Staff over a period of six years under three Presidents of both parties, it was that this approach was a waste of one of this government's most valuable assets: the analytical capabilities of CIA and the Intelligence Community. As was stated time and time again during those years, a significant percentage of intelligence provided to policymakers was neither timely nor relevant, opportunities were missed and policy mistakes made because intelligence analysts did not play their proper role."

"I believe that it is essential for this government to use as much of our analysis as we can possibly put in front of policymakers. This requires that we know when they are dealing with a given issue, that we know what points are in dispute, and that we engage ourselves deeply in the process -- not on behalf of one policy option or another but as objective observers of a given situation. Equally important, what we do must have credibility and utility in the eyes of the users. It must be seen by them as constructive, balanced, and open-minded, even if critical."

"We also need to bear in mind that our assessments are but one of many sources of information and analysis for a policymaker. We do not have a monopoly. Remember that he or she may have had frequent, direct contacts with the very foreign leaders whose motives or intentions you are trying to describe. Policymakers must weight the credibility of your argument against what they witnessed with their own eyes and heard with their own ears. And few policymakers easily discount their own experience or analysis -- especially in the face of contrary view by an unknown intelligence analyst of unknown skill and background."

Further, many of our consumers do not see us as objective, but as having a bias, a point of view of our own. Sometimes they are right -- we do occasionally fail to identify and set aside the biases we all have. And they are loathe to lay down their assumptions and biases only to accept what they see as ours. Finally, most policymakers, most of the time, want your facts and information but not necessarily your judgments or opinions. For all these reasons, it is essential that our work be well documented, that we lay out our evidence, that we express our judgments clearly and convincingly in the context of evidence, and that we watch the tone of what we say -- avoiding arrogant, all-knowing assertiveness."

"As you consider some of the questions or criticisms of your analysis by those of us who review it, keep in mind that we are not necessarily trying to second guess you; we do not distrust your skill, nor are we trying to keep bad news from policymakers. Rather, we are trying to ensure that the intelligence contribution is as useful, as believable and as persuasive as possible. We are trying to determine whether the case you have presented is the best we can do; if it is not, we are going to ask you to improve it. If we know the policymaker will be inclined to disagree with our assessment, then we intend to make it as difficult as possible for him or her to do so by virtue of our evidence, our logic, an open-minded, honest appraisal that acknowledges our uncertainties, and our skillful presentation. We may even consult with the policymaker before we write so that it is clear we have touched every base before drawing our independent conclusions."

"The IG has inspected several of our offices involved in some of the most controversial issues in the last year or two and has found no evidence of bias. The Product Evaluation Staff has investigated a number of the controversial areas such as Central America. There was some contention, suspicion and anguish, but no one who was involved in the process felt the final products had a policy bias or slant. Our Oversight Committees review such issues and you may have read the House Committee's report that the Mexico Estimate in fact represented all points of view fairly."

"While rumors of pressure are common and often true, rumors that we have succumbed to such pressure also occasionally crop up. They are inevitable, probably unstoppable, and almost always entirely wrong or distorted greatly. Your analytical bent of mind should lead you not to accept stories at face value but should stimulate you (if you are inclined to believe what you hear) to seek the facts from the author, the Product Evaluation Staff or others in a

position to know. You are right to be sensitive to the scent of politicization and to the integrity of our work; indeed, should you fall silent on the issue, it would be a bad omen. But sensitivity should not give way to paranoia."

"The bottom line is that we should not be offended if a policymaker asks a question in a prejudicial or pejorative way; neither should we write our analysis as though we have "revealed truth." And the more controversial the issue, the more essential it is to be certain that we have made every effort to ensure that the paper is as comprehensive and as candid as possible both to enhance its quality and to eliminate grounds for criticism to those who disagree with its findings."

"This business of dealing with policymakers from the standpoint of intelligence is complicated. To those in our ranks who raise their hands in horror, saying that the policymakers are putting pressure on us, I say what's new and what have you done in response. They will do what they have to do and we must do what we have to do. If we are to play our proper role, we must offer honest, objective evaluations framed in such a way as to enhance their value, credibility and usefulness to the policy community."

"It is a tough balancing act. It is an approach that tries to combine integrity and objectivity with an understanding that our purpose here is to help the policymaker and not to grade, judge, or criticize him or her. That help means often bringing unwelcome news or assessments -- which we do. But, if the policymaker won't read us or believe us because we present our case weakly, arrogantly or insultingly, we are wasting our time and the taxpayers' money. I am very proud of our record of combining analytical integrity and service to policymakers. You should be proud as well."

"Before leaving this matter of the relationship between us and the policymaker, let me say a few words about Mr. Casey's role. He is more intimately involved in your substantive work than you may realize. On current intelligence, while he has delegated to me day to day review of the PDB, you should know that many of the ideas for articles and items that appear in it are his and on a daily basis he meets with the PDB staff to review material that has been in the book, the reactions of the readers, items that are being planned and to offer his own suggestions. On longer term work, many of you have seen his influence directly, inasmuch as the ideas for some of our most innovative work have been his. He and the DDCI review the draft research program for each office with great care and

offer detailed comments. They are always aware especially of our most controversial work."

"While you presumably are aware that your unprecedented access to senior policy people is derivative of his access and influence, what you may not realize is the degree of protection he affords you and our independence. From reports on the performance of the Salvadoran military, to Soviet plans for chemical warfare, to the Siberian gas pipeline, to Lebanon, to Soviet defense spending and other issues too numerous to count where we have had unwelcome messages for policymakers, the Director has been our shield. I know that he often hears from senior officials when they are unhappy with our assessments, but not once in three years has he called me to complain or criticize or regret a piece of finished intelligence we have produced. He takes the heat. This shield is further buttressed by John McMahon who, when I once told him that a senior official had asked me if the DDCI was ready to get a call from his boss to block a controversial paper, replied "Is he ready for the answer he'll get?"

6. In the context of your first confirmation hearing, the Committee was provided a copy of a classified memorandum prepared by Graham Fuller to the Acting DCI, dated February 27, 1987 (NIC 00876-87). In that memo, Fuller alludes to a memorandum he 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.
 - a. Please provide a copy of both the original memo and a sanitized version of it to the Committee.
 - b. Were you aware of this memorandum? If so, to what extent was it disseminated in the policy community? What role, if any, did you play personally in ensuring that others in the policy community were made aware of Fuller's assessment?

In reviewing records from the National Intelligence Council, I found two memoranda that could possibly meet the definition of reaching Mr. Casey by September 1985; one memorandum is dated 23 August 1985 and is entitled Toward a Policy on Iran; the second is dated 17 September 1985 and is entitled Iran-Iraq War. Based on the topic of Fuller's 27 February 1987 memorandum and looking at the statement "by September," I think it more likely that the memorandum in question is the 23 August 1985 document and I will answer accordingly.

Although I do not have a specific recollection, I was probably aware of the memorandum which I could have seen either in my

capacity as Chairman of the National Intelligence Council or as the Deputy Director for Intelligence.

On the question of the extent to which the assessments contained in Fuller's August 1985 memorandum were shared with the Community, I do not have any personal knowledge, but Fuller's own words from his 1987 memorandum are helpful:

"It is worth pointing out that Fuller has been actively involved in producing a continuum of personal analysis and 'think pieces' Mr. Casey's benefit all the while supervising Community analysis on ongoing Intelligence Estimates. These personal views have regularly been shared with appropriate analytical offices, and were regularly articulated at Community monthly Warning Meetings (emphasis added). The NIO's personal views have been well known -- as are the views of other key analysts.. Nearly every NIO handles his job in the same way -- offering advice and counsel to Mr. Casey freely, informing the Community of his own analytical concerns and thoughts -- often in formative stages -- testing hypotheses, and bestirring the Community to constant consideration of alternative analytic views (emphasis added)."

I did not play any personal role in ensuring that others in the policy community were made aware of the views that Fuller expressed in this memorandum. Indeed, since the NIO's views are personal (as opposed to the more institutional views developed through the analytical process), it would be left to the NIO to share his views with the rest of the intelligence community, and staff level policymakers to the extent deemed necessary. A copy of the original memorandum dated 23 August 1985 is included in the classified annex. A sanitized version of this memorandum is not yet available.



United States

Office of Government EthicsSuite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

SSC # 91-3091

July 1, 1991

The Honorable David L. Boren
Chairman
Select Committee on Intelligence
United States Senate
Washington, DC 20510-6475

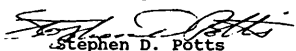
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Robert M. Gates, who has been nominated by President Bush for the position of Director of Central Intelligence.

We have reviewed the report and have obtained advice from the Central Intelligence Agency concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based on the foregoing, we believe that Mr. Gates is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,


Stephen D. Potts
Director

Enclosure

SP 278 (Rev. 1/91)
5 CFR Part 2634
U.S. Office of Government Ethics

Executive Branch PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved
FIMB No. 3209-001

| | | | | | | |
|--|--|---|---|--|--|------------------------|
| Reporting Status (Check appropriate box) <input type="checkbox"/> Incumbent | Calendar Year Covered by Report 1990 | <input checked="" type="checkbox"/> New Entrant, Nominee or Candidate | Date of Appointment, Candidacy, Election, or Nomination (Month, Day, Year) May 14, 1991 | <input type="checkbox"/> Termination Filer | Termination Date (If Applicable) (Month, Day, Year) | Agency Use Only |
| Reporting Individual's Name Last Name: Gates First Name and Middle Initial: Robert M. | | | Position for Which Filing Title of Position: Director of Central Intelligence Department or Agency (If Applicable): Central Intelligence Agency | | Agency Use Only JUN 28 1991 | |
| Location of Present Office (or forwarding address) Address (Number, Street, City, State, and ZIP Code): The White House, Washington, DC 20500 Telephone No. (Include Area Code): 202-456-2257 | | | Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above) Title of Position(s) and Date(s) Held: Assistant to the President and Deputy for National Security Affairs | | Fee for Late Filing Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a \$200 fee. | |
| Presidential Nominee Subject to Senate Confirmation | | | Name of Congressional Committee Considering Nomination Senate Sel. Cmte on Intelligence | | Do You Intend to Create a Qualified Diversified Trust? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Certification I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief. | | | Signature of Reporting Individual <i>Robert M. Gates</i> | | Date (Month, Day, Year) May 30, 1991 | |
| Other Review (If desired by agency) | | | Signature of Other Reviewer <i>Paul Helwig</i> | | Date (Month, Day, Year) June 5, 1991 | |
| Agency Ethics Official's Opinion The information contained in this report discloses no conflict of interest under applicable laws and regulations. | | | Signature of Designated Agency Ethics Official/Reviewing Official David P. Holmes | | Date (Month, Day, Year) June 4, 1991 | |
| Office of Government Ethics (Use Only if Applicable) | | | Signature <i>Stephen F. Veltz</i> | | Date (Month, Day, Year) July 3, 1991 | |
| Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet) | | | | | | |
| <p>Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.</p> <p>Nominees, New Entrants and Candidates for President and Vice President:</p> <p>Schedule A-- The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.</p> <p>Schedule B-- Not applicable.</p> <p>Schedule C, Part I (Liabilities)-- The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.</p> <p>Schedule C, Part II (Agreements or Arrangements)-- Show any agreements or arrangements as of the date of filing.</p> <p>Schedule D-- The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.</p> | | | | | | |

(Check box if comments are continued on the reverse side) ☐

| Reporting Individual's Name | | SCHEDULE A | | | | | | | | | | | | | | Page Number | | | | | | | | | | | |
|---|---|--|--------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|------------------|-----------|--------------------|--|---------------|--------------------------|----------------|-----------------|----------------------|---------------------------|-----------------|-------------------|-------------------|---|--------------------|----------------------|-------------------------|------------------|--|
| Gates, Robert M. | | | | | | | | | | | | | | | | 2 | | | | | | | | | | | |
| Assets and Income | | Valuation of Assets at close of reporting period | | | | | | | | | | Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item. | | | | | | | | | | | | | | | |
| BLOCK A | | BLOCK B | | | | | | | | | | BLOCK C | | | | | | | | | | | | | | | |
| Identify each asset held for the production of income which had a fair market value exceeding \$1,000 at the close of the reporting period. Identify each asset or source of income which generated over \$200 in income during the reporting period. None <input type="checkbox"/> | | Type | | | | | | | | | | Amount | | | | | | | | | | Date (Mo., Day, Yr.) Only if Honoraria | | | | | |
| | | None (or less than \$1,001) | \$1,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000 | Dividends | Rent and Royalties | Interest | Capital Gains | Excepted Investment Fund | Excepted Trust | Qualified Trust | Other (Specify Type) | None (or less than \$201) | \$201 - \$1,000 | \$1,001 - \$2,500 | \$2,501 - \$5,000 | | \$5,001 - \$10,000 | \$10,001 - \$100,000 | \$100,001 - \$1,000,000 | Over \$1,000,000 | Actual Amount Only if "Other" specified |
| 1 | Control Airlines Common | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Do Jones & Smith, Hometown, USA | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Kempstone Equity Fund | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Do Jones & Smith pension plan | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Spouse Employment S (Northern Virginia Community College) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | IRA (Bank Deposits) Sovran Bank | | | X | | | | | | | | X | | | | | | | | X | | | | | | | |
| 7 | IRA (Bank Deposits) Sovran Bank | | | X | | | | | | | | X | | | | | | | | X | | | | | | | |
| 8 | Dominion Resources, Inc. (Common) | | X | | | | | | | | X | | | | | | | | X | | | | | | | | |
| 9 | US EE Savings Bonds (Face Value) | | | X | | | | | | | | X | | | | | | | X | | | | | | | | |

Reporting Individual's Name
Gates, Robert M.

SCHEDULE B

New Entrant/Nominee/Candidate:
Schedule Not Applicable

Page Number
3

Part I: Transactions

Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000. Include transactions that resulted in a loss. Do not

report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

None ☒

| B, DC, or J | Identification of Assets | | | | X | | 9/1/91 | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Part II: Gifts, Reimbursements, and Travel Expenses

Report the source, a brief description (including travel, dates, and the nature of expenses provided), and the value of: (1) transportation, lodging, food, or entertainment received from one source totaling \$250 or more (unless received as personal hospitality at the donor's personal or family residence); (2) other gifts from one source totaling \$100 or more in value; and (3) cash reimbursements of \$250 or

more from one source. Exclude gifts, reimbursements and travel expenses from the U.S. Government. Also exclude gifts from relatives, gifts of \$75 or less when aggregating gifts for the total from one source, and gifts and reimbursements received by your spouse or dependent child that were given totally independent of the relationship to you. See instructions for further exclusions.

None ☒

| B, DC or J | Source (Name and Address) | Brief Description | Value |
|------------------|---------------------------------------|--|-------|
| | | | |
| Example: | Natl Assn. of Rock Collectors, NY, NY | Airline ticket, hotel room & meals incident to national conference 9/15/90 | \$500 |
| | Natl Assn. of Rock Collectors, NY, NY | Leather briefcase for retiring president | \$125 |
| 1 | | | |
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|--|-------------------|-------------------------|
| Reporting Individual's Name Gates, Robert M. | SCHEDULE C | Page Number 4 |
|--|-------------------|-------------------------|

Part I: Liabilities

Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out; loans secured by automo-

biles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

| | | None <input checked="" type="checkbox"/> | | | Category of Amount or Value (a) | | | | | | | |
|----|--|--|---------------|--------------------|---------------------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|------------------|--|
| | | Date Incurred | Interest Rate | Term if applicable | \$10,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000 | |
| 1 | Example: First District Bank, Washington, DC | 1981 | 13% | 25 yrs. | | | x | | | | | |
| 2 | John Jones, 123 J St., Washington, DC | 1980 | 10% | on demand | | | | | x | | | |
| 3 | | | | | | | | | | | | |
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Part II: Agreements or Arrangements

Report your agreements or arrangements for future employment, leave of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an

employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

| | | None <input checked="" type="checkbox"/> | |
|--|---|--|------|
| Status and Terms of any Agreement or Arrangement | | Parties | Date |
| 1 | Example: Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 11/81 and retained pension benefits (independently managed, fully funded, defined contribution plan) | Das Jones & Smith, Hometown, USA | 7/85 |
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Reporting Individual's Name

Gates, Robert M.

SCHEDULE D

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or

consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☒

| Example | Organization (Name and Address) | Type of Organization | Position Held | From (Mo., Yr.) | | To (Mo., Yr.) |
|---------|--|-----------------------|---------------|-----------------|------|---------------|
| | | | | 6/82 | 3/88 | |
| | Natl. Assn. of Rock Collectors, NY, NY | Non-profit, education | President | | | |
| | Doc Jones & Smith, Hometown, USA | Law firm | Partner | | | |
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Part II: Compensation In Excess Of \$5,000 Paid by One Source

Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during the reporting period. This includes the names of clients and customers of any corporation,

firm, partnership, or other business enterprise, or any non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

Incumbent/
Termination Filer/
Candidate: ☐

Not Applicable

None ☒

| Example | Source (Name and Address) | Brief Description of Duties | |
|---------|---|---|--|
| | | | |
| | Doc Jones & Smith, Hometown, USA | Legal services | |
| | Moore University (client of Doc Jones & Smith), Hometown, USA | Legal services in connection with university construction | |
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UNITED STATES

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TRANSCRIPT OF PROCEEDINGS

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

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FULL COMMITTEE

BRIEFING ON IRANIAN CA

Friday, November 21, 1986



WASHINGTON, D.C. 20510

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C O N T E N T SSTATEMENT OF:PAGE

William J. Casey,
 Director of Central Intelligence,
 --accompanied by--
 Ambassador Michael H. Armacost,
 Under Secretary of State
 for Political Affairs,
 and
 Richard L. Armitage,
 Assistant Secretary of Defense
 for International Security Affairs

7

ALSO ATTENDING:

Richard Murphy, State
 Jay Taylor, State
 Chris Roth, State
 Louise Hoppe, State
 Dave Gries, CIA
 David Doherty, CIA
 Dan Childs, CIA
 Clair George, CIA
 Norm Gardner, CIA
 Jean Gardner, CIA

Col. G. Jacumski, DOD
 John Bolton, DOJ
 Charles Allen, CIA
 George Jameson, CIA

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BRIEFING ON IRAN

- - -

Friday, November 21, 1986

- - -

United States Senate,
Select Committee on Intelligence,
Washington, D. C.

The Select Committee met, pursuant to notice, at 11:15 o'clock a.m., in Room SH-219, Hart Senate Office Building, the Honorable Dave Durenberger, Chairman of the Committee, presiding.

Present: Senators Durenberger, Roth, Murkowski, Specter, Hecht, McConnell, Leahy, Bentsen, Nunn, Eagleton, Boren and Bradley.

Also Attending: Senators Byrd, Moynihan, Warner and Mattingly.

Also Present: Bernard McMahon, Staff Director; Eric Newsom, Minority Staff Director; Daniel Finn, Chief Counsel; and Keith Hall, Edward Levine, Fred Ward, Jeff Smith, Judy Hodgson and Susan Salvucci, Staff Members.

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P R O C E E D I N G S

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2 THE CHAIRMAN: The hearing will come to order. I don't have
3 a formal statement to make, and I would suggest that others might
4 not also. Just for the information of the Members of the Commit-
5 tee in particular who are here today, let me just say that as
6 Chairman of the Committee, I was first -- I had my first conver-
7 sation on the matter of -- that is before us today with Admiral
8 Poindexter about, I think it was the Saturday right after the
9 election -- I don't know the date exactly -- but sort of the first
10 official confirmation and information to the Chairman of this
11 Committee came several days after the Rafsanjani disclosure and
12 the questions started to be asked by the media. I had no
13 conversation with the Director of Central Intelligence on this
14 subject until last Saturday when we talked on the phone.

15 Now, that is just to clarify my -- there were no efforts
16 made to personally talk to the Chair of this Committee. At the
17 staff level other conversations have gone on, and a certain
18 amount of information has been shared.

19 Today, on behalf of the Committee, the Vice Chairman of the
20 Committee, Pat Leahy, and I went down and spent I guess the last
21 couple of hours with the National Security Advisor to the
22 President. And let me say, he was totally forthcoming. If we
23 had had -- we didn't finish all the questions that we had, but
24 if we have more questions to ask, I have a feeling that he would
25 have told us everything he possibly could tell us. I must also

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1 say that he doesn't have all the information that you might be
2 interested in or that we might be interested in. But to the
3 degree that he can develop that information, he will.

4 Some of the information, the questions that we asked relate
5 to the Agency, and Bill Casey has that information and Admiral
6 Poindexter is not necessarily in possession of it. But my feelin-
7 coming away from that meeting is that John was trying to do
8 everything he could to fully and adequately inform this Committee
9 by responding to the questions and providing information that
10 he had to your Chair and your Vice Chair.

11 I have every reason to believe from my conversations with
12 the Director of Central Intelligence that he is prepared to do
13 that today. He had to leave for a twice or three times post-
14 poned trip to Central America, I think, on Sunday of last week,
15 which is why we haven't been able to arrange face to face session
16 before today. And I think this is the first day that Bill has
17 been available to meet either with the House or the Senate
18 Members.

19 So in large part, if there hasn't been more timely involve-
20 ment, it is in part because the Finding said the Congress will
21 not be informed, and in part that once it went public, we were
22 not able to get schedules together more quickly to do what we
23 want to do today until now. But I have every reason to believe
24 from what the President has said, from the experience we had
25 today and for several hours with John Poindexter and from what

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1 Bill has told me on the telephone and the staff to staff work
2 that we have done in the last few days while Bill was in Central
3 America, that this meeting should be able to answer, if we have
4 the time, all of the questions that we have. If it doesn't
5 answer all of our questions today, I am sure that Bill and other
6 will be available. Ambassador Armacost and Mr. Armitage are als
7 here to respond to whatever questions we may have of them.

8 Let me yield to Pat Leahy.

9 SENATOR LEAHY: Mr. Chairman, thank you. And I must also
10 say from this side of the aisle I accept completely the Presiden
11 has said he will have his Administration be totally forthcoming.
12 I had some questions about some [REDACTED]
13 and was told by the White House today those will be made avail-
14 able. I had a couple of other areas where I had questions or
15 have questions involving chronology or positions taken by people
16 and again I accept and accept without reservation the assurances
17 of the White House that those, too, will be available and the
18 questions will be answered.

19 I -- and so I don't have any question but what all question
20 that will be asked by Senators, certainly on this side of the
21 aisle or Senators on the other side of the aisle, will be
22 answered. What I would hope, we determine those answers, but
23 I would hope that we also be a little bit prospective in this
24 whole thing. I have felt and felt for a long time that one of
25 the greatest threats that this country faces outside of nuclear

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1 war is the threat of terrorism, terrorism that can reach the
2 point not just nabbing a few Americans, but such things as
3 chemical weapons hitting large population centers and wreaking
4 enormous havoc worldwide. And stopping that is not a Republican
5 or Democratic issue. It is an issue of security of the country.

6 And I would hope that we could get this matter over with,
7 answer all the questions, find out why this extraordinary procedure
8 was followed cutting out Congressional oversight. Certainly
9 each of us will have to speak to how we feel about the policy
10 itself, of the shipment of arms to Iran and whether that was worth
11 the candle. That is a different issue.

12 But then establish a sense that the oversight process will
13 work as it was intended, as it should, as we want it to, and in
14 doing that establish the kind of bipartisan policy that is
15 necessary when you have something of this magnitude of controversy
16 that would allow the President to say yes, we have talked about
17 this, we all understood the risks, and we went into it together
18 and now we are standing together on it. Certainly it gives a
19 better view to the country and to the world and we may end up
20 with a better policy all to boot. Three things that aren't such
21 bad goals to have.

22 So I would hope that between us and the House we'll get those
23 questions answered. Again, I accept the President's assurances
24 given to us again today that the answers will be available and
25 that there will not be anything withheld from us.

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1 THE CHAIRMAN: Any other comments from Members of the
2 Committee or our guests?

3 If not, then I suggest we ask Bill to make his statement.
4 After that, as is the rule on the Committee, by order of appear-
5 ance the Members of the Committee, as follows: the Vice Chair;
6 then Senator Hecht; McConnell; Roth; Eagleton; Specter; Bradley;
7 Bentsen; Boren; Murkowski; and then our colleagues Moynihan;
8 Mattingly; and Warner; and any others will have an opportunity
9 to ask questions. Try to keep them to five minutes.

10 With that, Bill, thank you very much for being here today.
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1 STATEMENT OF THE HONORABLE WILLIAM J. CASEY,
2 DIRECTOR OF CENTRAL INTELLIGENCE,

3 ACCOMPANIED BY:

4 AMBASSADOR MICHAEL H. ARMACOST, UNDER
5 SECRETARY OF STATE FOR POLITICAL AFFAIRS,
6 AND,

7 MR. RICHARD L. ARMITAGE, ASSISTANT SECRETARY
8 OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

9 MR. CASEY: Thank you, Mr. Chairman and Members of the
10 Committee. I am pleased to be here to talk to you about this
11 Iranian undertaking. I spent a couple of hours with the House
12 Committee til now, and I have agreed to go back there at 1:30
13 and I will be glad to come back here if you need more time also.

14 For the last five years, both the national security
15 community and the intelligence community have been keenly aware
16 and constantly concerned about the geopolitical position and
17 the strategic significance of Iran. Much thought and effort has
18 been devoted to how we might develop contacts and relationships
19 which provide a better understanding of what is happening in
20 that country and establish contacts and relationships which might
21 lead to improved relationship later on.

22 I recall speaking to [REDACTED]
23 [REDACTED]
24 about the importance of our identifying and establishing contact
25 with future leaders in the future Iran. [REDACTED]

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8

1 [REDACTED] said that we do not know who will emerge
2 to lead Iran in the future, but that we must gather all the
3 strands and hold them in our hands so that we will be ready when
4 the time comes.

5 Through a station in Europe [REDACTED]
6 and under the authority of two separate Findings, that is about
7 what we did for some four years. We had [REDACTED] contacts
8 [REDACTED] but no real access to those in power there. In the
9 early Fall of 1985, Bud McFarlane, after one of the weekly
10 meetings which he and his National Security Advisor and his
11 Deputy had with me and my Deputy, asked me to stay behind. He
12 told me about discussions that he had had at the highest levels
13 in Israel, those leaders urging the desirability of discussions
14 with officials in Iran and offering what they thought were good
15 channels of access. McFarlane said that for obvious reasons,
16 only a handful of people in the Israeli and American governments
17 knew about this effort.

18 He emphasized that the purpose of such discussion would be
19 the future relationship with Iran, and Iran's great importance
20 in the East-West and Middle East-Persian Gulf geostrategic
21 equations, although as I will develop later, the terrorist
22 problem was part of the dialogue.

23 CIA's involvement in this began in late November when the
24 Agency was asked to recommend a reliable airline that could
25 transport bulky cargo to an unspecified location in the Middle

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1 East. The requirements specified that it be reliable and able
2 to move rapidly. A propriety of ours which regularly took on
3 commercial ventures was designated. When the plane got to Tel
4 Aviv, the pilots were told the cargo was spare parts for the
5 oil fields and it was to go into Tabriz. Our [redacted] decided
6 in order to protect the plan [redacted] should be
7 asked to get flight clearances into Iran. This was done.

8 On 25 November 1985, the plane dropped the Cargo in Tehran.
9 To the best of our knowledge, neither the Israelis nor the
10 Iranians knew that they were dealing with a CIA proprietary.
11 The airline was paid the normal commercial rate, which amounted
12 to approximately \$127,700. Now all this was authorized by Ed
13 Juchniewicz, then the Deputy Director for Operations. I was out
14 of the country at the time and the Deputy Director, John McMahon
15 then in charge, approved the flight as an urgent mission in keep-
16 with the proprietary's normal business. But he directed that we
17 would not provide any future flights into Iran in the absence
18 of a Finding.

19 In the meantime, the Israeli proposal for probing the
20 possibility of discussions with Iranian officials, including
21 making small shipment of arms to establish our good faith and
22 to adduce -- induce them to use their influence with those holdi-
23 our hostages were discussed at meetings of the National Security
24 principals in December and again in January.

25 There were differences of view here about the desirability

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1 of this initiative. But it was finally decided that it should
2 be cautiously pursued.

3 On December 7th, 1985, Bud McFarlane, then the National
4 Security Advisor, met in London with Israeli officials and the
5 Iranian expatriate who was an intermediary to the Iranian govern-
6 ment -- to a segment of the Iranian government -- the Prime
7 Minister's office. At this meeting, McFarlane stated our goals
8 of pursuing a relationship with Iran as these, fourfold: First,
9 devising a formula for establishing a strategic relationship
10 with Tehran; second, ending the Iran-Iraq war on honorable terms
11 third, convincing Iran to cease its support for terrorism; and
12 fourth, helping insure the territorial integrity of Iran and
13 coordinating ways to counter Soviet activities in the area.

14 McFarlane made clear that in this relationship we would
15 expect Iran to use its influence to achieve the result of Western
16 hostages in Lebanon. He also made it clear that we were not and
17 could not and would not engage in trading arms for hostages.
18 This matter was discussed again several times with the President
19 and others in the National Security community following the
20 December McFarlane trip.

21 And on January 17th, 1986, a Presidential Finding was
22 signed directing CIA to provide operational and logistical support
23 for a program with three objectives. First, establishing a more
24 moderate government in Iran. Second, obtaining intelligence to
25 determine the current Iranian government's intentions with respect

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1 to his neighbors and with respect to terrorist acts. And thirdly
 2 furthering the release of American hostages held in Beirut and
 3 preventing further terrorist acts by these groups.

4 This Finding stated that the U.S. government would provide
 5 moderate elements within and without the government of Iran with
 6 arms, equipment and related materiel, in order to enhance the
 7 credibility of these elements in their efforts to achieve more
 8 moderate government ~~thef~~ by demonstrating their ability to
 9 obtain the resources they needed to defend their country.

10 In this Finding the President directed the CIA to refrain
 11 from reporting the Finding to the Congress until otherwise
 12 directed. The Finding was reviewed and concurred in by the
 13 Attorney General.

14 The the time this Finding was being drafted CIA's Office
 15 of General Counsel provided a legal opinion that the President
 16 has the authority to withhold prior notice of operations from
 17 the Congress, and the Attorney General concurred in that.

18 Section 501 of the National Security Act expressly provides
 19 that notification of intelligence activities to the Congress
 20 shall be provided, and I quote this, "to the extent consistent
 21 with all applicable authorities and duties, including those
 22 conferred by the Constitution," that's the end of the quote.
 23 The Act also states that the Intelligence Committees be informed
 24 of activities for which no prior notice was given at the appro-
 25 priate time as determined by the President. This was a clear

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1 recognition that extraordinary circumstances could lead the
2 President to conclude that notice of an operation should be
3 withheld in whole or in part.

4 The history of the Oversight Act shows an accommodation
5 recognizing both the President's constitutional responsibility
6 and authority, and the Congress's oversight responsibility and
7 authority, was reached in the legislative process. The subse-
8 quent procedures agreed upon by me as DCI and this Committee on
9 reporting covert action operations provided that advanced
10 reporting of such operation would also be subject to the excep-
11 tional circumstances contemplated in Section 501 of the National
12 Security Act which I have just touched upon.

13 So the President has instructed me to advise you of his
14 conclusion that the activities authorized by the Finding
15 justified withholding prior notification due to the extreme
16 sensitivity of the dialogue being established. And he determined
17 that if the fact of this program became known, those carrying
18 out the dialogue, both U.S. and Iranian, and the American
19 hostages in Lebanon, would be put at great risk.

20 There have been, in the history of oversight, only two
21 Findings, in those ten years, which have not been briefed to
22 the Congress. This is the second one. The first was the Iranian
23 hostage rescue mission of 1980. That is very quickly the legal
24 background of this decision.

25 Now, I would like to explain exactly what activities were

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1 undertaken by the CIA in carrying out the directive of this
 2 Finding. On the 5th to the 7th of February 1986, U.S. officials,
 3 NSC, a representative of the Israeli Prime Ministry, and a senior
 4 level Iranian official in the office of the Prime Minister there,
 5 met in Germany.

6 THE CHAIRMAN: The date again, Bill?

7 MR. CASEY: 5 to 7 February, 1986.

8 THE CHAIRMAN: 5 to 7 February 1986.

9 MR. CASEY: Right.

10 At this meeting the U.S. side emphasized the desire to enter
 11 into a strategic dialogue with the Iranian side. The Iranians
 12 raised their desire to receive the weapons -- to receive U.S.
 13 weapons. The U.S. agreed to explore this possibility. Working
 14 with the Israelis, the following mechanism for transfer of the
 15 weapons was established.

16 First, the Iranian intermediary would deposit funds in an
 17 Israeli account. The funds would then be transferred to a
 18 sterile U.S. controlled account in an overseas bank. Using these
 19 funds, the CIA would work with the Army logistics command to
 20 obtain the material -- any material agreed upon. And the material
 21 would then be transferred to Israel for future shipment to Iran.

22 Using these procedure, \$3.7 million was deposited in the
 23 CIA account in Geneva on 11 February. This was for the purchase
 24 of 1,000 TOW missiles and associated costs.

25 On 15 April, our Office of Personnel -- Personnel -- rather

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1 our Office of Logistics people delivered 1,000 TOW missiles to
2 the Kelly Air Force Base in Texas. The missiles were then
3 transported to Israel for onward shipment to Iran. CIA was not
4 involved in the transportation of this shipment -- of this
5 shipment.

6 On 19-21 February, the U.S. NS^C and CIA and Iranian officials
7 met again in Germany to discuss problems in arranging a meeting
8 among higher level officials --

9 SENATOR BRADLEY: What's the date?

10 MR. CASEY: 19-21 February. At this later February meeting
11 the U.S. side agreed to provide a thousand TOWS to Iran as a
12 clear signal of U.S. sincerity and support to the faction we were
13 talking to. This delivery was commenced on the morning of 20
14 February, and completed in two shipments to Tehran on 21 February.
15 Transportation from Israel to Iran was aboard a false flag
16 Israeli aircraft.

17 On 24 February the same U.S. officials travelled to Germany
18 where they met with the intermediary and an Iranian government
19 official. At that meeting the Iranian official provided a list
20 of varying quantities of approximately 240 different spare parts
21 needed for the HAWK missile batteries provided by the U.S. government
22 to Iran during the Shah's reign. The Iranian official asked
23 for U.S. government assistance in obtaining these spare parts as
24 additional proof that this channel had the approval of the U.S.
25 government.

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1 On 25 February the U.S. officials, as they continued to do
2 in later contacts with the Iranians, provided the Iranians with
3 limited information designed to encourage an Iranian decision to
4 negotiate an end to the war and increase Iran's awareness of the
5 Soviet threat to Iran.

6 During March and April, our Office of Logistics worked with
7 the Defense Department to clarify the items on the Iranian's
8 list of spare parts, and identify which items were in DOD stocks.

9 On 7 March CIA and NSC officials and Israeli representatives
10 met with the Iranian intermediary in Paris to determine whether
11 any further progress was possible in arranging for a high level
12 meeting with U.S. and Iranian officials. During these meetings,
13 the intermediary emphasized the deteriorating economic situation
14 in Iran, and Iranian anxieties regarding increasing Iraqi
15 military effectiveness.

16 Based on assurances that we could at last have -- meet
17 face to face with top level Iranian officials, on 15 May the
18 President authorized a secret mission to Tehran by former Nations
19 Security Advisor McFarlane, accompanied by a CIA annuitant, a
20 CIA communicator, members of the NSC staff, and the Israeli and
21 Iranian interlocutors.

22 On 16 May 86 the Iranians provided \$6.5 million through an
23 intermediary for HAWK spare parts and an additional 508 TOW
24 missiles. The receipt of the Iranian funds set into motion the
25 arrangements for the planned visit to Iran along the following

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1 lines.

2 First, the CIA Office of Communications provided secure
3 communications equipment and the services of a communications
4 officer to travel to Iran with the U.S. team. Our Office of
5 Technical Services was ^{asked} ~~taked~~ to provide 10 fabricated [REDACTED]
6 passports for use by the team and the air crew of the aircraft
7 that would fly would Israel to Tehran.

8 The Iranians insisted on the use of non-U.S. passports.
9 [REDACTED] passports were chosen because the Israeli aircraft used
10 for the journey carried an [REDACTED] registration number.

11 The Office of Logistics assembled the available HAWK missile
12 spare parts at Kelly Air Force Base. The parts were then
13 transported to Israel by a private contractor. And the Office
14 of Logistics delivered 508 TOW missiles to Kelly Air Force Base
15 for onward shipment to Israeli by private contractor.

16 SENATOR BRADLEY: The date?

17 MR. CASEY: That was 16 May, I said before. 16 May.

18 On 25 May, the U.S. team traveled to Tehran via Israel. Th
19 CIA provided two members of the team, a communications officer
20 and a Farsi speaking annuitant with considerable experience in
21 Iranian affairs. He had been [REDACTED] in Iran earlier.
22 He provided translation services and general advice to the team,
23 and he continued to be involved in subsequent meetings with
24 Iranian representatives.

25 The U.S. team brought a single aircraft pallet of HAWK miss.

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1 spare parts with them to Tehran at the time of the meeting.
2 However, it was decided that the greater portion of the spare
3 parts would stay in Israel for later delivery to Iran pending
4 further progress in establishing the dialogue. We understand
5 that those spare parts were ultimately delivered to Iran.

6 The 25-29 May meetings were held with high level Iranian
7 officials, the first direct contact between the two governments
8 in over six years. Mr. McFarlane and his team were able to
9 establish the basis for a continuing relationship and clearly
10 articulate our objectives, concerns and intentions. The group,
11 in its discussions and observations there, was also able to
12 assess first hand the internal political dynamic in Tehran and
13 the effect of the war in Iran.

14 Using Presidentially approved terms of reference which had
15 been reviewed and approved by appropriate Cabinet officers,
16 McFarlane emphasized that our interests in Iran transcended
17 the hostages, but the continued detention of hostages by a
18 Lebanese group philosophically aligned with Iran prevented progress
19 in developing the relationship.

20 During the visit, McFarlane made clear that we fundamentally
21 opposed Iranian efforts to expel us from the Middle East, that
22 we were firmly opposed to the use of terrorism, that we accepted
23 their revolution -- we accepted their revolution, did not seek
24 to reverse it -- that we had numerous other disagreements
25 involving regional policies -- Lebanon, Nicaragua, and so on --

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1 but might also find areas of common interest -- particularly
2 [REDACTED] through on-going dialogue.

3 On the 19th of September, these -- three Iranians traveled
4 to the U.S. for detailed discussions with our people, the NSC
5 people and our people -- two people I mentioned --

6 SENATOR BRADLEY: Who? Discussion with who?

7 MR. CASEY: Discussions with the annuitant I mentioned and
8 the head of our NE division, and also with some NSC officers.
9 These discussions reaffirmed the basic objectives we were seeking
10 in this political dialogue with Tehran.

11 Throughout August and September numerous additional meetings
12 were held in Europe between U.S. representatives and the new
13 Iranian contacts in an effort to develop the dialogue authorized
14 by the Finding.

15 On 6 October those Iranians traveled to Frankfurt for
16 meetings with the U.S. team. CIA Directorate of Operations
17 officers [REDACTED] obtained hotel rooms for those
18 meetings. The Office of Technical Services mounted an electronic
19 surveillance operation against the Iranians.

20 On 26 August more meetings were held in Frankfurt with the
21 same participants. CIA provided the same support as in the
22 October 6 meetings. The Iranians proffered and the U.S. accepted
23 the offer of a Soviet T-72 tank captured from Iraq. We understand
24 that is held up in the Soviet port right now -- rather than the
25 Iranian port.

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On 2 November 1986, the Iranians provided \$2,037,000 and the Office of Logistics procured 500 more TOW missiles from the Defense Department. Those missiles were delivered by the Office of Logistics to Kelly Air Base on 6 November, and a U.S.A. Air Force C-141 aircraft carried the missiles to [REDACTED] where they were transshipped by a CIA air proprietary aircraft which carried the missiles to Israel.

This brings the record -- completes the record of CIA involvement in these activities which were authorized by the Presidential Finding of 17 January 1986, brings it up to date to the present time.

In summary, a total of 2,008 TOW missiles along with various HAWK missile spare parts have been delivered under this Finding. A thousand TOWs were delivered in February 1986, 508 in May 1986 and 500 in November 1986. You should note that none of the weapons came from CIA stocks. We received no requests to acquire any more material of any type for shipment to Iran under this program.

I would like to reiterate that the funds for the procurement of the materiel I have enumerated as well as all for associated costs were provided by the Iranians themselves. Funding from Iran was transferred to CIA for deposit in a covert funding mechanism. This action provided secure means for control, payment and accountability of all funding associated with this program. The Iranian funds totalled \$12,237,000, were deposited

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1 into a special account in a Swiss bank. The only costs incurred
2 by CIA in this activity were expenses for the travel of CIA
3 officers involved in these various meetings and the costs of
4 the hotel rooms obtained by our [REDACTED] officers for the
5 two October meetings held in Germany, and operational support
6 such as the audio operations, amounting to approximately
7 \$48,000. The costs of this support have been charged against
8 normal operating accounts. Since all travel by CIA officials
9 routinely charges such accounts, to do otherwise in the trips
10 undertaken during this program would have compromised the
11 security of the activities.

12 So I am confident, gentlemen, that this testimony is complete
13 as to the basic facts of CIA's involvement, but let me assure
14 you that we are still combing our records, and we will promptly
15 report any new information that comes to light.

16 That is the account of the activities of the CIA.

17 SENATOR BYRD: Mr. Chairman, may I ask a question?

18 THE CHAIRMAN: Yes, certainly.

19 SENATOR BYRD: What is the policy of this Committee with
20 respect to putting witnesses under oath.

21 THE CHAIRMAN: I can't answer that. Bernie, what is the
22 policy? I imagine it is the judgment of the Committee if they
23 want to do that.

24 MR. McMAHON: We have not done that in the past?

25 SENATOR BYRD: Why don't we do that? I say this without

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any reflection on this witness or any other witness. But this is an exceedingly important matter, and it goes to the future of our foreign policy, how it is conducted, how it is carried out, who carries it out, and I believe that the Committee ought to put all witnesses under oath in the course of this investigation or these hearings.

THE CHAIRMAN: Well, Mr. Leader, let me first say I have been on this Committee for eight years and I have never had the experience of a witness being placed under oath. The business of this Committee is not normally conducted in a special investigative process. We in effect are, besides being an authorizing Committee, are in large part a substantial oversight Committee, as you well know since you were involved in helping create the Committee.

Part of that oversight process is a continual investigation if you will, of special activities about which there is some doubt, and this is one of them. I just have a natural -- while I have an incredible amount of respect for you particular -- for you and your request, particularly since you were involved in setting this up, I have a certain degree of hesitancy as the Chair of the Committee, of breaking what appears to be 10 years of precedent and asking the Director of Central Intelligence, who is presumed to come in here, whether he is or not under oath, and tell us the truth, to take an oath.

Now, if the Members of this Committee, given that background

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1 decide that they want to set a precedent in this particular case.
 2 or go into some new procedure, I am only the Chair of the
 3 Committee; I am giving you my view after eight years. The
 4 presumption is that all witnesses, but in particular, I think,
 5 the Director of Central Intelligence, is going to be fully
 6 responsive, as though he were under oath.

7 SENATOR BYRD: Mr. Chairman, I join in that presumption,
 8 and as I say my request is not based on anything other than that
 9 presumption. And as to precedent, there has to be a precedent
 10 at some point in time. I don't think that we ought to continue
 11 just because there has been no precedent. If in the judgment of
 12 the Committee that should not be done in this instance, that --
 13 of course, I abide by that.

14 But there come times in the course of our history and issues
 15 such as we have before us today that do require that we are able
 16 to establish the truth, the full truth, and nothing but the truth.
 17 And as far as I am concerned, it seems to me that you may have a
 18 number of witnesses that will follow on, and that some may have
 19 to be called back.

20 I will not be conducting the hearings of this Committee as
 21 Chairman of it; I am an ex officio member. But you may look
 22 back at some future time and wish that you were able to resolve
 23 some conflicting statements and it might be to the credit of
 24 the Committee, and certainly not in denigration of any particular
 25 witness at this point, that the Committee decided, on this

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1 particular issue at least, regardless of whether or not there is
 2 a precedent, to have witnesses sworn. In my judgment, that is
 3 no reflection on any witness. It seems to me to be the responsibility
 4 of this Committee.

5 And I can remember when, as a Member of the Judiciary
 6 Committee, I had to ask the Chairman of the Committee to put the
 7 Attorney General of the United States under oath. And the
 8 Chairman of the Committee was a Democrat. The Senate Democrats
 9 were under control, and I felt that we ought to put him under
 10 oath on that particular occasion. And it had to do with the
 11 conduct of the hearings during the Watergate episode, and of
 12 course, this had all been preceded by the hearings that were
 13 conducted on the nomination of Patrick Gray to be FBI Director.
 14 And in that instance I think that I was justified in asking. And
 15 I feel that in that in the course of events we may look back and
 16 feel that we ought to have done it here. There would certainly
 17 be no harm done. It is no reflection on anybody's honesty. And
 18 I don't presume that Mr. Casey or anybody else who comes here
 19 is going to say anything other but the truth. But it seems to
 20 me that at least the question ought to be raised and I have
 21 raised it, and as far as I am concerned, the precedent could
 22 begin now.

23 THE CHAIRMAN: Well, let me just say for the -- and maybe
 24 by way of a suggestion to you -- this is the first opportunity
 25 we have had as a Committee to hear from anyone on this subject.

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1 Regardless of the presumption around oath taking, there is no
2 question about the fact that this will be the first time that we
3 swore a witness. I understand Mr. Casey to be available to us
4 at any time, as most other witnesses except those that might
5 exert Executive Privilege, would be available to us. I am
6 certainly open as Chair to your suggestion being made in your
7 capacity as ex officio member of this Committee or in your
8 capacity as Democratic leader of the Senate, or in any other
9 capacity, at such time as this Committee, with you participating,
10 comes to some judgment after today's presentation by the
11 Director, that we ought to have an ongoing investigation; that
12 we perhaps ought to call other witnesses in addition to the DCI.
13 . So I would like to make that to you by way of a suggestion,
14 which is not to get myself or the Committee off a little hook
15 that you may have constructed for us here or I may be interpreting
16 as a hook, but to leave open the question that you raised.
17 Because it is an appropriate question. We start, all of us,
18 from the presumption that the relationship between the people
19 who by reason of their position are out here, and the people who
20 by reason of their appointment to this Committee sit here, is one
21 of full trust and confidence and openness. And yet by experience
22 the members of this Committee know that the word "forthcoming"
23 and "totally and adequately informed" is not always a word that
24 we associate with all of the meetings that take place in this
25 room.

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1 And I was about to read, in the form of a question to the
2 Director, I was about to read a speech that you made on the Floor
3 in your capacity as Majority Leader back in 1980, when Section
4 501 and the rest of it became the law of this land. I think
5 this is a different case. This is not just a report on a covert
6 action. This is a test of the law of the land. And so I do not
7 take lightly at all your suggestion that perhaps all witnesses
8 in this case might appropriately be under oath, but I would
9 suggest that for today and for the purposes of the Director's
10 laying out what we asked him to lay out, that you might withhold
11 that.

12 SENATOR BYRD: Well, Mr. Chairman, I think you make a very
13 reasonable suggestion as to the approach here, and I think that
14 I have nothing to say in opposition to that suggestion. However,
15 let me say for the record, I did not make this proposition to
16 put the Chairman on the hook. I don't have to resort to that.
17 I don't want to resort to that. And I think I have already
18 indicated that this is not the first time I have asked a Chairman
19 to put witnesses under oath. And the only other time I did it
20 was with regard to the late Senator Jim Eastland, a Member of my
21 own party -- if our imagination is getting us into the nether
22 nether world of partisan politics -- when I urged him to put the
23 Attorney General of the United States under oath.

24 So it was no desire to put the Chairman on the hook or to
25 put Mr. Casey on the hook. I presume Mr. Casey is telling the

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1 truth and the facts. But my explanation of my reasons is already
 2 on the record, and I won't repeat it here. But I think the
 3 Chairman has made the reasonable suggestion that we go forward
 4 today, and I am perfectly in accord with that.

5 THE CHAIRMAN: Thank you very much. I just make, by way
 6 of observation to my reference to the hook, it has been my
 7 observation that this Chairman and his two predecessors have a
 8 constant hook hanging behind them, and that is the nature of the
 9 business that we are engaged in. That is particularly true when
 10 matters that we would much prefer dealing with in the privacy
 11 of this Committee are being dealt with in public.

12 SENATOR BYRD: I much prefer to help you get off any hook
 13 that may be hanging behind you.

14 THE CHAIRMAN: Now, if I may, Bill, I have just one question
 15 and then I am going to yield to my colleagues, as I indicated.

16 You pointed out in your statement that you and the President
 17 were operating under Section 501(a)(1) of the National Security
 18 Act of 1947 as amended in 1980 by the Intelligence Oversight
 19 Act of that year. That law clearly provides the relationship between the
 20 Executive and the Legislative Branch with regard to special
 21 activities such as we are involved here, and says, "the Director
 22 of Central Intelligence and the heads of all departments, agencies
 23 and other entities of the United States involved in intelligence
 24 activities shall" keep the Intelligence Committees fully and
 25 currently informed of all intelligence activities including

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1 significant anticipated intelligence activities. Then points
 2 out that if the President determines it is essential to limit
 3 prior notice to meet extraordinary circumstances affecting vital
 4 interests of the United State, such notice may be limited to the
 5 shall be limited to the Chairman and ranking minority Members
 6 of the Select Committees, Speaker and Minority Leader of the
 7 House of Representative, and the Majority and Minority Leaders
 8 of the -- of the Senate.

9 Then the law goes on, or the debate, let's say, around the
 10 formulation of this law in 1980, in particular, goes on to set
 11 up two what are called preambulatory conditions on Section 501(a)
 12 authority. One you have already referred to, I believe, and
 13 that is the constitutional problem. The fact that neither the
 14 Executive or the Legislative Branch in this wonderful Constitution
 15 of ours, is able or willing or has conceded to the other the
 16 line of demarcation between the two branches with regard to the
 17 issue of -- well, the issue we are dealing with in this particular
 18 case with regard to covert action or special activities engaged
 19 in by the President or the Executive Branch.

20 But it is quite clear from all of the legislative history
 21 surrounding this area -- and this is the point at which I wanted
 22 to cite the comments on the Floor of the then-Majority Leader
 23 Robert Byrd, who stated that the language recognizes a quote,
 24 "buffer zone," end quote, of overlapping constitutional powers
 25 between the Legislative and Executive Branches, a zone in which

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1 both branches might claim the right to intelligence information.
2 He said the bill wisely does not seek to resolve all of these
3 potential conflicts. Nevertheless -- nevertheless the President
4 bypasses the procedural provisions of this bill and moves into
5 this gray constitutional buffer zone at his peril. This is because
6 the presumption of this bill is that prior notice must be given
7 to Congress, period.

8 Now, I think as long as I have been on this Committee, I
9 have never heard anyone question that statement. I mean, it is
10 a very clear, succinct, to the point, articulate statement of
11 the buffer zone, the twilight or the gray area, but, importantly
12 I think in a constitutional sense, to the presumption that the
13 President steps over the requirement to prenotify, or the
14 restricted requirement to prenotify on the eight and to do so in
15 a timely fashion, only at his peril. And we now -- now have a
16 different appreciation, I think, in this case, of the peril.

17 Let me ask you Bill, since you were involved in meetings in
18 November and December of 1985. You met with the President on
19 December 7th at the -- no, you weren't there. You weren't
20 present. John McMahon was present --

21 MR. CASEY: Yeah, John McMahon was there.

22 THE CHAIRMAN: -- on December 7th in the President's
23 residence at which this was discussed in detail. But I believe
24 you were present at other meetings including the meeting on
25 January 7th --

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MR. CASEY: That's right.

THE CHAIRMAN: -- at which the decision was taken to prepare a Finding, and the subsequent meeting in Admiral Poindexter's office on January 16th at which Stan Sporkin's Finding and his judgment relative to not raising the -- or not informing the Congress were all discussed. According to Admiral Poindexter there was no disagreement on the issue that the Congress should not be informed.

Now, let me just ask you -- you're the pro around here on this relationship -- let me ask you why you felt that it was appropriate to put the President in peril in this particular case by going along with the Finding that said there will be no notification of the Congress?

MR. CASEY: I agreed with the prevailing view --

SENATOR BRADLEY: Could you speak into the microphone.

MR. CASEY: Yeah. I agreed with the prevailing view that this was an especially sensitive undertaking, which if any word of it got back to the Iranians, would jeopardize the people who we were dealing with, would perhaps result, and likely on the basis of experience, the past record, be likely to result in their execution, and I agreed that this wasn't the kind of risk that we wanted to take at this -- on this particular matter at this time.

THE CHAIRMAN: What was your assessment of the risk of exposure to the more radical factions in Iran of the same

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1 information in terms of executions and so forth? If the Congress
2 was a problem to you, why --

3 MR. CASEY: It wasn't the Congress was a problem but --

4 THE CHAIRMAN: was not Mantezani and some more radical
5 elements in Iran a comparable problem to you?

6 MR. CASEY: The Congress wasn't a problem. The problem was
7 the information getting out into the hands of the radical
8 factions in the Iranian government, knowing that this was going
9 on, knowing that they had people in their government who were
10 talking to us.

11 THE CHAIRMAN: But how does pre-notification of the Congress
12 put information in the hands of the Iranian radicals who wouldn't
13 get that information from the fact that Bud McFarlane was touring
14 the front in Iran and Ernie Oney and various other people were
15 traipsing in and out of Iran?

16 MR. CASEY: Just a matter of the more people that know it
17 the more likely it is to get around.

18 THE CHAIRMAN: Well, I'll pursue that later. Pat Leahy.

19 SENATOR LEAHY: Thank you, Mr. Chairman. A couple of
20 questions come to mind and I have raised these before. For what
21 it is worth, my estimation of timely notice does not mean 11
22 months. It is the kind of notice where something happens in the
23 middle of the night or on a weekend or something like that, and
24 you have to -- the President has obviously got to have some
25 flexibility, lets us know shortly thereafter.

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1 Mr. Casey, did you at any time urge the President or anybody
2 else in the Administration to make this notice more timely than
3 the 10 or 11 months that it turned out to be?

4 MR. CASEY: No, I did not. Let me -- I would like to say,
5 Mr. Vice Chairman, that timely notice in this -- depends upon
6 the circumstances, as I interpret that.

7 SENATOR LEAHY: I know, and I understand that the Adminis-
8 tration's interpretation of timely differs from mine. I am not

9 MR. CASEY: Okay.

10 SENATOR LEAHY: There was a report in the newspaper the
11 President gave you a letter saying not to report it. Is that so
12 or was his request only in the Finding itself?

13 MR. CASEY: I received no letter. We discussed it and it
14 was in the Finding.

15 SENATOR LEAHY: I know and that -- I have seen the Finding,
16 as you know. In fact, you and I were at the same meeting.

17 On November 25th a plane owned by a CIA proprietary
18 delivered 18 HAWK missiles from Israel to Iran. I
19 discussed this at some length with Admiral Poindexter this
20 morning. You referred to it here. The Admiral did not have
21 any details of it. I think he said that he learned of this
22 only yesterday, this shipment by a CIA proprietary of these
23 HAWK missiles. Now, did the CIA know what was on that aircraft,
24 that November 25th 85 aircraft?

25 MR. CASEY: There is some question about that. I was told

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1 yesterday the CIA didn't know it until later on.

2 SENATOR LEAHY: Did not know until later on?

3 MR. CASEY: Did not know until later on. Did not know until
4 the Iranians told them some time in January by way of complaining
5 about the inadequacy of whatever was delivered.

6 SENATOR LEAHY: Can I just pursue that a bit further. Are
7 you telling me that the CIA owns a proprietary, delivers 18
8 HAWK missiles using that airplane, and didn't know what was on
9 the airplane.

10 MR. CASEY: That is quite possible.

11 SENATOR LEAHY: I cannot conceive of any country, any other
12 country -- well, let's take Israel; it is coming from Israeli.
13 I can't believe that the Israelis, if they owned such a plane,
14 and were to ship for us a HAWK missile somewhere, they would not
15 only know what were on there, probably would know the serial
16 numbers of every part of them.

17 MR. CASEY: Well, this was hastily arranged. The people
18 running the airplane were told that they were oil field parts.
19 And I am not at all certain that somebody didn't know what they
20 were, but I haven't been able to ascertain that, and I have
21 refrained from being explicit about it in the statement because
22 I want to look at that further.

23 SENATOR LEAHY: I am no expert on either oil fields or
24 HAWK missiles, but I suspect I could tell the difference.

25 MR. CASEY: Well, I don't know whether I could or not.

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1 SENATOR LEAHY: I think so, unless they are drilling with
2 a pretty --

3 MR. CASEY: I suppose it would depend on how they were
4 packaged.

5 SENATOR LEAHY: Was there a legal authority for the CIA to
6 ship U.S. origin arms from Israel to Iran?

7 MR. CASEY: Well, as I said, the Deputy Director and the
8 Deputy Director of Operations felt that this shipment was within
9 the normal course of the proprietary's activity of picking up
10 cargo and moving into other countries.

11 SENATOR LEAHY: Well, let me back a bit from that. You say
12 Mr. George felt that it was in a part of their normal proprietary
13 activity. Let us assume -- let us assume that somebody said we
14 have -- we want to ship TOW -- or HAWK missiles from Israel to
15 Iran, want to use your proprietary. Would there be legal
16 authority for the CIA to ship such U.S. origin arms from Israel
17 to Iran.

18 MR. CASEY: That is a question that I am disinclined to
19 answer myself. There are two reasons why there might not be
20 legal authority. One would be that it would be perhaps a violation
21 of the export restriction law, the embargo against arms shipment.
22 The other reason would be the contention that this was not an
23 intelligence operation, and therefore the CIA should not be
24 involved in it unless it gets -- there's a Finding. But that is
25 rather difficult to apply when you have proprietaries conducting:

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1 commercial operations. They are just doing ordinary commercial
2 business, and we are not scrutinizing or making judgments on
3 each shipment.

4 SENATOR LEAHY: Now neither you nor Mr. George nor anybody
5 else --

6 MR. CASEY: It wasn't Mr. George; it was Mr. Juchniewicz,
7 the Deputy at that time.

8 SENATOR LEAHY: Mr. Juchniewicz, I see. Then neither you
9 nor Mr. Juchniewicz or anybody else would have to make that
10 decision if you did not know they were HAWK missiles, is that
11 correct? You would not be forced to have to even raise the
12 question? I mean, the questions you raised are similar ones
13 that most of us have raised.

14 MR. CASEY: Well, in this case it was not raised. It was
15 done very quickly; there was an urgency about it: There was
16 sufficient sensitivity about whether we had done the right thing
17 there that McMahon, then the acting Director, I being out of the
18 country, said any more shipments like this, we are going to
19 require a Finding -- into Iran.

20 SENATOR LEAHY: Now, this is a proprietary that often would
21 ship produce, chickens --

22 MR. CASEY: Yeah.

23 SENATOR LEAHY: But certainly -- I mean, these boxes weren't
24 being put on them with air holes and they weren't clucking.
25 I mean, I don't mean to make it ridiculous, but the point is do

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1 we have so little control over our proprietaries that when
2 material is shipped from Israel to Iran, we can't figure out
3 what it is, just from a pure intelligence point of view? I
4 mean, would it not be part of a normal intelligence gathering
5 operation to know what was being shipped into Iran?

6 MR. CASEY: It would seem that way. Only thing I can say
7 is that it apparently moved so rapidly and there was such urgency
8 about it that they didn't inquire into that particular shipment.

9 SENATOR LEAHY: But Israel wanted a secure airline. They
10 thus wanted to bring the United States into the loop. Didn't
11 the question arise at some level in the CIA to say why? What
12 is on there? What is so important that it has to go on a
13 secure airline, that the CIA has to be brought in, that the
14 United States is involved?

15 MR. CASEY: Well, all I can say on that is that the request
16 came from the NSC and they had an urgency with respect to a
17 meeting that was to take place in Geneva that the guys who were
18 handling this didn't know anything about or didn't know enough
19 about.

20 SENATOR LEAHY: But my concern is that the NSC says now that
21 they didn't know what was going on and that it just found out
22 that the CIA sent that flight over, and they are trying to figure
23 out why nobody knew what was on it, and now the CIA says well,
24 we did this because the NSC requested it, and we didn't know
25 exactly what they wanted. Do you understand why somebody raised

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1 the question was whether there was just plausible
2 deniability being set up here.

3 MR. CASEY: Hadn't thought about it. I hadn't thought
4 about it.

5 SENATOR LEAHY: Well, there is a concern and I suspect that
6 the question will continue to be asked whether -- because we have
7 other proprietaries of various natures and various types of
8 things around the world, most of us assume as we look at some
9 of the funding mechanisms for some of these, that one of the --
10 that they are available not only for their operational contin-
11 gencies, but available for their intelligence gathering abilities
12 especially going into Iran where you know better than any of us
13 here how difficult it has been to gather any kind of hard
14 intelligence, either in their economy, their military plans or
15 anything else. And here is a major shipment of heavy material --
16 obviously very heavy material -- going into Iran in a CIA
17 proprietary.

18 The question I ask, and I would hope that the Agency will
19 give me a very full, clear, specific answer, is did they know at
20 the time, and if they didn't know at the time, why not?

21 MR. CASEY: Well, I have inquired into that myself, and
22 have been told, and as far as I can find out, the Agency did not
23 know what it was handling at the time. Now, I am still going
24 to inquire further into that.

25 SENATOR LEAHY: [REDACTED] showed Iran was expectin

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1 an arms shipment at [REDACTED] time.

2 MR. CASEY: Yeah, but this happened very quickly.

3 SENATOR LEAHY: Beg your pardon?

4 MR. CASEY: This happened very quickly and [REDACTED]
5 didn't get looked at for some time.

6 SENATOR LEAHY: Thank you. I would consider that we'll
7 follow on that -- Mr. Chairman, I don't want, Dave, to put the
8 Chairman on the spot, and I have not mentioned this to him, but
9 I know in a unique type of meeting like this, both the Republic
10 and Democratic leader have been invited, and I wonder if it wou
11 not be appropriate that either one of them here at any time, if
12 Senator Dole comes, Senator Byrd is here now, that they be allo
13 to ask questions out of turn.

14 THE CHAIRMAN: I did -- I just discussed that with the
15 Democratic leader.

16 SENATOR LEAHY: Okay, you're way ahead of me.

17 THE CHAIRMAN: He has to depart in maybe a half hour or
18 40 minutes or so, but he asked that he would defer to others
19 who arrived before him, just so at some appropriate time we wou
20 recognize him.

21 SENATOR BYRD: I thank both the Chairman and the ranking
22 member.

23 THE CHAIRMAN: The first arrival is Chic Hecht.

24 SENATOR HECHT: I would be happy to defer to the distingui
25 Majority Leader if he would so wish.

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1 SENATOR BYRD: Well, the Senator is very kind. I really
2 have a little time, and I would prefer not to intrude before
3 others until I have to go, and I am very grateful.

4 SENATOR HECHT: Mr. Casey, obviously this has created a lot
5 of problems and we are looking at different accusations. And I
6 have been reading the morning papers and it seems like so many
7 people are already confessing, so I think we have to go into it
8 and look this whole thing over. But in the broader context,
9 I want to ask you a few questions.

10 Obviously we derive so much from Third World countries, and
11 sometimes that is our only source of information, and other
12 countries go through intermediaries in order to contact us. Do
13 you feel if we continue on the front pages of the papers, this
14 type of investigation is going to hurt our contacts with people
15 in the future from other countries that we do not have diplomatic
16 relations with?

17 MR. CASEY: Oh, I think we have already seen that with
18 respect to this incident. I am not sure how long it could have
19 been kept quiet. But the fact that it has gotten out has, I
20 think, turned off some things they seemed to have been prepared
21 to do for us.

22 SENATOR HECHT: What about the future? How would you
23 analyze that?

24 MR. CASEY: Well, I think I still would keep open the
25 channels and still would try to bring them around into a more

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1 cooperative mode as long as there is any hope of doing that.
2 I wouldn't write it off at this point.

3 SENATOR HECHT: What's that?

4 MR. CASEY: I wouldn't write it off at this point.

5 SENATOR HECHT: But do you feel that if we continue this
6 investigation out in the open, I mean not in the confines of
7 this room, but out in the open, this would jeopardize your
8 operation in the future.

9 MR. CASEY: I think it would make it more difficult, if we
10 investigated an open investigation. I think we'd do better to
11 investigate it quietly in the usual way.

12 SENATOR HECHT: What type of plans are you making to
13 investigate in a quiet way?

14 MR. CASEY: Well, we have been busily getting all the
15 information together, able, ready, to answer any questions and
16 present the whole picture to any authorized inquiring body, of
17 which this is clearly one. I talked to the House this morning,
18 the House Committee. I think we will continue to look for
19 additional information, and as we come across it, we will bring
20 it to the attention of the oversight committees. I don't know
21 that we will, but we will certainly work that way.

22 SENATOR HECHT: I feel very strongly that you must pursue
23 these contacts and these tips that you get from these different
24 countries. And I would hate to every jeopardize that, and what
25 I can see, the tip you got from the Israelis is not a lot.

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1 different than the tip that was given many, many years ago about
2 China, that they wanted to open up their relations with us, and
3 look what has happened to that. So you have got the pros and
4 the cons, and I feel that if you continue to pursue this and
5 get the facts to the Committee, that we would be better served
6 than we would by making a full scale investigation out in the
7 open. I don't say that we should not stop, but I feel we should
8 keep it in the confines of this room. How do you feel about'
9 that?

10 MR. CASEY: Well, I think it is always better from the
11 intelligence standpoint to do these things quietly, and not put
12 everybody on their guard.

13 SENATOR HECHT: I really have no further questions.

14 THE CHAIRMAN: Thank you very much. Mr. McConnell.

15 SENATOR McCONNELL: Bill, as you know, there is no exception
16 to the prior notification requirement. But it was anticipated
17 that in rare circumstances the President might withhold that
18 notification, and then inform us in a quote, "timely fashion,"
19 end quote, with a proper explanation. What does timely fashion
20 mean to you?

21 MR. CASEY: Well, I think timely is when the risk which
22 has caused you to withhold notification in the first place is
23 no longer present. President Carter was rather specific about
24 that when we told Director Turner to provide information about
25 the rescue mission in Iran as soon as he felt the risk was no

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1 longer present. And I think I would view this the same way. As
2 soon as we felt that the President determined that the risk which
3 caused him to ask to suspend notification in the first place is
4 no longer present, he would direct that the Committees be advised
5 of the activity. Now, this would go on as long -- perhaps as
6 long as the activity continues. I think, I said before, the
7 response to the delay, I think the timeliness depends upon the
8 nature of the exposure you're trying to avoid.

9 In this case, to be explicit, in this case as long as the
10 risk of the information getting into the -- what was going on
11 into the hands of the Iranian government, we probably would not
12 have informed them.

13 And it occurred -- this again may be rehashing what you and
14 Senator Leahy covered, but I want to make sure I understand --
15 it occurred to no one within the councils of the Agency or the
16 others privy to this operation, it occurred to no one that the
17 dispatching of McFarlane to Iran last Spring might require some
18 notification to the Committee?

19 MR. CASEY: No, it didn't to my knowledge. We knew that he
20 was going and is part of the operation and it didn't reduce the
21 risk that some other source might blow the operation sky high.

22 SENATOR McCONNELL: He was not exactly a low profile person.
23 I know you recognize that.

24 MR. CASEY: Oh, I know that. But he is a private citizen.
25 Nobody knew what he was going to do and he went in there as

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1 quietly as possible, but we didn't -- to my knowledge we didn't
2 focus on that.

3 SENATOR McCONNELL: So you are completely comfortable then
4 with telling me and telling this Committee that you think you
5 have timely notified us by letting us know 11 months after the
6 Finding.

7 MR. CASEY: I am comfortable with the determination by the
8 President that he didn't want to disclose as long as this
9 operation was sensitive and going on. He had the right to make
10 that determination; I wasn't about to quarrel with him.

11 SENATOR McCONNELL: Did anyone inside the -- who had privy
12 to what was going on, did anybody question this?

13 MR. CASEY: Well --

14 SENATOR McCONNELL: No one said, hey, we ought to consider
15 notifying the Committee; we just sent McFarlane to Tehran.

16 MR. CASEY: No, I never heard anybody raise that question.

17 SENATOR McCONNELL: Nobody questioned it.

18 MR. CASEY: I never heard it raised. I can't say it wasn't
19 raised. I never heard it raised.

20 SENATOR McCONNELL: In your presence.

21 MR. CASEY: I didn't raise it.

22 SENATOR McCONNELL: Nobody said, we're on shaky ground,
23 legally. Nobody said that?

24 MR. CASEY: I don't recall anybody saying we're on shaky
25 ground legally. We all knew it was a controversial legal ground.

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1 SENATOR McCONNELL: Okay, shifting off the legality of it --

2 MR. CASEY: Controversial but not shaky.

3 SENATOR McCONNELL: Shifting off the legality of it and
4 just talking about the perception of it, did anyone in your
5 presence suggest that the credibility of the Administration, and
6 more specifically the President, could be greatly damaged by
7 this operation, particularly if the -- at least the Chairman and
8 the Vice Chairman of the respective Intelligence Committees were
9 not given some notification of what was going on.

10 MR. CASEY: I think that everybody was concerned that the
11 credibility of the Administration could be shaken if this came
12 out in the wrong way or if it came out. I believe that everybody
13 was aware of that risk and while not everybody may have agreed
14 that the risk should be taken, everybody did agree and recognized
15 that the President had measured the risk, had considered, and
16 decided to take it. And everybody supported that.

17 Now, I am sure there were various degrees of concern and
18 maybe different people evaluated the down side differently than
19 other people did. Some people were more impressed by the object
20 and the up side than they were by the down side. We discussed
21 this. We discussed that if -- when this did come out, the fact
22 that it had produced some positive results would be a positive
23 one and would be -- would offset whatever downside or whatever
24 criticism might be. This was all thought about and discussed in
25 various ways. I think there was the general feeling that the

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1 objective was a good and a highly desirable one. There was
2 concerns about the perception of dealing with hostages. I was
3 able to make that distinction. I think most people would. Not
4 dealing with the hostage takers, we were trying to influence
5 the Iranians who had special influence with the hostage takers
6 to exercise that influence. As I said before --

7 SENATOR BYRD: Mr. Chairman, I couldn't hear that last
8 statement.

9 MR. CASEY: -- we had done that on other occasions, for
10 example, with the [REDACTED]

11 SENATOR BYRD: Mr. Chairman, I couldn't hear that last
12 statement.

13 THE CHAIRMAN: Bill, I think we're going to have to continu
14 to use the mike.

15 MR. CASEY: Now I've got to figure out what the last
16 statement was. I think I was saying, Mr. Leader, that there
17 were people who were more concerned, more impressed by the
18 positive results being sought than by the downside. Everybody
19 recognized that there was a potential downside, that when this
20 came out there could be some criticism. But we felt particularl
21 as we started to have a little bit of success and we had some
22 hostages coming out and we had clearly the Iranians working to
23 get more out, committing to get more, and we had them responding
24 to us, agreeing to give us a T-72 tank which we've been trying
25 to get for a long time, other positive results, we felt that wher

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1 it did come out we would be able to -- the positive side would
2 receive more consideration than the negative sides.

3 SENATOR McCONNELL: Just one final questions. Then it is
4 my understanding that no one in your presence at any time said,
5 why don't we call Durenberger and Leahy, and the conclusion was
6 it was safer to send McFarlane to Iran, that that was less likely
7 to get out --

8 MR. CASEY: Well now you're putting words in my mouth.

9 SENATOR McCONNELL: Okay, well then explain it to me again.

10 MR. CASEY: I am saying that sending McFarlane to Tehran
11 probably created some risks, but if we were going to go forward
12 with the operation, those risks were unavoidable. On the other
13 hand having made the decision not to disclose the activity, there
14 was no reason to say well, let's disclose it now, because we
15 have got so many risks we might as well forget that one.

16 SENATOR McCONNELL: But it occurred to no one that somebody
17 as well known as McFarlane being sent to Tehran would not --

18 MR. CASEY: Obviously there was some concern about it. The
19 fact is that it was done. McFarlane's presence was known, but
20 an additional hostage came out and the relationship seemed to be
21 getting warmer and they undertook to do additional things after
22 McFarlane's presence. McFarlane's presence was on the whole a
23 plus. It might have blown the whole operation, but it didn't.

24 SENATOR McCONNELL: But focusing on the notice provision,
25 no one in your presence said if we are going to send McFarlane

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1 to Tehran, we'd better call Leahy and Durenberger.

2 MR. CASEY: I did not hear anybody say that.

3 SENATOR McCONNELL: Thank you.

4 THE CHAIRMAN: Mitch, thank you. Mr. Roth.

5 SENATOR ROTH: Bill, is it the position of the legal advice
6 that was given that Congress could not restrict or write a law
7 that would prevent or preclude you from not informing the Congress?
8 In other words, as I understand, the law is fairly clear that
9 either you advise the two intelligence oversight committees of
10 such actions that were taken in this spacial activity, or if there
11 was concern, that it be at least reported to a limited number,
12 the Majority Leader and others of the House and Senate, plus the
13 heads of the Committee. But it is my understanding you felt
14 that -- or the decision, legal decision was made that notwith-
15 standing the legislation, it did not have to be adhered to because
16 of constitutional rights of the presidency?

17 MR. CASEY: Well, that was recognized in the legislation
18 itself. It was recognized that there was at least a claim of
19 prior Presidential right on the Constitution. The very outset
20 of the statute says, "to the extent consistent with all applicable
21 authorities and duties, including those conferred by the
22 Constitution upon the Executive and Legislative Branches of the
23 government" and only then does it go on to impose these obliga-
24 tions. So the President has always been free and it has always
25 been recognized, with some debate and controversy, but it has

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1 always been asserted and the Congress has never taken a step to
2 wipe out this Constitutional prerogative. The requirements of
3 the statute are subject to the President or the Congress not
4 asserting their prior Constitutional rights being before those
5 that were the rights created by the statute.

6 SENATOR ROTH: Well, if I understand that clause, all it
7 recognizes is that the law is subject to constitutional rights.
8 It doesn't spell out with particularity the rights in these
9 circumstances. Isn't that correct? So we're in a cloudy area.

10 MR. CASEY: We're in a fuzzy -- very loosely, it is
11 applicable authorities and duties. But I think everybody knew
12 what they are talking about. And it is clear from the debate
13 that what they are talking about is the President's War Powers
14 Act -- War Powers authority, rather, authority to conduct
15 foreign policy. He could assert that in his own right. I think
16 that is very clear what that statute, the language refers to.

17 SENATOR ROTH: It seems to me, to repeat, that it is stating
18 that it is subject to the Constitution without stating what the
19 Constitutional rights are, that there is a cloud there. There
20 is nobody -- the courts haven't ruled at this date, so nobody
21 is exactly sure what the Constitutional rights under these
22 circumstances are.

23 Let me ask you a second question. Do you have any recom-
24 mendations as to how the law could be better written or clarified
25 For example, the decision was made not to use the second

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1 alternative of reporting the special activity to a limited number
2 or group. Would it have made any difference if it were even
3 further restricted, say to the Majority Leader and Minority
4 Leader of the House and Senate? Was that a factor in any way?

5 MR. CASEY: Well, I don't think so. I think that the history
6 is that from the very beginning of this whole process, there has
7 been a conflict between the Executive Branch and the Legislative
8 Branch, the Executive Branch asserting the inherent right under
9 the Constitution to carry on these activities, and the Legislative
10 Branch seeking to restrict that. And they have fought this
11 argument out. It is not a new argument. There has been debate
12 every time the law has been modified. And it has become clear
13 that the two sides have agreed to disagree, and argue it out at
14 the time. I don't -- I haven't given a lot of thought to how
15 you could avoid that.

16 SENATOR ROTH: How about the phrase, I think, what is it --

17 MR. CASEY: What?

18 SENATOR ROTH: Timely manner. Would it be better from your
19 experience to have that clarified or defined as to what timely
20 manner means?

21 MR. CASEY: I think something is timely in this context in
22 relationship to the degree of the risk and what it is you are
23 trying to avoid. In this case, the risk is one that continues.
24 In the case of the Iranian hostage mission, it is either going to
25 succeed or fail quickly, and your time factor is in relation

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1 to that circumstance.

2 SENATOR ROTH: So that, if I understand what you're saying,
3 timely manner could include any length of period depending upon
4 the circumstances.

5 MR. CASEY: I think it has to be reasonable. I think at
6 some point it would no longer be reasonable to justify with-
7 holding notice at some point, but I don't know what that point
8 is. In this case, I don't think that point really came. When
9 it came when the purpose was lost by the publicity and so on,
10 and now it is over.

11 SENATOR ROTH: Thank you, Mr. Chairman. My time is over.

12 THE CHAIRMAN: Thank you, Bill. Professor Eagleton.

13 SENATOR EAGLETON: Mr. Casey, are the interests of Israel,
14 geopolitically, with respect to Iran, at all times identical to
15 those of the United States?

16 MR. CASEY: No, I don't think so.

17 SENATOR EAGLETON: There are different points of view.

18 MR. CASEY: I think there has been a different view on the
19 part of the Israelis towards that war than we have had, and we
20 have tried to persuade the Israelis to withhold support to Iran,
21 and we haven't succeeded entirely.

22 SENATOR EAGLETON: And the CIA has intelligence information
23 [REDACTED] of arms shipments from
24 Israel to Iran since the fall of the Shah and prior to the
25 incident now in question. Is that not the case?

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1 MR. CASEY: We ~~UNCLAS~~ intelligence -- we don't have any --
 2 maybe one smoking gun, but we are pretty confident that the
 3 Israelis, from our discussions with them and what they have tried
 4 to persuade us, that they've tried to persuade us that they
 5 should maintain an arms relationship -- a modest one, they say
 6 with the Israelis -- the Iranians, because that is the way you
 7 keep in touch with the military and --

8 SENATOR EAGLETON: And you have one smoking gun and other
 9 intelligence that Israeli on its own, or with the assistance of
 10 others -- not the Administration -- has been shipping arms to
 11 Iran since the fall of the Shah.

12 MR. CASEY: We are quite confident that's true.

13 SENATOR EAGLETON: And then with respect to the 18 HAWK
 14 missiles that Senator Leahy inquired about, the NSC says they
 15 didn't know about it, the CIA, it didn't know about it, but
 16 Israel knew about it, of course.

17 MR. CASEY: Yeah, they shipped them.

18 SENATOR EAGLETON: They were dispatched from Israel. And
 19 don't you also have intelligence information ~~UNCLAS~~

20 ~~UNCLAS~~ that General Secord who is one of these
 21 private warriors that ships arms around the world, has shipped
 22 \$125 million worth of material, armored personnel carriers, to
 23 Iran, prior to this incident that is before the Committee.

24 MR. CASEY: I don't have the specificity of that in my own
 25 mind, but we do know and do believe that Secord has been doing

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1 business with the Iranians in arms. Other people all over the
2 world have been doing that.

3 SENATOR EAGLETON: A lot of arms merchants are dealing with
4 them. Certainly Israel has a long record.

5 MR. CASEY: Yeah; right.

6 SENATOR EAGLETON: A continuous record since the fall of
7 the Shah.

8 MR. CASEY: Right.

9 SENATOR EAGLETON: That is well known, intelligence-wise,
10 is it not.

11 MR. CASEY: Yes, I think so.

12 SENATOR EAGLETON: So McFarlane meets in, was it London,
13 with these high level Israelis? This was the outset of your
14 statement.

15 MR. CASEY: Yes, that's right.

16 SENATOR EAGLETON: Who were these high level Israelis?

17 MR. CASEY: Well --

18 SENATOR EAGLETON: Was Kimche one of them?

19 MR. CASEY: Kimche was the first one.

20 SENATOR EAGLETON: He's an ex-Mossad functionary.

21 MR. CASEY: Yeah. Then there is a man named Kir who took
22 his place.

23 MR. EAGLETON: What's his name?

24 MR. CASEY: I think it's Kir -- Nir. N-i-r. I think we
25 want to hold these names -- we don't want to spread these names

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1 around.

2 SENATOR EAGLETON: So the high level Israelis, Kimche, Nir,
3 and who were the other high level Israelis?

4 All right. Is he an Israeli?

5 MR. CASEY: Yeah. They both work out of the Prime Ministers
6 office.

7 SENATOR EAGLETON: And then according to your testimony, it
8 is the high level Israelis who pose this proposition on
9 McFarlane. McFarlane doesn't raise this proposition. It is the
10 high level Israelis who suggest it to McFarlane, according to
11 your testimony.

12 MR. CASEY: Oh, yes, the Israelis --

13 SENATOR EAGLETON: So the instigator --

14 MR. CASEY: Wait a minute, wait a minute. The Israelis --
15 this talk about instigated. The Israelis have been talking to
16 us for five years --

17 SENATOR EAGLETON: About arms to Iran.

18 MR. CASEY: Yeah, about a closer relationship with Iran.
19 It happens that when Kimche came to McFarlane he came to him with
20 a specific contact which he thought would be a good one. It was
21 a specific opportunity he brought to McFarlane. Not the idea.

22 SENATOR EAGLETON: And on previous occasions high level
23 Israelis had proposed to high level Americans that arms be
24 shipped to Iran, isn't that so? This wasn't the first time, this
25 London meeting with McFarlane there, that high level Israelis

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1 had proposed to high level Americans that arms be shipped to
2 Iran.

3 MR. CASEY: Well, I don't know that any --

4 SENATOR EAGLETON: Mr. Armacost, do you know?

5 MR. CASEY: I don't know that Iranians --

6 SENATOR EAGLETON: This is the first, out of the blue, that
7 Israeli has ever suggested to a high level American, that arms
8 be shipped to Iran?

9 MR. ARMACOST: I don't know --

10 SENATOR EAGLETON: Isn't this a long standing Israeli policy
11 position that they have expressed to us on previous occasions.

12 MR. ARMACOST: I believe that's correct.

13 SENATOR EAGLETON: What did you say, sir?

14 MR. ARMACOST: I believe that is correct. That is I believe
15 there have been previous occasions on which high level officials
16 have proposed that.

17 SENATOR EAGLETON: Have proposed it. Occasions -- is the
18 word plural, Mr. Armacost? Occasions?

19 MR. ARMACOST: I believe so.

20 MR. CASEY: In my experience they come and say you ought
21 to concur just to do this, and they would explain they are doing
22 on the basis it was in our common interest. I don't know of any

23 SENATOR EAGLETON: You see they have been doing it?

24 MR. CASEY: Yeah; sure.

25 SENATOR EAGLETON: We knew they had been doing it.

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1 MR. CASEY: Yeah.

2 SENATOR EAGLETON: For many years. They had come to us on
3 previous occasions to ask us to condone it directly and to
4 participate in it.

5 MR. CASEY: And we'd say no.

6 SENATOR EAGLETON: Finally they get old McFarlane in London
7 and get his acquiescence to be an overt participant in that which
8 they had been doing sublimely and quasi-covert for many years.
9 We fell in with them, didn't we?

10 MR. CASEY: In a limited way.

11 SENATOR EAGLETON: In a limited way. So this is an Israeli
12 caper that we fell in with, in a limited way.

13 MR. CASEY: Well, I think that is an overstatement.

14 SENATOR EAGLETON: This was an Israeli suggestion.

15 MR. CASEY: It was an initiative which we adopted.

16 SENATOR EAGLETON: Israeli initiative that we fell in with
17 in a limited way.

18 MR. CASEY: Yeah.

19 SENATOR EAGLETON: And later we met with them in Paris,
20 didn't we?

21 MR. CASEY: Yeah.

22 SENATOR EAGLETON: High level Israelis. How many -- how
23 many meetings with high level Israelis were there from the first
24 one with McFarlane through the whole exercise of this, roughly.
25 Three, four, five?

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1 MR. CASEY: I wouldn't know how many there were. I would --

2 SENATOR EAGLETON: I heard of two or three, but I may --

3 MR. CASEY: I would think it was the kind of thing that got
4 discussed whenever they came around. Every time Perez or Rabin
5 turned up, why this would probably come up as one of the subjects
6 of discussion.

7 SENATOR EAGLETON: Did it dawn on anybody when these
8 discussions were going on, not only about the law, not only
9 about notifying Congress, not only the element of detection and
10 the element of surprise, did it dawn on anybody that we were
11 locking into Israeli -- Israel's foreign policy? That this is
12 what the Israelis wanted done.

13 MR. CASEY: It certainly did dawn on us. It certainly did
14 dawn on us.

15 SENATOR EAGLETON: Did anybody raise the question then,
16 you know, boys, there may be a difference between United States'
17 best interests with respect to Iran and Israel's best interest.

18 MR. CASEY: Oh, I think everybody recognized that all the
19 time.

20 SENATOR EAGLETON: Everybody recognized it.

21 MR. CASEY: Yeah, sure. I think that the responsible people
22 recognizes that the Israelis have their eggs to fry and are going
23 to fry them, but we make our judgment on what we think is in our
24 interests. And that is the way we should think about it.

25 SENATOR EAGLETON: This time it was scrambled eggs and we

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1 joined them in the pot, didn't we? We're scrambling our eggs.

2 MR. CASEY: Well, you're not going to put that in my mouth.
3 That's your view. I think we had a good rationale to do that.
4 I think the balance --

5 THE CHAIRMAN: Your six minutes are up, Tom.

6 SENATOR EAGLETON: Six minutes are up. The bottom line is
7 that Israel took us for a ride.

8 MR. CASEY: Well, I know that a lot of people think that.

9 THE CHAIRMAN: Mr. Specter.

10 SENATOR SPECTER: Thank you, Mr. Chairman.

11 MR. CASEY: I don't share it.

12 SENATOR SPECTER: Director Casey, with the time limits,
13 let me give you a conclusion and ask you for a comment. As I
14 read Section 501, I do not see the limitations of Section (a)
15 applicable to the intelligence operations in foreign countries
16 in Section (b). These two sections were drafted at the same
17 time, and (b) simply doesn't have the provisions about limiting
18 disclosure with respect to protection of classified information
19 or information.

20 It seems to me very difficult to bring the provisions or
21 limitations from (a) into (b) on the face of this statute. And
22 I would say further than when you pick up Section 662, which
23 was enacted in 1980, that this provision was not designed to
24 expand the Presidential authority, but to limit it. So that on
25 the January 17th, 1986, Finding which is made under Section 662

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1 the President doesn't have any authority under 662 to defer
2 statutory obligations which were cited under 501(b).

3 MR. CASEY: Well, I don't know. I don't know how you can
4 quite say that because part 50 -- 413(a) provides the constitution
5 exception explicitly, and then the paragraph (b) says, refers
6 to for which notice was not given under Subsection (a). So they
7 are tied together.

8 SENATOR SPECTER: No they are not. Subsection (a) relates
9 to intelligence activities and Subsection (b) relates to covert
10 activity.

11 MR. CASEY: Which is a cross reference in (b) to (a).

12 SENATOR SPECTER: Well -- but (a) covers and specifies the
13 collection of intelligence data. Subsection (b) relates to
14 covert activities.

15 Mr. Casey, I don't want to protract it now. What I would
16 suggest you do is take a look at these provisions, because I
17 don't think the Executive Branch is reading them in accordance
18 with the way they have been drafted. (a) and (b) are put out
19 at the same time, and (a) has a lot of limitations which don't
20 apply to (b). And then you have Section 662, which comes much
21 later, 23 years later, and requires a Finding, and that Finding
22 is to further limit the President's authority, not to expand it.
23 Then the President comes down on January 17 of 1986 and makes a
24 Finding and in his language directs you not to make a disclosure.
25 There just isn't that authority in the 1980 statute. It is very

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1 complicated and I have been puzzling through it --

2 MR. CASEY: I will have my -- my General Counsel, Dave
3 Doherty is here, and I will certainly have him examine the
4 issue you raise, and I will look at it myself.

5 SENATOR SPECTER: Well, I would suggest you do, and I will
6 be glad to pursue it with you later, because in the time limits
7 here we can't go into it. But I think there is a fundamental
8 misreading here, and the President has a lot less authority to
9 defer disclosures or not to disclose than it has been speculated
10 about in the press or that we h-ve agreed on a high level gloss.

11 MR. CASEY: We'll be very glad to go into it with you.

12 SENATOR SPECTER: Let me ask you just very briefly two other
13 points. And one is that there has been speculation that there
14 might be an exception for Admiral Poindexter, the assistant in
15 charge of the National Security Council, not being within the
16 purview of being required to report intelligence activities to
17 the oversight committees. As I read the language, he would be
18 covered under the category of other entities of the United States
19 So that if the NSC Director is engaged in this category of
20 activity he would be required to make a report to this Committee.
21 Do you agree with that?

22 MR. CASEY: I haven't given that enough thought.

23 SENATOR SPECTER: Well, I would appreciate it again if you
24 would take a look at that.

25 MR. CASEY: Okay. Dave, did you get these notes -- get

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1 both points, yeah.

2 SENATOR SPECTER: Because I believe in the legislative
3 enactment there was an effort made to be as broad as possible.
4 They talk about heads of departments and agencies, and then other
5 entities. It is pretty hard to get a category of language
6 broader than other entities that would be comprehensive.

7 MR. CASEY: The question, involved in intelligence activities
8 I think it is a very good question and we'll look at it.

9 SENATOR SPECTER: The third and final point that I would like
10 to raise with you is on the issue of Mr. McFarlane. Now it is
11 true that he is a private citizen, but his former position, or
12 when he acts as an agent for the President or agent for the United
13 States, or agent for his successor Admiral Poindexter, don't you
14 think there is a requirement that his activities be subject to
15 reporting as well?

16 MR. CASEY: Well, I think if he was acting for CIA or any
17 one of these other entities, then I think that would bring him
18 in.

19 SENATOR SPECTER: Well, wasn't he in this case?

20 MR. CASEY: Huh? Yeah.

21 SENATOR SPECTER: Thank you very much.

22 MR. CASEY: I think if we had to report, we would include
23 McFarlane's activities, just like we would do to any one of our
24 employees.

25 SENATOR LEAHY: I'm sorry, you'd include? I didn't hear that.

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1 part. You would include what?

2 MR. CASEY: I say if we were reporting, we would have
3 included McFarlane's activities along with those of our own
4 employees who participated.

5 SENATOR SPECTER: Thank you, Mr. Chairman.

6 THE CHAIRMAN: Thank you, very much, Arlen.

7 I'll yield now to either Mr. Bradley or Mr. Byrd. I don't
8 know whether the Democratic Leader has a time problem yet or
9 not.

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1 SENATOR BYRD: Thank you, Mr. Chairman.

2 Mr. Casey, when was the first discussion involving the
3 President with respect to sending the arms and with respect to
4 the decision not to report to the Congress?

5 MR. CASEY: Well, I think the first discussion with respect
6 to the relationship of which the possibility of sending arms
7 was part, the first one I knew of occurred in -- the first when
8 the CIA knew about it, occurred in December. As I said, I was
9 out of the country and my deputy John McMahon was present. Now,
10 I am certain, though I don't know, that there were other discus-
11 sions about this subject which probably took place in the daily
12 meetings which the President has with the National Security
13 Advisor.

14 SENATOR BYRD: You indicated earlier that on November 25,
15 cargo was dropped in Iran.

16 MR. CASEY: Yeah.

17 SENATOR BYRD: Now, prior to November 25, who was in on the
18 discussions as to this matter? Somebody must -- there must have
19 been a genesis as to whether or not we will report to the Congress
20 Now, the President issued his order on January 17 this year.

21 MR. CASEY: That is when the formal finding was signed.

22 SENATOR BYRD: Yes, the formal memo was signed. But the
23 transactions of equipment and materiel had gone forward prior to
24 that time.

25 MR. CASEY: There was considerable uncertainty as to who

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1 knew about those transactions. Those transactions were Israeli
2 to Iran, and as far as I know, there was no American involvement
3 in it until November, late November they asked us to produce a
4 plane, where to get a plane, and we come up with this proprietary
5 plane. And a shipment -- huh?

6 SENATOR BYRD: Would you mind speaking into the mike, please.

7 What I am trying to ask you, what I am trying to find out
8 here is at what point, when did the President and yourself and
9 the Director of the NSC, make a decision that -- and begin
10 discussions of this when Mr. McFarlane had made the proposal, as
11 I understand it, based on contacts that the Israelis said might
12 exist. When did you all sit down with the President and start
13 this discussion which ended in approval of the actions of the
14 Israelis, for example.

15 MR. CASEY: I would say that the discussions started, as
16 far as I know, in that meeting in early November, and then went
17 on to prepare a Finding that formalized it. Now, that is not to
18 say that there were not discussions by some of the principals,
19 probably between McFarlane and the President, at an earlier
20 stage. McFarlane had talked to me about the initiative without
21 getting into the arms aspect of it, primarily talking about the
22 political initiative and the importance of it, sometime -- I
23 haven't got an exact date, but it was before -- it was right
24 when I went off for my China trip. It had to be some time in
25 October.

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1 SENATOR BYRD: In October.

2 MR. CASEY: Yeah.

3 SENATOR BYRD: McFarlane talked to you.

4 MR. CASEY: Yeah. I think perhaps the Israelis had been
5 talking to him before that.

6 SENATOR BYRD: Yes. But to sit down and discuss this matter
7 and say well, what are we going to do about reporting to Congress.

8 MR. CASEY: That was done by the NSC principals in early
9 November and again in January.

10 SENATOR BYRD: And was the President in on that?

11 MR. CASEY: Yes, both cases.

12 SENATOR BYRD: Were you in on the discussions?

13 MR. CASEY: I was out of the country the first discussion.
14 My Deputy John McMahon was there. I was in on the second
15 discussion which took place in January.

16 SENATOR BYRD: You indicated that you agreed with the,
17 quote, "prevailing" close quote, view, which leaves us to under-
18 stand that there was a different view. Now, with respect to
19 whether or not there should be timely reporting to Congress and
20 what the word timely meant, under the prevailing view.

21 MR. CASEY: I don't recall a different view on timely
22 reporting. I think everybody went along with that. What I did
23 say there was a different view on, there was a different view
24 on the wisdom and desirability of entering into the relationship
25 with respect to weapons and arms. That is where the difference

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1 was.

2 SENATOR BYRD: I believe, and I don't have the transcript
3 in front of me, but I believe that you were discussing, when you
4 said this, I think you were referring to, quote, "informing
5 Congress," close quote, and then you indicated that you, quote,
6 "agreed with the prevailing view."

7 MR. CASEY: No, I don't think so.

8 SENATOR BYRD: All right.

9 MR. CASEY: I've got that right here.

10 SENATOR BYRD: All right. Let that be as it may. That is
11 the way I understood it. The President was present; is that
12 correct?

13 MR. CASEY: Yes.

14 SENATOR BYRD: Who else was present? Was the Secretary of
15 State there?

16 MR. CASEY: Yes.

17 SENATOR BYRD: Was the Secretary of Defense there?

18 MR. CASEY: Yes.

19 SENATOR BYRD: Was Mr. Meese there?

20 MR. CASEY: Yes.

21 SENATOR BYRD: And was the Vice President there?

22 MR. CASEY: I'm not sure, but I think so. He usually is,
23 unless he is out of town.

24 SENATOR BYRD: And who else was there?

25 MR. CASEY: Well, Poindexter was there. I think that was

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1 probably all.

2 THE CHAIRMAN: Don Regan?

3 MR. CASEY: Don Regan was probably there, yeah.

4 SENATOR BYRD: Now, among those, who raised the question as:
5 to reporting and as to the law?

6 MR. CASEY: Mr. Chairman -- Mr. Leader, as far as I know and
7 can recall now, nobody raised that question.

8 SENATOR BYRD: Nobody raised that question --

9 MR. CASEY: Yeah.

10 SENATOR BYRD: -- with the Attorney General there --

11 MR. CASEY: Well, the Attorney General concurred. You
12 remember that this had been discussed for a couple of weeks back:
13 and forth starting with our General Counsel and our Deputy
14 Director of Operations people, the NSC staff people, and I don't
15 know to what extent State and Defense was involved, but they were
16 involved. And I didn't hear any discussion about the -- any
17 great dissent or dispute about the way the Finding would be
18 handled.

19 SENATOR BYRD: Well, you say you didn't hear any discussion
20 or any great dissent. Someone surely said, where do we stand
21 within the context of the law.

22 MR. CASEY: Oh, that was worked very carefully by the lawyer

23 SENATOR BYRD: Well, the lawyers weren't in on that meeting.
24 were they?

25 MR. CASEY: Oh, yeah. Well, not on the final meeting.

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1 SENATOR BYRD: No, I am talking about the original meeting.

2 MR. CASEY: They were in in the preparation of the Finding.

3 SENATOR BYRD: Yes. But at some point, at some point up
4 early there had to be a discussion of the requirements under
5 Section 501 of the National Security Act.

6 MR. CASEY: Yeah, I think everybody agreed that that was a
7 problem, and that probably the way to handle it was by having
8 the President exercise his constitutional prerogative.

9 SENATOR BYRD: Constitutional prerogatives aside for the
10 moment, that discussion took place prior, didn't it? Prior to
11 January the 17th when the President issued the memorandum.

12 MR. CASEY: Well, I can't be sure about that.

13 SENATOR BYRD: You mean he just came in on that meeting on
14 January 17 and said boys, here we have this --

15 MR. CASEY: No. You know, Senator, that is not the way
16 life works. People working on the problem come up with a set
17 of proposals and the principals are inclined to accept them.

18 SENATOR BYRD: But there has to be a presentation before
19 the principals.

20 MR. CASEY: Yeah. Well, there was a presentation and the
21 Finding was presented.

22 SENATOR BYRD: And that was prior to January 17?

23 MR. CASEY: I am not sure about the dates there. I know
24 the document was signed January 17. I think the meeting was
25 January 17th. No, maybe the meeting was --

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1 MR. ARMSCOST: The meeting was January 7th.

2 MR. CASEY: The meeting was January 7th.

3 SENATOR BYRD: January 7th?

4 MR. CASEY: Yeah, January 7th was the meeting.

5 SENATOR BYRD: What was the purpose of that meeting?

6 MR. CASEY: That was to discuss the whole initiative. It
7 was -- we had said, as early as December, that we felt that a
8 Finding should be prepared. And the Finding was prepared. And
9 then I guess the policy was reviewed again January 7th, and then
10 the Finding was finally finalized and signed on January 17th.

11 SENATOR BYRD: Now, as early as December you had discussed
12 the necessity of a Finding, is that correct?

13 MR. CASEY: Yes; yes.

14 SENATOR BYRD: For what reasons? One and two -- may I
15 finish my question? For the reasons of authorizing the arms
16 shipments and the purposes to be achieved thereby, or -- and/or
17 the reporting of Congress and the necessity of not reporting to
18 the Congress.

19 MR. CASEY: Well, I think that is not the way it works.

20 SENATOR BYRD: But they are both included in the Finding.

21 MR. CASEY: Well, we wanted a Finding. We said, look, if
22 we are going to do all these activities, we have to have a
23 Finding. And then the question of the kind of a Finding and
24 everything else came up. And that was turned over to the --
25 normally is, to our DDO people and an interdepartmental group

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1 which has a Defense and a State and an NSC representative. They
2 get the Finding together, or CIA may do the draft and they send
3 it around to this group who make inputs from each Department --

4 MR. ARMACOST: I have to say, Bill, I don't believe anybody
5 in the State Department saw the Finding.

6 MR. CASEY: Oh.

7 SENATOR BYRD: Pardon me, what was that?

8 MR. ARMACOST: I don't believe anybody in the State Depart-
9 ment saw the Finding. I don't know what the normal procedure
10 would have been, but I was unaware of it and I don't believe the
11 Secretary saw it.

12 MR. CASEY: Well, I'm not sure they did either. I am just
13 telling you how it normally works.

14 SENATOR BYRD: Now, in the Finding --

15 MR. CASEY: I am quite sure the Secretary saw the Finding
16 at the meeting.

17 MR. ARMACOST: I don't believe so.

18 MR. CASEY: That's so? All right.

19 SENATOR BYRD: The Finding authorized the shipments, and it
20 also required the CIA -- directed the CIA not to report to the
21 Congress.

22 MR. CASEY: Right.

23 SENATOR BYRD: Now, that discussion, the discussions which
24 led up to the decision that there should be a Finding --

25 MR. CASEY: Yeah.

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1 SENATOR BYRD: -- began as early as December, as I under-
2 stand.

3 MR. CASEY: Yeah, I think maybe even earlier. Maybe late
4 December.

5 SENATOR BYRD: You mean late November.

6 MR. CASEY: November. After the shipment had been completed
7 and had been authorized, and we said we're not going to do this
8 again without a Finding, and then I think they started talking
9 about the kind of a Finding and when.

10 SENATOR BYRD: Now, who proposed that the Congress be
11 circumvented?

12 MR. CASEY: I don't know who proposed that initially. I
13 can't tell you who proposed that initially. As I said, I was
14 not in the country at the time, at the inception of that exercise
15 The first meeting in December I was away, and my Deputy was there
16 And then the process went on in the bureaucracy putting together
17 the Finding, and I guess it was finalized in January.

18 SENATOR BYRD: What about the meetings in which you parti-
19 cipated. You said you agreed with the prevailing view.

20 MR. CASEY: Yeah.

21 SENATOR BYRD: Who raised a question? Did anybody raise the
22 question with regard to the interpretation of this statute?

23 MR. CASEY: I think that that interpretation of the statute
24 was part of the basic tools that we work with. That is nothing
25 new. That interpretation is -- there has always been three ways

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666 1 to go. One, the leadership; one, the President exercises his
2 constitutional authority; and the third is the normal way where
3 you put it through the -- around the robin to all the Committees.

4 SENATOR BYRD: Well, surely there must have been --

5 MR. CASEY: I believe that somewhere early on there was a
6 general acceptance that it was important in this job if we were
7 going to do it, in as secure and in a closed way as we could,
8 and a disposition to go with the most secure route, which is
9 generally deemed to be the constitutional route. It was that
10 kind of a general decision. I don't think there was a lot of
11 discussion about it.

12 SENATOR BYRD: Well, I am rather surprised there wouldn't
13 be a discussion of this, which would obviously be a very central
14 point of criticism, in the event that this matter ever came out.

15 MR. CASEY: You once told me, Mr. Leader, that President
16 Carter talked to you before the Iranian Finding, and there wasn't
17 a great deal of discussion about what kind of notification it
18 would be.

19 SENATOR BYRD: Yes. Well, let me say to that, Mr. Casey,
20 I did not only tell you --

21 MR. CASEY: No, no.

22 SENATOR BYRD: -- I told my colleagues, Republicans and
23 Democrats, following that situation. That is number one. Now
24 let me respond to that. That is number one. In that situation,
25 you had over 50 hostages whose lives were at stake then, and

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1 you had the crews of six helicopters whose lives were at stake
2 then, and the whole operation was, as I remember, something like
3 an 11 day matter. And thirdly -- thirdly, I criticized the
4 President of my Party on that occasion for not having taken into
5 his confidence at least a few persons, Democrats and Republicans
6 on this Hill, who as I said to him, can keep a secret as well as
7 anybody in this White House. And I say that again.

8 Now, we keep --

9 MR. CASEY: Well, look, I understand what you are saying
10 entirely.

11 SENATOR BYRD: So there is no secret about that.

12 MR. CASEY: I understand that. All I am saying is, I think
13 you can understand how these decisions are made. They sometimes

14 SENATOR BYRD: I don't understand --

15 MR. CASEY: -- don't have a lot of discussion.

16 SENATOR BYRD: No, I don't understand how this decision was
17 made. But let me say finally on that, we can't keep looking
18 back at Iran and the hostages under the Carter Administration.
19 I think this Administration has to be accountable for what it
20 has done.

21 MR. CASEY: I am not trying to excuse anything on the basis
22 of the Carter Administration. I am merely trying to remind you
23 of how these decisions get made. They don't always have a lot
24 of discussion. I know I wa-n't in a lot of discussion on this.
25 I accepted the decision and the conclusion, and I know there were

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869 1 three ways to do it, and I was inclined to do this one in the wa
2 it was done.

3 SENATOR BYRD: Well, let's leave the Carter situation for
4 the moment and I don't mind discussing that anywhere.

5 MR. CASEY: I don't want to get back into the Carter
6 situation at all. I am trying -- what I am trying to talk about
7 how decisions are made in this government under either Adminis-
8 tration. They are made very quickly, people are doing a lot of
9 other things, and there isn't a lot of discussion sometimes.

10 THE CHAIRMAN: Mr. Leader, could I interrupt just one second
11 to clarify. Who has to leave here at 1:30?

12 MR. CASEY: I have to be with the House Committee at 1:30.

13 THE CHAIRMAN: Oh, you have to meet with the House Committee
14 at 1:30. Okay. Well, we still have Mr. Bradley -- Mr. Bentsen
15 has left, Mr. Boren has left -- Mr. Murkowski and Mr. Nunn and
16 Mr. Moynihan. Is that correct? Have I got that right?

17 SENATOR BYRD: Could I ask one further question.

18 THE CHAIRMAN: That's fine. I just wanted to clarify that
19 we have got about 20 minutes left.

20 MR. CASEY: I'll come back here if you want me to.

21 SENATOR BYRD: Yes, I'll be glad to come back also.

22 One final question, then perhaps I can follow this up later.
23 Did the Secretary of State and/or the Secretary of Defense in
24 particular or did anyone else at any of the meetings you attended
25 beginning prior to January 17th, inclusive of January 17, or

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1 following that meeting, raise a strong opposition to this idea,
2 to this kind of operation, trafficking in arms with a terrorist
3 state, and also raise a question with respect to advisability
4 and the legality of not reporting to the Congressional Committees
5 or at least the -- if we might say, let's say the eight
6 individuals whose titles are spelled out in the --

7 MR. CASEY: I want to be very clear about this, Mr. Leader.
8 I want to be very clear about this.

9 SENATOR BYRD: Yes; all right.

10 MR. CASEY: They did raise strong objection to the concept
11 of dealing with the Iranians, and there was a split there. As
12 far as I can remember, they did not raise any objection as to
13 the procedure elected. Now, they may have done it, but in my
14 recollection I did not hear them raise any objection as to the
15 process. They did raise strong objections to the idea and the
16 concept. Is that clear?

17 SENATOR BYRD: Who did?

18 MR. CASEY: Secretary of State and Secretary of Defense.

19 SENATOR BYRD: And how about with regard to not reporting
20 to the Congress?

21 MR. CASEY: As far as I can remember, they did not raise
22 any objection to that. They accepted that. It was a technical,
23 procedural issue. Now, they may have been uneasy about it, and
24 maybe they did raise an objection, but I don't recall it and I
25 don't know about it at this time.

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1 SENATOR BYRD: Mr. President, I thank the Chair and the
2 Members for their indulgence.

3 THE CHAIRMAN: Thank you, Mr. Leader. Mr. Bradley.

4 SENATOR BRADLEY: Thank you, Mr. Chairman. Mr. Casey, let
5 me just say, your interpretation of 502 I think really is a
6 gigantic loophole that would allow the Executive Branch to
7 virtually do anything and not be required to report to the
8 Congress. I strongly disagree with that. I don't think that
9 this meeting is going to resolve it --

10 MR. CASEY: It is a big argument that has been going on a
11 long time.

12 SENATOR BRADLEY: -- and I think it is only some future
13 legislation will resolve it. I don't want to deal with that,
14 but I think I ought to put -- I think you're getting this
15 message loud and clear.

16 MR. CASEY: Okay. Sure.

17 SENATOR BRADLEY: Who participated in the drafting of the
18 Finding?

19 MR. CASEY: I think the General Counsel, our General Counsel
20 did. I think probably the people in our Directorate of Operation
21 did. I think some had --

22 SENATOR BRADLEY: Mr. George? Did Mr. George participate
23 in that?

24 MR. CASEY: I don't know whether -- either he did it or
25 he delegated it to somebody.

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1 MR. GEORGE: We did not. The General Counsel was the Agency
2 representative in the drawing up of that.

3 SENATOR BRADLEY: You did not participate in the Finding?

4 MR. GEORGE: I did not. It was handed me --

5 SENATOR BRADLEY: Not one meeting did you participate in
6 the drafting.

7 MR. GEORGE: No I did not.

8 SENATOR BRADLEY: So who was it, the General Counsel?

9 MR. CASEY: Yeah.

10 SENATOR BRADLEY: And who else?

11 MR. CASEY: I really can't tell you now. I saw it at some -

12 SENATOR BRADLEY: Anyone from the Defense Department.

13 MR. CASEY: I saw it at some point.

14 SENATOR BRADLEY: No one from the Defense Department? Mr.
15 Armitage?

16 MR. ARMITAGE: No, sir, nobody from the Defense Department.

17 SENATOR BRADLEY: Anybody from the State Department?

18 MR. ARMACOST: No, sir.

19 SENATOR BRADLEY: Anyone from the CIA? The General Counsel'
20 office, is that it?

21 MR. CASEY: The General Counsel participated. Whether
22 anybody else did on it --

23 SENATOR BRADLEY: Anyone other than Mr. Sporkin?

24 MR. CASEY: I don't know.

25 SENATOR BRADLEY: You don't know?

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1 MR. CASEY: I could find out and let you know.

2 SENATOR BRADLEY: Well, I think it would be important that
3 we get that on the record.

4 Could you tell me who in the Executive Branch participated
5 in -- in the White House?

6 MR. CASEY: I can't be sure.

7 SENATOR BRADLEY: You can't be sure?

8 MR. CASEY: No. You know, I am sure the NSC was involved in
9 it. Who at the NSC worked at it --

10 SENATOR BRADLEY: The NSC was involved?

11 MR. CASEY: Yeah.

12 SENATOR BRADLEY: And who on the NSC participated?

13 MR. CASEY: I really can't tell you all who might have been
14 in. I would be just guessing.

15 SENATOR BRADLEY: Is there anyone here from the General
16 Counsel's office?

17 MR. CASEY: Yeah.

18 SENATOR BRADLEY: Can the General Counsel's office tell us
19 who participated in the meeting that you used go draft the --

20 MR. DOHERTY: Well, I was not the General Counsel then. I
21 know that the then General Counsel had discussions with -- when
22 you say participate in the drafting, I assume you mean the
23 process. He had factual input from the operational people
24 indicating the facts --

25 SENATOR BRADLEY: So who in the operations department did

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1 the General Counsel have discussions with?

2 MR. DOHERTY: I'll have to get those details.

3 SENATOR BRADLEY: But not with Mr. George.

4 MR. DOHERTY: If he says -- if he says no, I am sure it
5 wasn't Mr. George.

6 SENATOR BRADLEY: Mr. George, you say no?

7 MR. GEORGE: The first I saw the Finding it was complete.

8 SENATOR BRADLEY: Pardon?

9 MR. GEORGE: The first time I spoke of the Finding -- or
10 saw it, it had been completed.

11 MR. CASEY: I think it is likely it was done at the NSC
12 and it would --

13 SENATOR BRADLEY: Okay. Is it possible that in addition
14 to providing us with the names in the General Counsel's office,
15 who in the NSC participated.

16 MR. CASEY: I will try to gather that information and provide
17 it to you.

18 SENATOR BRADLEY: Okay. Now, as I understand it, there was
19 a November expenditure of money that was approved by Mr. McMahon,
20 right?

21 MR. CASEY: I guess so. I am not sure.

22 MR. GEORGE: No expenditure. It was use of the proprietary.

23 SENATOR BRADLEY: What was the charter airline you referred
24 to?

25 MR. CASEY: Use of the proprietary.

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1 SENATOR BRADLEY: it was the use of a CIA proprietary.

2 MR. CASEY: Proprietary plane.

3 SENATOR BRADLEY: So no expenditure of money.

4 MR. CASEY: It was paid for by the Iranians, I guess,
5 wasn't it.

6 SENATOR BRADLEY: But it was the use of a CIA proprietary
7 airlines.

8 MR. CASEY: They billed the shipper and the shipper paid
9 for it.

10 SENATOR BRADLEY: But the airline was a CIA proprietary.

11 MR. CASEY: Yeah, that's right.

12 SENATOR BRADLEY: Now, had this ever been done before?

13 MR. CASEY: Well, it is kind of hard for me to answer that
14 categorically. I assume they had.

15 SENATOR BRADLEY: Mr. George, has the CIA proprietary
16 airline ever flown to Iran before?

17 MR. GEORGE: Yes. It is my understanding it had on one
18 occasion.

19 SENATOR BRADLEY: When was that?

20 [REDACTED] We'll get you the exact date, sir. It has
21 been in at least once on a normal commercial --

22 MR. GEORGE: The plane sits commercially in [REDACTED] and
23 operates as a commercial entity taking contracts, as all
24 commercial planes do. Our looking into -- that very question
25 has been asked, had it ever flown before to Tehran. We have an

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1 indication that a year before it had flown to Tehran on a
2 regular commercial contract.

3 SENATOR BRADLEY: And did you know about that at that time,
4 Mr. Casey?

5 MR. CASEY: No, I was out of the country at that time, as I
6 told you.

7 SENATOR BRADLEY: No, no, no. The year before.

8 MR. GEORGE: He would not know that.

9 MR. CASEY: No, I didn't know that.

10 MR. GEORGE: Nor would we have known, Senator.

11 SENATOR BRADLEY: So that even though we have a policy of
12 an arms embargo against Iran and no dealings with the Iranian
13 government --

14 MR. CASEY: I don't check up on all the --

15 SENATOR BRADLEY: -- we can have a CIA proprietary airline
16 fly to Iran with what -- nobody knows it's flown, nobody knows
17 what's in it, and nobody has given approval or has any kind of
18 control over it. Is that -- I understood that is what you have
19 said.

20 MR. CASEY: I think that is probably true, yeah.

21 MR. GEORGE: It is very hard to run an international commer-
22 cial airlines --

23 MR. CASEY: These CIA proprietaries are out there doing
24 business. They are supposed to obey the law, get clearances and
25 so on.

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1 SENATOR BRADLEY: Has Mr. Poindexter participated in this
2 venture any place outside the United States?

3 MR. CASEY: Not that I know of. I don't think so.

4 SENATOR BRADLEY: Did he meet with any Iranians? Did he
5 meet with any Israelis outside the United States?

6 MR. CASEY: I can't answer that, Senator. I haven't got
7 his diary.

8 SENATOR BRADLEY: Pardon?

9 MR. CASEY: I haven't got his diary. I don't know. I can
10 find out.

11 SENATOR BRADLEY: Could you find out and tell us.

12 MR. CASEY: I suspect that he met with Israelis in the
13 United States, but not outside the United States.

14 SENATOR BRADLEY: Pardon?

15 MR. CASEY: I suspect that he met with Israelis in the
16 United States but not outside the United States. I suspect that
17 he did not meet with Iranians, although he may have met with them
18 in the United States. He didn't meet with them out of this --

19 SENATOR BRADLEY: Could you provide that for the record?

20 MR. CASEY: Yeah. I will confirm that. That is what my
21 guess.

22 SENATOR BRADLEY: Okay. Now, as I understand your list of
23 events, on February 21st there was a meeting of U.S. and Iranian
24 parties, is that correct?

25 MR. CASEY: Yeah; yes.

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1 SENATOR BRADLEY: [REDACTED] was at that meeting on the United
2 States' side.

3 MR. CASEY: Which meeting is that, Clair?

4 MR. GEORGE: Between 19 and 21 February.

5 SENATOR BRADLEY: That is the first meeting with the Irani.
6 and the U.S., is that correct?

7 MR. GEORGE: That is not the first meeting.

8 MR. CASEY: I don't have all this detail with me, Senator.

9 [REDACTED] The first meeting is 5 through 7 February.

10 MR. GEORGE: 5 through 7 February, Senator Bradley.

11 SENATOR BRADLEY: 5 through 7. Who was at that meeting and
12 who was at the meeting on the 21st of February?

13 MR. GEORGE: Tom Twatton who was the --

14 [REDACTED] It was the NSC was present on 5 through 7
15 February.

16 SENATOR BRADLEY: The NSC? Who on the NSC was present?

17 [REDACTED] I don't know.

18 SENATOR BRADLEY: You don't know?

19 [REDACTED] I don't know. And on 19 through 21 Februar

20 MR. CASEY: On 5 February a U.S. official from NSC meet wit
21 a representative of the Israeli Prime Minister. Met in Germany.

22 SENATOR BRADLEY: I am talking about the Iranian. Iranian.
23 Iranian-U.S. meeting.

24 MR. CASEY: Yeah. Senior level Iranian officials and a
25 representative of the Israeli Prime Minister. That took place

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1 in Germany. I think it was [REDACTED] the Iranian; I think it
2 was probably Nir, the Israeli.

3 THE CHAIRMAN: Gentlemen, we have 10 minutes left.

4 SENATOR BRADLEY: Let me just get to this.

5 THE CHAIRMAN: All right.

6 SENATOR BRADLEY: The point is, who at this meeting spoke
7 Farsi?

8 MR. CASEY: They had an interpreter.

9 SENATOR BRADLEY: They had an interpreter?

10 MR. CASEY: Yeah.

11 SENATOR BRADLEY: Is that true, Mr. George? Did they have
12 an interpreter?

13 MR. GEORGE: We were not at this meeting. I do not know
14 who was at this meeting. We were at the later meeting --

15 MR. CASEY: I understand there was an interpreter who lived
16 in Geneva. They later superseded him by our interpreter.

17 MR. ALLEN: We understand one of the Iranian intermediaries
18 who spoke English did the interpreting.

19 SENATOR BRADLEY: The Iranian intermediary?

20 MR. CASEY: Yeah.

21 SENATOR BRADLEY: So the U.S. government went to this
22 meeting but did not have its own Farsi speaker, is that correct?

23 MR. CASEY: That's right; yeah, that's right.

24 THE CHAIRMAN: Bill, thank you very much. We'll follow up.

25 SENATOR BRADLEY: I think that just simply characterizes the

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1 nature of the operation, the unprofessionalism of the operation,
2 and the misguided direction.

3 THE CHAIRMAN: Mr. Murkowski.

4 SENATOR MURKOWSKI: Thank you, Mr. Chairman. Mr. Casey,
5 in the interpretation of Section 501 of the National Security
6 Act with the requirements for reporting to Congress, is it your
7 interpretation or the interpretation of your counsel that there
8 is any penalty for not providing that information, or if the
9 Members of the appropriate determine that indeed it was not
10 within reasonable compliance, is there any penalty, or is it just
11 a matter of not seeing fit to abide by it.

12 MR. CASEY: I don't think there is any statutory penalty.

13 SENATOR MURKOWSKI: No penal penalties, just one of those
14 things that is there for your interpretation?

15 MR. CASEY: It is a requirement. I think --

16 SENATOR MURKOWSKI: It is a requirement, but if it is not
17 done --

18 MR. CASEY: I think there are penalties. If we ignore those
19 requirements I think that you have ways of making it --

20 SENATOR MURKOWSKI: What might the penalties be for ignoring
21 Since there is no provision, apparently --

22 MR. CASEY: You have to figure that out.

23 SENATOR MURKOWSKI: Well, in other words --

24 MR. CASEY: I don't know of any specific penalty.

25 SENATOR MURKOWSKI: Mr. Chairman, I wonder if counsel for th-

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1 CIA would provide for the record whether in their opinion there
2 is any penal --

3 MR. CASEY: Dave, you want to respond to that?

4 MR. DOHERTY: Yes. That is not a criminal statute to the
5 extent that we did not comply with the law there would be reporti
6 provisions and the like. Our view obviously is that under our
7 interpretation that has been long standing that the President
8 has a constitutional right to determine in limited circumstances
9 not to report. So we don't see a violation. If there is a
10 violation of the law on our part, they are reporting provisions
11 of this kind of law, anyway, and there were no criminal
12 sanctions --

13 SENATOR MURKOWSKI: There are no provisions for any penalties

14 MR. DOHERTY: Well, as I said -- if penalties you mean going
15 to jail, then the answer is no.

16 SENATOR MURKOWSKI: Is any reference to --

17 MR. CASEY: No.

18 SENATOR MURKOWSKI: -- any action if you don't comply?

19 MR. DOHERTY: Other than as I said, the reporting require-
20 ments on our part and --

21 SENATOR MURKOWSKI: I know, but if you didn't report --

22 MR. DOHERTY: -- the political consequences --

23 SENATOR MURKOWSKI: -- what would be the penalty.

24 MR. DOHERTY: There is no criminal sanction.

25 SENATOR MURKOWSKI: There is no penalty, in other words.

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1 MR. DOHERTY: If your definition is a criminal sanction.

2 SENATOR MURKOWSKI: Not necessarily a criminal, a non-
3 criminal. What might be a penalty under a non-criminal sanction?

4 MR. DOHERTY: Well, there may be administrative provisions
5 there are administrative provisions that provide for reporting.

6 SENATOR MURKOWSKI: But if the reporting isn't done, is
7 there a provision?

8 MR. DOHERTY: No one is going to pull our license or anything.
9 It is not like an SEC statute where there are administrative
10 sanctions.

11 SENATOR MURKOWSKI: Thank you.

12 MR. DOHERTY: There are political consequences, obviously.

13 SENATOR MURKOWSKI: Thank you. Mr. Chairman, my next
14 question I will be brief, because I recognize the time. Mr.
15 Casey, what was the motivation to initiate the so-called risk.
16 Was it to primarily establish a relationship hopefully with the
17 splinter group of the Iranian government, or was it to initiate
18 exchange for the hostage.

19 MR. CASEY: Well, as I think I read in my opening statement
20 there were four purposes. One was opening up the relationship;
21 one is to divert the Iranians from the practice of terrorism;
22 one was to bring the --

23 SENATOR MURKOWSKI: So it was a combination.

24 MR. CASEY: -- war to a close; and the fourth was to help
25 get our hostages back.

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1 SENATOR MURKOWSKI: So it was a combination including both
2 the hopeful establishment of a relationship with the Iranian
3 splinter group and the exchange of the hostages. But in view of
4 my limited time in government, but my observation that there
5 virtually are no secret, wasn't the recognition as you stated in
6 your testimony, this is only the second time in 10 years that
7 there has not been reporting to this Committee, and the other
8 one, the other instance was the Iranian hostage situation some
9 10 years ago, didn't that lead you to believe that is indeed was
10 a very, very high risk area and the consequences of exposure
11 were very, very real, and you know, we're faced with those
12 consequences today.

13 It would seem to me that while hindsight is cheap, let me
14 ask you the question then. In hindsight, what would you have
15 done differently? What might you have urged?

16 MR. CASEY: That's hard to answer. That's hard to answer.
17 I am always amenable to talking to the Committees about it. But
18 here there was a feeling, a consensus that we would not do it
19 at that time, and I think that was just a risk we took at the
20 outset and it is a risk we live with.

21 THE CHAIRMAN: Frank, how are we doing?

22 SENATOR MURKOWSKI: I am through. Thank you, Mr. Chairman.
23 Thank you, Mr. Casey.

24 THE CHAIRMAN: Okay. Sam Nunn.

25 SENATOR NUNN: Mr. Chairman, I'll try to make my questions

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1 to the point, and maybe we could get as close to that kind of
 2 answer also, Director Casey. First question. Did we or did
 3 Israel deliver any spare parts for the F-4s or the M-48 tanks?

4 MR. CASEY: I don't know, off hand.

5 SENATOR NUNN: How about the Israelis? Did they?

6 MR. CASEY: I don't know.

7 SENATOR NUNN: Could you search the intelligence files and
 8 give us that answer, please?

9 MR. CASEY: Yes.

10 SENATOR NUNN: I have here a staff summary of [REDACTED]

11 MR. CASEY: Huh? What is that?

12 SENATOR NUNN: I have here a staff summary of [REDACTED]
 13 [REDACTED] and I know this is sensitive, and I
 14 have already asked the Director here, Barnie, to see if everyone
 15 can stay in for this, and he says they can. I would like to
 16 read you just two or three of these [REDACTED]

17 [REDACTED] And ask you
 18 if you could, to be brief, true, false or partial, just one of
 19 those, because I don't have time to go through all of them. I
 20 would like to come back and do this in detail.

21 First of all, this is quoting from this memorandum, [REDACTED]
 22 [REDACTED] at least, all the discussions pertain to deals of arms
 23 sales in return for the release of hostages.

24 MR. CASEY: Well, that doesn't surprise me. [REDACTED]

25 [REDACTED] There were [REDACTED]

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[REDACTED] and even asking you could think of was in them.

2 SENATOR NUNN: All right. Second, the first arms delivery
3 involving the United States is on September 14th, 1985, the same
4 day that Reverend Weir is released. [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 MR. CASEY: I don't know where that comes from; I don't know
9 how to assess it.

10 SENATOR NUNN: Third. [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]

15 MR. CASEY: One man's opinion. [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 SENATOR NUNN: All right. Next question. Is it true that
19 we were supplying intelligence to both Iran and Iraq?

20 MR. CASEY: Yeah.

21 SENATOR NUNN: On tactical --

22 MR. CASEY: No. At different times -- I can tell you the
23 story on that. We have been providing intelligence to Iraq for
24 three years, and this tactic -- more substantive, and when this
25 relationship with Iran developed, we were providing intelligence.

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1 about the Soviet threat in the north, and some intelligence about
2 deployments way back in the -- quite a ways from the front of
3 Iraqi --

4 SENATOR NUNN: Let me -- I am going to have to come back on
5 all of these, but let me move on. [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]

10 MR. CASEY: Well, he probably was.

11 SENATOR NUNN: Was that information accurate?

12 MR. CASEY: We don't know. We don't know. We think Buckle
13 was killed by the captors -- I'm not sure about that. He died.
14 Died of pneumonia, but it was --

15 SENATOR NUNN: It seems to me this directly conflicts every
16 thing we have heard from the President about the fact that the
17 Iranians were being more cooperative. [REDACTED]
18 [REDACTED]

19 MR. CASEY: That goes back two years ago. No, I'm not --
20 no, we're not saying that the Iranians are any saints. We're
21 saying they moved a little bit. That's all we've ever said.

22 MR. GEORGE: Senator Nunn, may I say, sir, that Mr. Allen
23 here has those with him, and we can go over those with you at
24 some time. Some of this is false, true, this and that on both
25 things.

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1 SENATOR NUNN: I understand that. It may or may not be
2 true. Now, here is my point, and this to me is very important.
3 First of all, we know that these were [REDACTED] They came from
4 our government. Now, who was furnished these [REDACTED] as this
5 whole operation was transpiring? Were you, Director Casey,
6 furnished these [REDACTED]

7 MR. CASEY: Yeah, I had them.

8 SENATOR NUNN: Who else?

9 MR. CASEY: Can't tell you. Charlie, can you tell us who
10 was getting those [REDACTED]

11 MR. ALLEN: Yes, sir. It was the National Security Advisor,
12 Mr. McFarlane and then Mr. Poindexter; the Secretary of Defense,
13 Mr. Weinberger; and the Assistant to the Chairman of the Joint
14 Chiefs of Staff.

15 SENATOR NUNN: Who is that?

16 MR. ALLEN: That was Admiral Moreau and then it was Bennett
17 and then Mohring, General Mohring.

18 SENATOR NUNN: So the Joint Chiefs had these [REDACTED]

19 MR. ALLEN: Yes, sir.

20 SENATOR NUNN: Director Casey, if we knew this
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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1 [REDACTED]
 2 [REDACTED] I just
 3 don't understand. This is --

4 MR. CASEY: I think you have to understand that what you are
 5 getting here [REDACTED]

6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED] It was all very --
 9 very little credibility. And I don't think we have put too much
 10 assessment [REDACTED]

11 SENATOR NUNN: [REDACTED]
 12 [REDACTED]
 13 [REDACTED]

14 MR. CASEY: Just [REDACTED] opinion.

15 MR. GEORGE: That is [REDACTED] Senator Nunn, and
 16 goodness knows what [REDACTED]
 17 [REDACTED]

18 SENATOR NUNN: [REDACTED]
 19 [REDACTED]

20 MR. GEORGE: That is [REDACTED]
 21 [REDACTED]

22 MR. CASEY: [REDACTED]
 23 [REDACTED]

24 MR. GEORGE: Using the names of [REDACTED]
 25 [REDACTED] government officials.

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1 SENATOR NUNN: [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 MR. ALLEN: These individuals that were principally involv
7 [REDACTED] were people involved strictly in procur
8 ment activities, and it is not surprising that they looked at t
9 in a very narrow context. You cannot understand this project
10 just on the basis of [REDACTED] and I think I can interpre
11 a good deal of the material for you.]

12 SENATOR NUNN: Well, I am not saying that we could say tha
13 all this is accurate. I am saying that here we have the top
14 four or five people, including NSC people, including Director
15 Casey, including others, that understood and were informed all
16 along [REDACTED]
17 [REDACTED] and yet we continued right
18 on.]

19 That's all, Mr. Chairman.

20 THE CHAIRMAN: Mr. Moynihan.

21 SENATOR MOYNIHAN: Mr. Director, do you have four minutes?

22 MR. CASEY: Yes, sir.

23 SENATOR MOYNIHAN: Well, first off, on a personal level,
24 is it your view that Bill Buckley is dead?

25 MR. CASEY: Yes.

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1 SENATOR MOYNIHAN: That's very sad.

2 MR. CASEY: I think we have had that view for a couple of
3 years.

4 MR. GEORGE: The hostages that have been let out, Senator
5 Moynihan, have as much as confirmed that.

6 SENATOR MOYNIHAN: And was he held by Iranians, Iranian
7 supporters?

8 MR. CASEY: No, held by Hezbollah; Lebanese Hezbollah.

9 SENATOR MOYNIHAN: Two questions, sir. We're sorry to hear
10 that, and I think we assumed that from what we've read in the
11 press. You said, as Senator Murkowski remarked, that the
12 President had twice invoked the, what we might call the
13 constitutional exception in 501, saying in advance that the
14 Committees will not be notified, saying in advance that we would
15 not give advance notification. But this is not the -- there has
16 been more than two occasions on which an activity has been
17 authorized about which we have not been in fact notified. The
18 mining of Nicaraguan harbors.

19 MR. CASEY: Oh, no, now, I take exception to that. That
20 clearly authorized. It was a change in tactics which we probably
21 should have told you about, and we actually did, and it was
22 publicly announced that this was going on. It was publicly
23 announced that the harbors were being mined. The EDN announced
24 it to the world. And we told the Committees right away, as soon
25 as they got back in town.

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1 SENATOR MOYNIHAN: Mr. Casey, this was 1984, as we ended up
 2 you signed and Senator Goldwater signed and I signed and the
 3 President approved a whole statement about this matter. Well,
 4 that is your recollection. Let's --

5 MR. CASEY: My recollection, I'll pick the historical recor-
 6 out on it. In the transcript.

7 SENATOR MOYNIHAN: But this is the point I want to ask you.
 8 We got into an operation here in which it was very questionable
 9 whether you could call it an intelligence operation. It was a
 10 diplomatic and a military initiatives and so forth. But it
 11 was quite explicitly the case that the Iranians would know what
 12 we were doing. Some Iranians would. Some Iranian military, some
 13 Iranian intermediaries, cargo handlers, soldiers.

14 MR. CASEY: Like we were dealing with Hitler's -- the guys
 15 that were trying to kill Hitler.

16 SENATOR MOYNIHAN: Were we sending arms to Nazi Germany?

17 SENATOR LEAHY: We only have an eight year term now.

18 MR. CASEY: Oh, yeah.

19 SENATOR MOYNIHAN: I see. I guess the question is, so it
 20 was inevitable that the Iranians begin by knowing, and inevitab-
 21 are going to find the day comes when it is to their advantage to
 22 make public what the Great Satan has been up to. Wasn't this
 23 really a means of concealing from the American public what was
 24 know by our adversaries?

25 MR. CASEY: I don't think we thought about it that way.

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1 can view it that way.

2 SENATOR MOYNIHAN: Could I just say this. It seems to me
3 that the interests of the Agency, the interests of the community
4 which this Committee is trying to protect, is so defeated -- you
5 interests are so defeated when you are used for political purposes
6 which are beyond your --

7 MR. CASEY: Well, why do you say political purposes. We
8 were used for national purposes, to achieve national objectives.

9 SENATOR MOYNIHAN: But the political object was to see that
10 for a long period of time the Iranians would know what the Ameri:
11 people did not know.

12 MR. CASEY: Well, I didn't view it that way. I viewed it
13 as protecting the people who were taking -- risking their live
14 in this undertaking.

15 SENATOR MOYNIHAN: Did we seriously suppose that you would
16 establish assets in Iran whose situation would be more secure
17 by the fact -- their situation would not be immediately comprom
18 the moment it was learned they had been in touch with the Unite
19 States government and receiving weapons from them?

20 MR. CASEY: That is why we tried to keep it quite, because
21 we knew they would jeopardized.

22 SENATOR MOYNIHAN: How could it be kept quiet.

23 MR. CASEY: We did keep it quiet for a while. This is a
24 risky, risky, hairy business.

25 SENATOR MOYNIHAN: But I would have thought if you had tr

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086 1 to get people to try to influence people inside Iran, you would
2 get in touch with your enemies and say they were your friends,
3 and that way they would shortly be eliminated.

4 MR. CASEY: I've got to think about that. Maybe I missed
5 a point there, missed a trick.

6 SENATOR MOYNIHAN: Thank about it. I must say you put in
7 jeopardy -- I ask the gentlemen behind you, you put in jeopardy
8 the confidence, this whole relationship which we worked so hard
9 to build up. And it was not the case that this Committee was
10 told in advance of the Nicaraguan harbor mining. I had -- and
11 it was Mr. McFarlane, who, Mr. Goldwater having said we were
12 not informed, and said so publicly in a letter to you, Mr.
13 McFarlane went to the Naval Academy, said we were. I said if
14 that is the case, I am not going to be Vice Chairman of this
15 Committee. And you very manfully came before this Committee and
16 apologized three weeks later, sir.

17 MR. CASEY: I apologized that I might have anticipated this
18 is something that I might have made a specific disclosure about
19 earlier on. I did make disclosure next time I talked to you. It
20 is right there on the record. Senator Goldwater knows it and
21 has admitted it. It is right there. And there was no attempt
22 to conceal it because the FDN themselves announced they were
23 doing it the moment they did it.

24 SENATOR MOYNIHAN: I think the pattern in both these cases
25 is our adversaries know something the Congress doesn't, though

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1 I can't see how that advances the interests of the intelligence
2 community.

3 MR. CASEY: My God, Congress knew as soon as they got back
4 to work and were ready to meet. They were told.

5 SENATOR MOYNIHAN: Well, sir, I only am trying to tell you
6 what I think. I am obviously not going on now. Thank you, ver-
7 much, Mr. Chairman.

8 THE CHAIRMAN: Thank you, Pat.

9 Bill, what is the explanation of the failure of the Agency
10 to notify this Committee of the \$40,000 that was expended on the
11 various TDY and other funds required by law?

12 MR. CASEY: Well, I am not -- can anybody answer that
13 question? I am too tired.

14 MR. GEORGE: I think I authorized those, and I could have
15 been mistaken. We were sending staff officers on staff travel
16 and we paid in a normal staff manner as we would normally do in
17 travel and per diem on any finding. We wouldn't charge travel.
18 The hotel room rentals and the audio [REDACTED] of those rooms would
19 normally have been charged against a covert action, and it was
20 not.

21 THE CHAIRMAN: And the legal explanation for the failure to
22 notify --

23 MR. GEORGE: Sir?

24 THE CHAIRMAN: Is one of you going to give us the legal
25 explanation?

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1 MR. GEORGE: I will take full responsibility for that.

2 MR. DOHERTY: Let me just add a legal aspect on it. I think
3 that 502 speaks in terms of reporting. We're talking 30 to
4 \$40,000 by the way. It speaks in terms of reporting to the
5 Committees these funds, if read literally, would totally eviscerate
6 501, and I think that issue was considered in the context of 502
7 and there is some suggestion in the statutory history that they
8 should be read consistent with one another. And so I would say
9 that we could -- would have to make the two provisions consistent
10 and accordingly that would take us back into 501 for purposes of
11 reporting. And you know, then you have the overlay of the
12 Constitution.

13 THE CHAIRMAN: Any other questions from Members of the
14 Committee?

15 SENATOR BRADLEY: Just one quick one. I would just like to
16 ask, I guess Mr. George or Armitage or Armacost, what has happened
17 to our contacts in Iran since all this has blown up? You know,
18 the premise of this was gee, we wouldn't want to tell the Congress
19 because it might endanger our contacts in Iran. What has happened
20 to them now?

21 MR. GEORGE: It is my understanding, Senator Bradley, that
22 extremely sensitive contacts continue.

23 SENATOR BRADLEY: So it didn't endanger them?

24 MR. ALLEN: Yes.

25 MR. GEORGE: Of course it endangers them.

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1 SENATOR MOYNIHAN: They were purchasing arms for their
2 government. They were procurement agents.

3 MR. GEORGE: I am informed that the contacts continue and
4 obviously it is very dangerous for them.

5 SENATOR NUNN: I can't hear; excuse me.

6 MR. GEORGE: Contacts continue, Senator Nunn, sensitive
7 contacts with these individuals, and to answer the question, of
8 course it is dangerous for them. It is very dangerous in Tehran
9 now for all the factions, as once again they go at each other.

10 SENATOR BRADLEY: When was the last contact?

11 MR. GEORGE: The last contact?

12 MR. ALLEN: There have been -- based on some intelligence
13 that we received as of yesterday, it would indicate that contacts
14 are continuing, but that the people involved in these contacts
15 are under surveillance and in extreme danger.

16 MR. McMAHON: Senator Bradley, Admiral Poindexter told us
17 this morning that the most recent contact was yesterday.

18 SENATOR BRADLEY: Yesterday. In the midst of all of this.
19 So the contacts continue in the midst of this furor, but you
20 wouldn't risk telling the Congress because it would endanger the
21 contacts.

22 SENATOR BYRD: Who is on our end of the contacts that
23 occurred as recently as yesterday?

24 MR. McMAHON: I don't know the answer to that. I assume that
25 it is someone who was in contact with Admiral Poindexter.

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1 MR. GEORGE: It is the National Security Council, Mr. Leader
2 MR. McMAHON: Someone on the National Security Council.
3 SENATOR BRADLEY: Someone on the National Security Council
4 yesterday had contact with one of these people?
5 MR. ARMACOST: I think National Security Council staff they
6 must have meant.
7 SENATOR BRADLEY: No, but someone on the National Security
8 Council staff yesterday had contact with some of these -- some
9 of our sources.
10 THE CHAIRMAN: That is what we were told.
11 MR. ALLEN: With the assistance of intermediaries.
12 MR. GEORGE: Through intermediaries.
13 SENATOR BRADLEY: That should really make the Secretary
14 of Defense and the Secretary of State feel very confident that
15 the foreign policy of this country is being handled well.
16 SENATOR BYRD: With the assistance of intermediaries; they
17 being Israelis?
18 MR. GEORGE: I think in this case they are exiled Iranians.
19 SENATOR BYRD: Living?
20 MR. GEORGE: In Europe. In Western Europe.
21 SENATOR BYRD: Paris?
22 MR. ALLEN: And there are some private Americans.
23 MR. GEORGE: I don't know where they live.
24 SENATOR BRADLEY: So what you are saying is that this whole
25 thing could be compromised even more were they discovered? The

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1 whole thing could blow up in the next week, two weeks, three week
2 into something much more serious than even now we're aware of,
3 because contacts continue and risks are being taken daily, is
4 that correct?

5 MR. GEORGE: Well, I am not sure that -- I don't want to be
6 the one standing here trying to explain it, but it would seem to
7 me that if you had contacts and you maintained those contacts and
8 your purpose was to have contacts with individuals in Iran, that
9 just because it all blew up in Washington, D.C., you wouldn't
10 stop having contacts.

11 SENATOR BRADLEY: But you are saying no, there's no --

12 MR. GEORGE: I don't know that, but I am not sure that it is
13 absolute in your description.

14 SENATOR BYRD: But isn't it implicit, if the Senator would
15 yield, if they are under surveillance as we are told, that they
16 are very much at risk. They are under surveillance. And if we
17 know they are under surveillance, and if we are so concerned
18 about the risk to their lives, why don't we stop this contact?

19 MR. GEORGE: I can't answer that.

20 SENATOR NUNN: Mr. Chairman, could I ask a couple of questions
21 of Ambassador Armacost and Mr. Armitage.

22 THE CHAIRMAN: Senator Nunn.

23 SENATOR NUNN: Do either of you know whether Israel has
24 shipped the spare parts for the tanks or the F-4 aircraft?

25 MR. ARMACOST: I don't know.

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1 MR. ARMITAGE: I don't know either. Those have been allega
2 tions that we've heard from time to time, but I have no definiti
3 knowledge of that at all.

4 SENATOR NUNN: Mr. Armacost, the State Department had an
5 aggressive program to try to prevent the shipment of arms from
6 everywhere in the world to Iran for two or three years. I know
7 Ambassador Fairbanks had that job of going around the world.
8 Maybe other people did. And yet Israel being a close ally of
9 our's, we don't know whether they have shipped crucial parts for
10 tanks and F-4 aircraft? Have we asked them?

11 MR. ARMACOST: In my experience, Senator Nunn, in the last
12 two and a half years in many meetings it's come up, and on each
13 occasion we've represented to them as we've represented to other
14 governments the purposes of our staunch operation of stemming
15 the flow to Iran. They have just as regularly denied in our
16 contacts that any government transfers were taking place, althou
17 they generally allowed a caveat to hang out there that private
18 activity might be going on which was beyond their control. I
19 certainly --

20 SENATOR NUNN: How do you personally view it, given the
21 background in policy, to know now -- maybe you did in years befor
22 that some of these parts were being carried, whatever, by the
23 CIA's aircraft.

24 MR. ARMACOST: Well, I made a lot of these representations
25 myself, and I feel a little foolish.

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1 SENATOR NUNN: Had you known that before, that we were
2 actually --

3 MR. ARMACOST: No, I didn't know it before. I heard about
4 this November --

5 SENATOR NUNN: -- using CIA proprietary aircraft to ship
6 parts to Iran. Had you known that?

7 MR. ARMACOST: No, I learned that yesterday.

8 SENATOR NUNN: Had Secretary Shultz known that?

9 MR. ARMACOST: Not as far as I am aware.

10 SENATOR NUNN: Mr. Armitage, had you known that?

11 MR. ARMITAGE: Secretary Weinberger did not know that.

12 SENATOR NUNN: Do you find it incredible that we would have
13 one of our agencies not only doing that, but our CIA would not
14 know what was being shipped on its own aircraft?

15 MR. GEORGE: I don't find that amazing.

16 SENATOR NUNN: I am asking -- I am not asking you, Mr.
17 George, I am asking the witnesses. I'll be glad for you to
18 answer in a minute.

19 MR. GEORGE: I am sorry, sir.

20 MR. ARMACOST: Well, I am not very familiar with these
21 proprietary arrangements, but I do find it somewhat surprising.

22 SENATOR NUNN: Mr. Armitage?

23 MR. ARMITAGE: I think the facts speak for themselves.

24 SENATOR NUNN: What does that mean?

25 MR. ARMITAGE: Well, that means that it is surprising, of

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1 course.

2 SENATOR NUNN: One other question to both of you. The TOW
3 missiles and the HAWK antiaircraft missiles, under the circum-
4 stances in the Middle East now between Iran and Iraq, do you
5 consider these, Ambassador Armacost, to be defensive weapons?
6 In the Iranian hands?

7 MR. ARMACOST: Well, I think it always is a matter of for
8 what purposes weapons are used.

9 SENATOR NUNN: That is why I asked you considering the
10 circumstances with Iran, saying their goal is to topple the
11 government in Iraq. How would you view those in your own person:
12 view of those weapons? Offensive or defensive, under the
13 present circumstances, in Iranian hands?

14 MR. ARMACOST: Well, I wouldn't be surprised if the Iraqis
15 would regard them as something other than defensive.

16 SENATOR NUNN: How do you view them?

17 MR. ARMACOST: Well, to the extent they were used against
18 Iraqi forces while they were deployed in Iraq, they would be
19 something other than defensive, but I don't know whether any of
20 them have been used. I really frankly don't know much about
21 their disposition.

22 SENATOR NUNN: Mr. Armitage, how would you view TOW missile
23 under the present circumstance being given to Iran, defensive or
24 offensive?

25 MR. ARMITAGE: I view them as defensive, and further given

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1 the overwhelming superiority of Iraq in terms of armor, in terms,
2 of APC type vehicles, to be not a balance affecting factor in the
3 war.

4 SENATOR NUNN: You don't think 2,000 TOW missiles affect the
5 balance?

6 MR. ARMITAGE: Oh, indeed, 2,000 TOWs could, if the TOW team
7 etc., had been well trained, and there were sufficient launchers,
8 Senator, to make them effective.

9 SENATOR NUNN: Well -- so you think it could affect the
10 balance?

11 MR. ARMITAGE: No, I said that my own feeling is that even
12 if they were very effective crews, that the overwhelming prepon-
13 derance of APCs and tanks, armored vehicles, on Iraq's side,
14 make them not a large factor in the balance.

15 SENATOR NUNN: Would you view Soviet missiles and missiles
16 in the Soviet hands in Europe, TOW missiles, when they are poised
17 toward an action in Western Europe, as being a defensive weapon?

18 MR. ARMITAGE: If they came across the border, I certainly
19 would not.

20 SENATOR NUNN: All right, sir. That is what the Iranians
21 have said they are going to do, Mr. Armitage. They have said
22 they are going to try to take Iraq. Now, how can you view TOW
23 missiles as defensive under those conditions. It is incredible.
24 Do you think the Iraqis are about to take Iran?

25 MR. ARMITAGE: No, we don't feel that that is the case.

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1 SENATOR NUNN: Don't you view the balance is the opposite?

2 MR. ARMITAGE: I view the balance in favor of Iraq.

3 SENATOR NUNN: The balance in favor of Iraq?

4 MR. ARMITAGE: The balance of forces is, by anybody --

5 SENATOR NUNN: I am saying in terms of the likelihood of
6 Iraqi offensive action now taking Iran; you think that is more
7 likely than Iran taking Iraq?

8 MR. ARMITAGE: No. I think the Iranians will light off any
9 offensive operation.

10 SENATOR NUNN: Who do you think would be more likely to
11 be able to seize substantial parts of the territory of the other
12 side?

13 MR. ARMITAGE: At the present time I think the likelihood
14 of either side seizing substantial parts is very small.

15 SENATOR NUNN: So there is no such thing in your book then
16 as a TOW missile being used offensively.

17 MR. ARMITAGE: No, of course it could be used offensively.
18 That was not the question you asked me, Senator. You asked me
19 my view of this sale. It could be used offensively, obviously.

20 SENATOR NUNN: Well, don't you think that is what the
21 Iranians plan to do with it?

22 MR. ARMITAGE: I think in this case probably not. Frankly
23 I think that I would view them coming across the marshes again and
24 would make the TOWs not every effective in this environment. The
25 is were I view the offensive perhaps coming from.

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1 SENATOR NUNN: Why do they need the TOW missiles then? If
2 they are going on the offense and they are announcing a final
3 offensive?

4 MR. ARMITAGE: You'll have to ask someone else that question
5 Senator. I don't have knowledge of why they requested this or
6 why the decision was made to give these particular systems.

7 SENATOR NUNN: What you're saying is they are useless to
8 the Iranians, then.

9 MR. ARMITAGE: No, I didn't say they are useless. I said
10 that I could see them defensively being used, and I do not see
11 them being used where I think the offensive will come.

12 SENATOR NUNN: They could be used defensively after they
13 have seized certain Iraqi territory, and then there is a counter-
14 attack. Do you define that as defensive or offensive?

15 MR. ARMITAGE: If I were the Iranis, in that case I would
16 define it as defensive. But I take your point. We can argue
17 this point. I tried to answer your question.

18 SENATOR BRADLEY: Could I just follow on to Sam's question
19 with one question.

20 THE CHAIRMAN: Senator Bradley.

21 SENATOR BRADLEY: You said that their defensive -- they are
22 not -- there are no teams.

23 MR. ARMITAGE: The teams aren't trained.

24 SENATOR BRADLEY: Not trained. Is there any information,
25 either Mr. George, Mr. Armacost, or Mr. Armitage, of technicians,

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1 trained, heading or present in Iran, trained by Israelis or
2 third parties, or Israelis, now in Iran?

3 MR. ARMACOST: I don't have any information.

4 MR. GEORGE: I have none.

5 MR. ARMITAGE: I have none. Other Arab nations have some-
6 times speculated on that. I have no knowledge.

7 SENATOR BRADLEY: So to the best of our knowledge, they just
8 have all of this hardware and they have no knowhow.

9 MR. ARMITAGE: Well, they have limited knowhow, because it
10 has atrophied over the years; yes, Senator.

11 SENATOR BRADLEY: But your assessment would dramatically
12 increase if there was an upgrade in knowhow with the weapons that
13 are there.

14 MR. ARMITAGE: My assessment would increase.

15 THE CHAIRMAN: Gentlemen, as a part of the record of this
16 hearing there are a series of questions from Senator Carl Levin
17 and some other questions from the Chairman. If they could be
18 responded to.

19 SENATOR LEAHY: I will also during the next few days possible
20 have some more questions. And I would notify Mr. George, you may
21 want to pass on to Mr. Casey the same message I gave Admiral
22 Poindexter this morning. I fully take it as word of the President
23 when he says we will have absolute, total, full cooperation, and
24 I will have several more questions to ask because there are
25 still questions unanswered in my mind.

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1 THE CHAIRMAN: Ladies and gentlemen, thank you very much.

2 The hearing is adjourned.

3 (Whereupon at 1:55 o'clock p.m., the hearing was adjourned.)

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INTERVIEW OF

ROBERT GATES: DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Room 5026

New Executive Office Building

Washington, D. C.

Monday, January 12, 1987

The interview commenced at 2:03 p.m.

BEFORE:

The Honorable John Tower, Chairman

The Honorable Edmund Muskie

General Brent Scowcroft

ALSO PRESENT:

Rhett Dawson, Esq., Director

W. Clark McFadden, Esq., General Counsel

Nicholas Rostow, Esq.

Brian M. Bruh -

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~~UNCLASSIFIED~~ T B 000140 ²P R O C E E D I N G S

CHAIRMAN TOWER: Bob, we want to thank you for coming today. We feel that your testimony will be of very great importance to us, since it seems to be unlikely we will have a chance to talk to the DCI before we complete our work. And so we'd like as much help from you as we can get.

What we'd like for you to do in just your own narrative form is relate all of your involvement in what we have just called the Iran-contra affair from the time you first became involved, or any knowledge you had of it before you became involved would be helpful to us. We understand that your participation is fairly limited until October of last year, but anything you can say, any knowledge you have of before that, we would appreciate.

There are a number of things we will be interested in: your assessment of how the NSC staff functioned in all of this; why the CIA was not the lead agency in the program; and the other questions we will probably raise from time to time.

The session is Top Secret. If you have to go into any Codeword matters or feel it desirable to do so, or if we ask any questions that might lead you into Codeword areas, please flag it for us because we will have to clear the room of one or two people.

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1 So with that in mind, if you could proceed and
2 do so in your own way.

3 MR. GATES: All right. Before I go through my
4 role let me mention a couple of things that we are
5 providing to the Commission either today or tomorrow. We
6 will make available to the Commission the internal
7 factfinding study that was done by the Agency's Inspector
8 General established by the Director, I think on November
9 26. That document lays out in great detail all of the
10 Agency's activities in the entire affair.

11 The second is a speech that I gave to Agency
12 employees, which is being provided to all Agency
13 employees. I gave the speech on Thursday. It lays out
14 CIA's role in somewhat less detail, but offers some
15 self-critical judgments about the Agency's role and where
16 we made mistakes and so on, both of which may be of some
17 value to the Commission.

18 CHAIRMAN TOWER: Yes.

19 MR. GATES: In terms of my role, I think it
20 perhaps would be useful to start by addressing two pieces
21 of intelligence analysis that may have played some role
22 in the White House's interest in establishing a
23 connection with the Iranians, although it all happened
24 prior, as far as I can tell, the commencement of any
25 direct dealings with the Iranians.

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1 The first of these is a memorandum to the
2 Director, to the Deputy Director, and to me at that time
3 as Deputy Director for Intelligence and Chairman of the
4 National Intelligence Council by Graham Fuller on May 17,
5 1985. In this memorandum Graham laid out his view that
6 the Soviets appeared to have a number of opportunities to
7 advance their relationship in the ensuing months with the
8 Iranians and also laid out the notion that there could be
9 some significant instability in Iran before Khomeini died.

10 He then made a number of suggestions or listed
11 several options that -- well, he stated that in this
12 contest for influence in Iran the United States was at
13 that time at a disadvantage because we remained frozen in
14 hostility to the Iranians with virtually no contact,
15 whereas the Soviets were beginning to establish some
16 connections.

17 He then laid out the suggestions for ways in
18 which we might break through that, break through that
19 frozen hostility and establish, begin to make some
20 western connections with the Iranian government. He
21 suggested such things as the only military option
22 directly relating to Iran and the United States, he
23 mentioned, was withdrawing -- that if we wanted to make a
24 gesture of good will we could withdraw our units from the
25 Persian Gulf.

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1 But other suggestions he made included a more
2 adversarial relationship, taking into account what the
3 Soviets were up to in which the United States might
4 provide significantly enhanced weapons for both Iraq and
5 Pakistan as regional actors, particularly changing our
6 policy toward Iraq, which would not certainly gain us any
7 credit in Tehran but would be an adversarial way of
8 trying to intimidate them.

9 Another approach that he suggested might be
10 considered would be to let the Western Europeans try to
11 establish some contacts in Tehran and encourage them to
12 do that, and in effect act as a buffer between us and the
13 Iranians, but establish some Western or Japanese
14 influence in Tehran. He listed five or six of these
15 possibilities and the one he ultimately recommended as
16 his own personal view was to let the West Europeans serve
17 as intermediaries, for the United States not to do
18 anything directly.

19 But since there has been so much written about
20 that memorandum and some misinformation about what Graham
21 said and what he recommended, I thought it was worth
22 laying out, since that was done under my auspices, what
23 in fact he had said. That memorandum obviously is
24 available to the Commission.

25 GENERAL SCOWCROFT: Bob, is it your sense that

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1 this was self-initiated by Graham, not preceded by any
2 (a) discussions with NSC, like Howard Teicher, or with
3 Israelis or anything? In other words, you sort of
4 describe this as the first thing.

5 MR. GATES: Yes. My impression has always been
6 that it was self-initiated. I have not specifically
7 queried Graham on who he talked to or if somebody asked
8 him to think about it. We encourage the NIOs to do these
9 kinds of memoranda.

10 CHAIRMAN TOWER: So it would not be unusual to
11 have a self-starter in this area?

12 MR. GATES: Not at all. And Graham is one of
13 the most prolific on that score. He would not have
14 needed much of an excuse to sit down at his typewriter.

15 MR. ROSTOW: Excuse me. I have one question
16 about that. Did anybody mention the fact that there was
17 an existing channel of communication between the U.S. and
18 Iran

19 MR. GATES: No. He didn't mention that in his
20 paper at all. As I recall, then we received a specific
21 tasking from the NSC, the NSC staff member for the Middle
22 East. I don't remember whether it was Teicher or Kemp at
23 the time. I guess Kemp may have been gone at that time.

24 But we then received a specific tasking
25 memorandum for a special National Estimate on the

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1 prospects for instability in Iran, and that produced a
2 Special National Intelligence Estimate on the 30th of
3 May, just two weeks later, on prospects for instability
4 in Iran.

5 There are two general themes in that estimate
6 that are worth noting. One was that it picked up on the
7 concern in Graham's memorandum -- and Graham was the
8 author of the Estimate or the supervisor of the
9 preparation of the Estimate -- but it picked up on his
10 theme about the possibilities that existed for the
11 Soviets to enhance their position in Iran over the
12 ensuing six to nine months or so, that there were some
13 trade delegations that were being talked about, and there
14 were some other signs that there were some economic ties
15 being established and so on, that there were a number of
16 bits and pieces that offered the prospect of an enhanced
17 relationship between the two.

18 The other main theme of the Estimate was that,
19 given all of the internal problems in the Estimate in
20 Iran, the Estimate forecast that there might be
21 considerable instability in-country before Khomeini
22 died. So it was a fairly pessimistic assessment of what
23 the near-term future looked like in Iran.

24 Now those two pieces of paper were the primary
25 finished intelligence at about the time that this whole

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1 thing, as it my impression, began to get under way with
2 Iran through McFarlane or whatever. I don't have the
3 faintest idea what, if any, influence they had on the
4 decision to go forward.

5 They were there. The NSC clearly was
6 interested because of this formal tasking paper that we
7 received for the Estimate after they had read Graham's
8 original memo. So they may have played some role in that
9 regard.

10 GENERAL SCOWCROFT: At that point, either as a
11 result of the SNIE or whatever, were you all beating the
12 drums about the Soviet threat, about some new, enhanced
13 Soviet threat in Iran and so on? I mean, was there
14 developing a sense of urgency in that sense? So far it
15 doesn't sound like anything new, really.

16 MR. GATES: No, not particularly. The bits and
17 pieces that we had didn't suggest that the Soviets were
18 suddenly ready to make a giant breakthrough in Iran, but,
19 rather, that in a gradual process there looked like a lot
20 of opportunities for them to get a real foot in the door
21 over the next nine months or a year or whatever. But
22 other than these pieces of paper we weren't really all
23 agitated about it.

24 If I can go to Codeword for a minute --

25 CHAIRMAN TOWER: Hang on a second.

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(Whereupon, at 2:15 p.m., the interview proceeded into Codeword session.)

(Whereupon, at 2:17 p.m., the interview resumed in Top Secret session.)

MR. GATES: If I may resume, my first connection with this business came on the 5th of December, 1985, when the then-DDCI, John McMahon, held a meeting in his office consisting of myself, Bob Layton, the Director of the Near East analytical office, Ed Junowicz, the Associate Deputy Director for Operations, [] the Chief of NE Division, and [] the Deputy Chief of the European Division.

We later determined, later that day, and reported back to him that that was not true. [REDACTED]

[REDACTED]

[REDACTED]

He asked some questions about the tank strength of the Iranians. He asked about a biography of the head

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1 of the Iranian Air Force. There were four or five
2 questions like this, and I only remember it because his
3 special assistant jotted down some notes and has
4 reconstructed those. I didn't frankly remember any of
5 it.

6 He then turned to the operations guys and asked
7 a series of questions. He got a report on the fact that
8 the plane, which I now know in retrospect was the one
9 that went on the 23rd and 24th through Tehran that we had
10 from our proprietary, that the plane had gone, that they
11 were uncertain what had been on the plane. There was
12 some speculation at this meeting on the 5th whether there
13 had been HAWK spare parts on it.

14 He indicated or there was -- I don't remember
15 who said it -- that there was an indication that more
16 planes were going. And he was told by [] that the
17 Finding had been signed. He asked about the Finding and
18 was told that the Finding had been signed. So those of
19 us who were at the meeting had the impression that there
20 was some sort of ongoing initiative that probably
21 involved the U.S. Government delivering arms of some sort
22 to Iran. But it was still pretty sketchy at that point.

23 We did not get in at that meeting to a lot of
24 detail about really anything about the flight on the 23rd
25 and 24th, or how it had all been laid on or anything

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1 else. But those few pieces of information gave us some
2 insight into the fact, from the analytical side, to those
3 of us on the analytical side, that there was something
4 very substantial going on.

5 GENERAL SCOWCROFT: And that was the first you
6 had heard about the operation?

7 MR. GATES: That's right.

8 The next thing, where I got involved in all of
9 this, was on the 24th of January, when, as DDI, I was
10 asked for our people to prepare an [REDACTED]
11 [REDACTED] that could be shared with [REDACTED] as part of
12 a relationship -- some contacts going on between
13 ourselves and [REDACTED] I objected to the
14 preparation of intelligence that would be given to the
15 [REDACTED]

16 We were very concerned about [REDACTED] that time
17 and how [REDACTED] was. And in fact
18 we remained very worried about [REDACTED] really
19 until late August or September of this year, when the
20 [REDACTED] began to turn things around
21 psychologically or give the [REDACTED]
22 But we were really fairly worried about [REDACTED] the
23 time.

24 So we objected to providing the intelligence
25 and John McMahon passed along those objections, including

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1 to the Director, who was out of the country at the time
2 or away, as I recall. And the bottom line is that our
3 objections to providing intelligence were overruled. We
4 were asked to do it anyway.

5 And so what I did was try to have the analysts
6 pick a militarily relatively unimportant [REDACTED]
7 [REDACTED]

8 [REDACTED] and, frankly, do as little as we
9 could get away with [REDACTED]
10 [REDACTED]

11 So that meeting, that request was made on the
12 24th.

13 GENERAL SCOWCROFT: Were you overruled by the
14 Director, by Poindexter, or anyone?

15 MR. GATES: My understanding, in retrospect --
16 I got my instructions from McMahon. My understanding, as
17 we look back on it, was that McMahon went to Poindexter
18 and was overruled. He then sent a cable to the Director,
19 wherever he was, informing him of everybody's objections
20 to providing the intelligence and the fact that we had
21 been -- that our objections had been overruled and that
22 we were going ahead and following our instructions.

23 GENERAL SCOWCROFT: The New York Times this
24 morning says the intelligence provided was erroneous.

25 MR. GATES: That is not really true.

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1 GENERAL SCOWCROFT: Insignificant but accurate,
2 then?

3 MR. GATES: It was accurate, and what we ended
4 up providing at any rate would have been more than we
5 wanted.

6 What we did, we were asked to prepare [REDACTED]
7 [REDACTED], and they would hand over a
8 segment. The notion was that they would hand over a
9 different segment at each meeting, depending on whether
10 everything was going according to plan. So we tried to
11 get a part [REDACTED] that was really kind of [REDACTED]
12 [REDACTED], and we provided
13 things like [REDACTED] [REDACTED]
14 [REDACTED] So there was intelligence in there and it
15 was relatively accurate. I mean, it was accurate.

16 But we tried to keep it at as broad a level or
17 as general a level as we could without getting down into
18 specific [REDACTED] and that sort of thing. The New
19 York Times story this morning is basically wrong.

20 In any event, on the 25th of January, then,
21 there was a meeting with McMahon, Colonel North, and I
22 don't know who else, but presumably those who were
23 involved in preparing the materials -- Bob Layton of the
24 Near East office and probably somebody from the Near East
25 office of the Directorate of Operations. It's on the

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1 calendar and the only thing I can assume is that it was
2 to go over the materials that we had been asked to
3 prepare, and that's where we got into a little jockeying,
4 as I recall, about how much detail should be on there and
5 so on.

6 And it was on the 26th that McMahon sent his
7 cable to the Director in which he described our
8 opposition and the quote from it is "in spite of our
9 counsel to the contrary, we are proceeding to follow"
10 orders as authorized in the Finding." This was on the
11 provision of intelligence.

12 The second segment of the intelligence was to
13 be -- well, before I go to that, my first clear picture
14 of what the full scope of the arms deal to the Iranians
15 looked like, I think came in late January or very early
16 in February, when we were given -- and I think that the
17 DCO, Clair George was given it, but I saw it, in any
18 event -- a scenario paper that detailed the sort of
19 different dates and the different things that would
20 happen at different dates as part of this package.

21 That would culminate in a meeting with Bud
22 McFarlane and senior Iranian officials in Tehran to
23 discuss the broader strategic relationship of the United
24 States and Iran. The only thing that I specifically
25 remember out of that scenario to a degree, to give you a

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1 little flavor for it, was that it said that on the 11th
2 of February the Ayatollah would step down. But it
3 contained a lot of detail about who would do what and
4 when.

5 I might say, just kind of offhandedly, that my
6 recollection of it is that the scenario pointed in the
7 direction of the primary objective of the exercise being
8 the establishment of the strategic relationship and the
9 notion that -- it was indicated, for example, that we
10 would provide a briefing on the Soviet threat to Iran as
11 part of the McFarlane trip to Tehran -- and we began to
12 think about how we would put that package together.

13 The scenario at the same time laid out all of
14 the intermediate stages involving the return of the
15 hostages. And I must say it seemed to me, as I think
16 about it a year later, that the general flavor of this
17 scenario was that the hostages and the arms and so forth
18 were part of the process that led to the strategic
19 initiative. It did not appear in the scenario, as I
20 recall it, as having it being an end in itself. The
21 combination was regarded as the strategic dialogue in
22 Tehran, with Bud's trip.

23 The next tranche of intelligence that was
24 requested, the next segment of the border, if you will,
25 was provided on the 19th of February, and it was the same

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1 kind of material directly to the south of the first
2 segment that we had provided, and we can get you that
3 material if you want it.

4 It was at this time that the second SNIE,
5 Special National Estimate, came out on the prospect of
6 instability in Iran, and for all practical purposes that
7 estimate was rather less pessimistic than the one done
8 the preceding May. It basically said that a lot of the
9 opportunities that we thought the Soviets had had not
10 come to fruition, that for reasons on both sides they
11 hadn't gone as far as might have been possible. And it
12 also acknowledged that the Iranians had been more clever
13 and more resilient in terms of dealing with their
14 internal problems.

15 So the prospect of internal instability was not
16 as great as we had anticipated the preceding February or
17 the preceding May. So the basic thrust of that second
18 Estimate, eight or nine months later, was that the
19 situation was rather less pressing than we had originally
20 thought.

21 That was my last connection with the project
22 until before I became DDCI, but there were further
23 deliveries of intelligence to the NSC for the Iranians.
24 One was on 13 May, and that was the materials on the
25 Soviet forces. My understanding is that that material

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1 was not used when McFarlane was in Tehran. It was
2 presented later this fall at a meeting. And then the
3 final materials prepared were prepared or provided on the
4 19th of September.

5 That brings me to October 1. The NIO for
6 counterterrorism, Charlie Allen, came to see me on the
7 first. He described how he had been looking at all these
8 [] all these materials, and how []
9 [] not only about overcharging and
10 cheating and so forth, but it was clear that there was a
11 lot of unhappiness on the part of people, the
12 intermediaries and others, that he was reading about.

13 The primary purpose of his coming to me was to
14 lay out his concerns about the operational security of
15 the whole undertaking. He said that they had at that
16 time changed channels, had moved away from Ghorbanifar
17 into this nephew [] and the people who had
18 been in the first channel that Ghorbanifar had gotten the
19 money from and so on were the people that were unhappy,
20 and that was where all of this threat to operational
21 security existed as far as Allen could see.

22 After he went through all that he also said
23 that he personally speculated that there might have been,
24 there might be, some diversion of money, possibly to the
25 contras. The analysis or the way he arrived at that

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1 speculation was simply because of all this talk about
2 overcharges and cheating and the fact that he knew or
3 suspected that some of the people involved in the second
4 channel with the Iranians were also, some of the
5 Americans were also people who were involved in the
6 private funding effort for the contras -- General Secord
7 and perhaps some others.

8 But he made very clear that he didn't have any
9 indication that CIA was involved, that NSC was involved,
10 that anybody from the U.S. was involved. It just looked
11 like there was something -- or nobody from the U.S.
12 Government, that is, -- it just looked like there were
13 some things going on that didn't add up, and he was
14 suspicious. And he admitted he didn't have any evidence.

15 In any event, it bothered me enough that I told
16 him to make an appointment with the Director and we'd go
17 in and fill in the Director. We did that on the 7th of
18 October.

19 Coincidentally, on the same day or the same day
20 was when Roy Furmark first called the Director and said
21 that he had been a representative of Khashoggi and had
22 been involved in the Canadian investors putting together
23 the money for Ghorbanifar, the upfront money to use for
24 the Iranians, and that these guys hadn't been paid back
25 and that they were unhappy and so on. I learned all of

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1 this after the fact, but just to make the story coherent
2 I am telling you.

3 The Director indicates in his records, and
4 you'll see in both the speech and in the factfinding
5 investigation, that he first called Poindexter about the
6 problem of the diversion, about the problem of the
7 operational security, on that day, on the 7th of
8 October. Furmark did not say anything at all to the
9 Director about diversions. He did not talk about the
10 possibility of diversions of money until the 16th or the
11 22nd.

12 In any event, at the meeting on the 7th where
13 Charlie Allen and I met with the Director. He directed
14 Allen to put all of his concerns down on paper, and Allen
15 shared his speculation with the Director about the
16 possibility of some of the money being diverted to the
17 contras. The Director told him to put all of that down
18 on paper.

19 On the 9th of October Colonel North came out to
20 brief the Director on the talks that had just concluded
21 in Frankfurt with the second channel, the nephew

22 That meeting took place a day or two after
23 the private funding, the privately-funded airplane was
24 shot down and Eugene Hasenfus was captured. So we first
25 talked about Iran and North briefed on the conversations

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1 that had taken place.

2 The Director then laid out his concerns about
3 the operational security of the whole thing and the
4 unhappiness of the investors and so on. And then we
5 started talking about Central America. And since we had
6 North there I took that opportunity -- oh, by the way, in
7 the discussion of Iran it was at that point that I
8 insisted that the Agency get a copy of the Finding that
9 had been signed on January 17. We still did not have a
10 copy of that Finding, as of October 9.

11 GENERAL SCOWCROFT: But the Director had seen
12 it?

13 MR. GATES: He had seen it, and several other
14 Agency people had seen it. But we had no copy. I just
15 told North up front. I said, -I am very uncomfortable
16 with having a single piece of paper that authorizes our
17 activity reside in one person's safe and not having a
18 copy anyplace else. If it should ever inadvertently be
19 destroyed, whatever, there could be real problems.

20 We got our copy of the Finding a week or two
21 later.

22 MR. BRUH: Mr. Gates, may I ask you one
23 question? You said on December 5 that you all learned
24 that a Finding had been signed, or so you were told, that
25 a Finding had been signed.

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1 MR. GATES: Right. The DO told McMahon that.

2 MR. BRUH: Right. When you found out that in
3 fact the Finding had not been signed, was there any
4 reaction to that? Was there any action taken because of
5 that? Were there any conversations about that?

6 MR. GATES: Well, I wasn't involved in that --
7 and we're going back now almost a year to December '85.
8 I wasn't involved. But, retrospectively I think it is
9 fair to say we still don't know whether the December 5
10 Finding was ever signed.

11 It became kind of irrelevant because during the
12 intervening period between December 5 and when the
13 General Counsel saw a signed Finding on January 6, we
14 weren't asked to do anything. So it wasn't necessary. I
15 mean, it was, if you will, a pause in the whole thing, as
16 far as we were concerned, and since nobody was asked to
17 do anything there was no need to formally ascertain that
18 there was a Finding.

19 Frankly, I don't know, as you will see, and
20 here is the speech, Senator, that you all can have
21 (indicating) --

22 CHAIRMAN TOWER: Thank you.

23 MR. GATES: But one of the things that I say in
24 here in self-criticism is that the Agency should never
25 have allowed itself to be put in the position of being

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1 told there was a signed Finding and not having followed
2 up and seen that there was a signed Finding on December 5
3 or whatever that period was.

4 The fact is that nobody other than the General
5 Counsel ever saw the January 6 Finding. Most of the
6 people in the Agency didn't even know that there was a
7 Finding of January 6 until about three weeks ago. So it
8 seems to me that our own people were lax in not following
9 up and insisting on seeing a signed copy of the Finding
10 we were told, that McMahon was told on December 5 had in
11 fact been signed, because we still don't know that for a
12 fact.

13 In any event, this conversation with North on
14 the 9th then turned to Central America. We were talking
15 about the contras and the Director and I were going up to
16 see the Chairmen and Vice Chairmen of the two oversight
17 committees that afternoon, I believe, to talk about this
18 and to assure them that the Agency was not involved in
19 any way in the flight that Hasenfus was on.

20 Because of that I took advantage of the
21 opportunity to ask North directly if since he seemed to
22 know about the private funding effort, I asked him if the
23 Agency in any way, shape or form, if any of our assets
24 directly or indirectly, proprietary or whatever, had any
25 connection with the private funding at all.

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1 North responded that the Agency was completely
2 clean, that they had kept them very separate. It was at
3 that point and in the context of the discussion of the
4 downing of the plane and the Agency connection with,
5 whether there was an Agency connection, that North made.
6 some comment, a cryptic comment about Swiss accounts and
7 the contras. It was at the very end of the
8 conversation. We were kind of all getting up and getting
9 ready to go.

10 I assumed that it was not that it was
11 associated strictly with the private funding effort that,
12 for example, had funded the plane. It never occurred to
13 me that it had any connection, as I look back at it in
14 retrospect, that it had some connection with Iran or it
15 didn't seem to.

16 GENERAL SCOWCROFT: Do you think the question
17 was broad enough to North that his answer included the
18 diversion?

19 MR. GATES: Well, I really don't know. I never
20 pursued it with North. And when I went back into the
21 Director's office right after North left, I asked him. I
22 said, could you make heads or tails out of what he was
23 talking about with Swiss accounts and stuff?

24 Casey had not picked up on it at all, in my
25 view. He didn't remember what North had said, and this

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1 was like ten minutes after we had talked. He just hadn't
2 picked up on it. And, as I say, my memory is that we
3 were getting up to go and so on, and his mind may have
4 already turned to other things. But he didn't even
5 recall it.

6 In any event, right after lunch and after that
7 conversation, because of the Hasenfus affair and so on I
8 did a little memorandum for the record of North's
9 assurances that CIA was completely clean in the private
10 funding, and I didn't even mention the cryptic comment
11 about the Swiss accounts and contras, because I just
12 dismissed it. But in trying to prepare for these
13 hearings and so on I recalled this vague reference and
14 that was about it.

15 The next step was on the 14th of October.
16 Allen gave me his memorandum that the Director had asked
17 him to prepare. It laid out all of his concerns and
18 primarily again on the operational security. We tried to
19 get an appointment with Poindexter that afternoon and
20 couldn't, so we made an appointment for the afternoon of
21 the 15th.

22 That afternoon we met in Casey's Old EOB office
23 with Poindexter. We sat with him and had him read
24 Allen's memorandum right in front of us. Casey at that
25 point told him that he thought, as I recall, that he had

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1 a serious problem on the operational security and that
2 just based on what Allen had written that he thought that
3 poindexter ought to have the White House counsel look at
4 the whole thing and make sure that everything was all
5 above-board.

6 That same day I called in our General Counsel
7 and, based on Allen's memo and the Hasenfus affair and so
8 on, I asked our General Counsel to look across the board
9 at our involvement. I briefed him on what I knew about
10 the Iranian thing at that point, and about the Finding,
11 and so on. And I asked him to look and satisfy himself
12 that we were in full compliance with the law on those
13 activities.

14 GENERAL SCOWCROFT: Did poindexter make any
15 comment at this meeting?

16 MR. GATES: Casey recalls in his testimony that
17 John at that point made some comment to the effect that I
18 want to hold off a little bit. I think we still have the
19 opportunity to get a couple of hostages out. Among the
20 recommendations that had been made in that meeting was
21 that they ought to put this whole story out, that the
22 operational security was so at risk at that point that
23 the President ought to just lay it all out.

24 CHAIRMAN TOWER: This date was October what?

25 MR. GATES: October 15. I remember either

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1 Casey or I saying that if you all put this thing out in
2 totality and explain the rationale and so forth, it will
3 probably look reasonably sensible. If you let it come
4 out in dribs and drabs, it will be a catastrophe.

5 I then left for the Middle East on October 17,
6 so I wasn't around when they got the information from
7 Furmark -- additional speculation about the possible,
8 diversion of funds. Now it's important to consider that
9 both the way Allen had written it up in his memorandum
10 and the way Furmark presented it, in both cases the
11 possibility of a diversion was referred to in the
12 speculation as something Ghorbanifar believed might have
13 happened.

14 In the Allen memorandum he says Ghorbanifar, if
15 he doesn't get his money, is threatening to go public,
16 and if he doesn't get satisfaction here are the kinds of
17 allegations he might make. One of them is about the
18 whole Iranian arms affair; the other about the
19 President's involvement. And out of the four or five
20 things, the very last was the possibility of the
21 diversion of some of the funds to other U.S. projects is
22 the way that Allen put it in his memorandum.

23 Furmark, the way he couched it, he said to
24 Allen, when Allen talked to him in New York on either the
25 16th or the 22nd -- I don't remember which -- said that

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1 Ghorbanifar had told him that he, Ghorbanifar, believed
2 that there might have been some diversions.

3 Now again all we had was this speculation, all
4 of it traceable ultimately to Ghorbanifar, about this
5 possibility.

6 MR. MC FADDEN: On that point, when he said he
7 believed that Ghorbanifar believed that there might have
8 been diversions, did he mention the contras or was it
9 just diversions?

10 MR. GATES: Yes. He said something like that
11 the bulk of the original \$15 million or something like
12 that had "been earmarked for Central America".

13 CHAIRMAN TOWER: That was the only U.S. program
14 specifically referred to? Any reference to the Africans?

15 MR. GATES: No, sir.

16 The next thing that I recall was a meeting that
17 we had with Poindexter on the 6th of November in which
18 Casey again recommended to him that he have the White
19 House counsel look at the thing. As I recollect it, it
20 was at that meeting that Poindexter told the Director
21 that he didn't trust the White House counsel to keep the
22 thing a secret and he wanted to keep it going for a
23 little while longer because he thought they had a good
24 chance to get two more hostages out.

25 CHAIRMAN TOWER: This was on November 6?

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1 MR. GATES: November 6.

2 CHAIRMAN TOWER: This is two days after the
3 story broke in the Lebanese paper?

4 MR. GATES: Yes, sir. Now that really is the
5 last installment that we have in which I had any
6 association prior to the Attorney General's announcement.

7 CHAIRMAN TOWER: You say you took a trip to the
8 Middle East on the 17th?

9 MR. GATES: On the 17th, and I got back on the
10 30th of October.

11 CHAIRMAN TOWER: You didn't do anything that
12 was relevant?

13 MR. GATES: I didn't know anything about, quite
14 honestly, the meetings with Furmark until we began
15 preparing the Director's testimony.

16 CHAIRMAN TOWER: And you didn't do anything on
17 your Middle East trip relevant to this matter?

18 MR. GATES: No.

19 GENERAL SCOWCROFT: Allen didn't get any
20 intercepts during this period which indicated discussions
21 about diversion?

22 MR. GATES: No. In fact, I think it is
23 important to note that as far as the Director and I were
24 concerned, and really Allen and others in the Agency,
25 after Furmark's comments we never got anything else about

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1 any diversions until the Attorney General's statement,
2 and we never did get any indication in any of the
3 discussions or the speculation from either Furmark or
4 Allen that any U.S. Government institution was involved,
5 or that any laws were being broken, for that matter.

6 So we felt that we were actually kind of
7 leaning forward in terms of propriety by continuing to
8 bring this to Poindexter's attention -- having our own
9 General Counsel look over the whole thing, give Allen's
10 memo to Poindexter, and urging the NSC to have the White
11 House counsel look at the whole thing to make sure it was
12 all above-board.

13 GENERAL SCOWCROFT: Had anybody at this point
14 put together any of the information? I mean, you knew
15 how much money the Agency had been paid to turn back over
16 to DOD.

17 MR. GATES: Yes.

18 GENERAL SCOWCROFT: There were a lot of stories
19 about how much had been raised. Had Allen or anybody
20 else sat down and sort of looked at what the
21 possibilities might be?

22 MR. GATES: Maybe the easiest way to describe
23 how Allen looked at it is just to read you a paragraph
24 out of this speech relating to that. "Throughout the
25 late spring and summer of '86 our officers familiar with

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1 the operation had seen fragmentary references to
2 overcharging and had picked up other reflections of
3 dissatisfaction with the financial arrangements on the
4 part of both the Iranians and the intermediaries. This
5 was very difficult for our people to interpret, since it
6 was never clear if these references related to the NSC
7 deal or to other deals the intermediaries were involved
8 in. For that matter, such allusions did not seem all
9 that unusual, given the nature of haggling that goes on
10 in the black arms market and in the context of the tens
11 of billions of dollars of arms being sold to Iran by
12 others."

13 You see, Ghorbanifar had a bunch of things
14 going, and some of these other guys were involved in a
15 lot of other things as well. So it was very difficult
16 for us and, frankly, I think the reason that Charlie
17 never came to anybody before October was that it was not
18 until he knew that they had moved into another channel
19 and that Secord and some others were involved and he
20 began to see a possibility of a tie-in there that these
21 things began to seem to him to be more than just this
22 haggling relating to other deals.

23 That's why I think that happened. That
24 happened mainly in August-September.

25 GENERAL SCOWCROFT: Apparently George Cave was

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1 told at the time of McFarlane's May visit, George Cave
2 was told by Ghorbanifar to tell the Iranians that the \$24
3 million was about right.

4 MR. GATES: You will have to talk to George or
5 somebody else about that. My impression is that what he
6 was told was a little different than that, and this
7 allegation in the press that he was told about the
8 contras earlier in the spring was Ghorbanifar saying that
9 stuff was going to the Philippines and Afghanistan and
10 Central America and a whole bunch of other places. And
11 it came across to Cave in such a way that he didn't think
12 very much of it and he never reported it to anybody
13 because it sounded like Ghorbanifar just shooting off his
14 mouth.

15 But, anyway, that basically is a recap of the
16 role of the things that I was involved in.

17 CHAIRMAN TOWER: What is your opinion of why
18 the operational responsibility devolved on the NSC rather
19 than on the CIA?

20 MR. GATES: My guess is -- and it's only a
21 guess -- is because the original contacts -- my
22 impression is that the original contacts with the
23 Israelis were with the NSC and I would credit the theory
24 that there was concern at the NSC that if the Agency were
25 involved that the Congress would have to be informed.

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1 In fact, when McFarlane first told the DCI
2 about this, as I recall from some of the testimony that's
3 been given, Bud said that the Israelis didn't even want
4 CIA told about it, it was so secret and so sensitive, but
5 that he, Bud, felt that it was important that the DCI
6 know about it. This was back in September of '85 or
7 maybe a little earlier.

8 So I think it was out of a concern to maintain
9 the secrecy of the thing and basically that the contacts
10 were originally made in the NSC channel.

11 CHAIRMAN TOWER: But the CIA had to be involved
12 anyway, even though they weren't responsible for the
13 operation.

14 MR. GATES: Well, I think when the thing got
15 started they thought they could do it without the Agency,
16 you see, because operationally we didn't get involved
17 until November, until toward the end of November. So my
18 impression is that originally my estimate is that they
19 felt they could do the whole thing by themselves.

20 CHAIRMAN TOWER: Then would it have been
21 prudent for the CIA to take over the whole thing at that
22 point? You know, you can't be half pregnant as far as
23 the legal aspects or legal constraints of the CIA are
24 concerned. They apply as much to support of an operation
25 as actual operational responsibility, don't they?

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1 MR. GATES: Yes.

2 My problem with trying to answer that question
3 is the parts of the operation that I still don't know
4 about in terms of various funding mechanisms. But if you
5 set aside the very strange funding arrangements and the
6 possibility that the NSC had some role in arranging some
7 of the diversions and so on, if you set all that aside
8 for a moment and just look at it in terms of the
9 operation of the Iranians and the arms and the hostages
10 and the strategic dialogue, in my view the Agency, after
11 January, did play an appropriate operational role and in
12 terms of past experience of historical use of the NSC, in
13 terms of secret negotiations with another country, in
14 terms of secret dealings, in terms of cutting deals and
15 that sort of thing, the role of the NSC was not unlike
16 that that had been played in other situations, with CIA
17 carrying on the --

18 SENATOR MUSKIE: Such as?

19 MR. GATES: Well, a number of secret diplomatic
20 initiatives carried out particularly during the Nixon
21 Administration, where Kissinger was doing -- and Brent
22 knows more about the details about this than I do -- but
23 just by way of comparison the NSC was carrying out secret
24 negotiations with both the Soviet Union, China, and North
25 Vietnam at various points, and the CIA played a

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1 supporting operational role in helping to arrange
2 transportation, communications, logistical aspects of it,
3 getting clearances in terms of overflights and things
4 like that.

5 CHAIRMAN TOWER: That's a negotiating process.
6 Isn't that a little bit different from a covert action
7 activity? It may be covert diplomacy, but not covert
8 action in the same sense that this thing was.

9 MR. GATES: Well, if you look at it in terms of
10 the sale of the arms, it seems to me that what is unusual
11 is the absence of the role of the Secretary of State, as
12 well as the Congress. But even if you accept it as a
13 secret negotiation, it's the sale and provision of the
14 arms that makes it a little different than the preceding
15 experiences. But again all of the aspects of the sale of
16 U.S. arms were carried out by CIA.

17 CHAIRMAN TOWER: All right. Now let me just
18 take it back a little further. If the CIA had been
19 brought into this at the outset would you have done
20 things the same way the NSC staff did, particularly the
21 way North did? Would you utilize the same people or do
22 you have a little cleaner, more professional way of doing
23 things? It seems to me that the NSC operation was not
24 very professional.

25 MR. GATES: Well, there are a couple of

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1 things. I am fairly confident we would not have used the
2 same people that were used by the NSC. Ghorbanifar had a
3 very bad reputation at the Agency.

4 CHAIRMAN TOWER: He was on your burn list.

5 MR. GATES: The Agency, I am fairly certain,
6 would not have involved General Secord at all.

7 GENERAL SCOWCROFT: Did he have a reputation
8 with you all?

9 MR. GATES: Yes, I think that's fair. There
10 were concerns growing out -- you know, unproven
11 allegations -- growing out of some of the activities of
12 Edwin Wilson that there was some kind of connection with
13 Secord there that gave him kind of a bad odor at the
14 Agency -- again nothing proven, but it was something I
15 think we'd have kept hands away from.

16 So there were some people involved. I mean,
17 the guys that are deeply involved in the arms thing.

18 CHAIRMAN TOWER: What about Khashoggi, for
19 example?

20 MR. GATES: Well, Khashoggi is a
21 wheeler-dealer, but he does not have the same kind of
22 shady reputation at least that people like Ghorbanifar
23 and some of the others do. I don't know whether we'd
24 have dealt with Khashoggi or not. We'd have just done it
25 differently. We wouldn't have gone out and tried to

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1 raise money from private investors to pay the bill for
2 the Iranians, for one thing. We would have somehow found
3 money [] to do that
4 ourselves rather than go out and try to raise this money
5 privately.

6 CHAIRMAN TOWER: There might be a more direct
7 means of paying off the Army, for example, and paying off
8 DOD and collecting from the Iranians?

9 MR. GATES: Yes. I don't know exactly how we
10 would have done it, but we wouldn't have gone to private
11 investors, surely.

12 GENERAL SCOWCROFT: Bob, it seems to me that
13 what you have just described is one of the crucial
14 differences in this and most other ways when you have
15 played a supporting role because here your technical
16 expertise is extremely important. You know, if you are
17 on a diplomatic negotiation you are getting clearances
18 and aircraft and so on, but it is not exactly the same.

19 MR. GATES: That is fair.

20 GENERAL SCOWCROFT: As this kind of stuff that
21 really requires great skill and background to do it right
22 and to minimize the chance of things going awry.

23 MR. GATES: Well, one of the points that I make
24 at the end of the speech that may be worth mentioning,
25 one of the paragraphs of self-criticism is this: "In

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1 retrospect I believe we were too passive about an
2 activity in which we were operationally involved. We
3 tolerated being inadequately informed about parts of the
4 activity. We accepted verbal assurances that a Finding
5 existed in early December that we never saw, and we did
6 not insist on having copies of the 6 and 17 January
7 findings. We accepted externally-imposed
8 compartmentation that shut out all our analytical experts
9 and senior managers with relevant responsibilities. In
10 short, we allowed ourselves to be involved in an
11 operation on the basis of someone else's ground rules,
12 with all of the attendant difficulties and dangers."

13 That is what would have been different if the
14 President had come to us and said I have this diplomatic
15 initiative with the Iranians and want to give them some
16 arms. We in DOD would have figured out a way to do it
17 without involving private people. If we had had dealings
18 with arms dealers, we would have dealt with arms dealers
19 that we dealt with in the past and that we know would
20 have some sort of track record.

21 The other thing that I think is what was behind
22 a couple of those comments and where I think the
23 professionalism of the thing was lacking is how we ended
24 up. By way of background, I think one of the things that
25 we have done in the last several years that has been a

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1 significant step forward has been in the approval process
2 for covert actions. We have brought in the analytical
3 side of the Agency to evaluate and criticize proposals
4 for covert action, and those criticisms have always been
5 forwarded to the Director and he has had the benefit of
6 their experience and their insights; and those have often
7 been communicated as well to the policy community.

8 There was none of that here.

9 CHAIRMAN TOWER: Don't you think perhaps
10 communicated as well, or should be communicated, to the
11 President if he is considering signing a Finding, that he
12 should be fully informed about all of the implications
13 and consequences?

14 MR. GATES: One of the virtues of the process,
15 the routine process for covert action, which I think is a
16 good process in this Administration and has worked, is
17 that first of all part of the paperwork that we prepare
18 in forwarding a Finding to the NSC that they have
19 requested or that State and somebody else has requested
20 there is always a section on risks, and that's generally
21 where the analytical people have their say. Here are
22 what the risks are on this thing, and here are the
23 vulnerabilities of it.

24 That wasn't done at all in this case.

25 GENERAL SCOWCROFT: Why wouldn't that accompany

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1 an NSDD process, such as took place? You had a SNIE and
2 a draft NSDD in the summer of '85. Why wouldn't that
3 same analytical and risk analysis have accompanied that?
4 There was a recommendation, not a Finding, but it is the
5 same sort of thing -- a recommendation for U.S. policy.

6 MR. GATES: To the best of my knowledge those
7 opportunities did present themselves, but not in the
8 context of this specific operation. In other words,
9 there was a lot of finished intelligence on what was
10 going on in Iran during this period, a stack of it.

11 Most of it portrayed a situation inside Iran
12 that was considerably at odds with one of the principal
13 preconceptions relating to the operation, and that is the
14 existence of moderates. You will still not find anybody,
15 I think, in the intelligence community on the analytical
16 side who will accept the fact that there is something
17 called a moderate in Tehran these days.

18 CHAIRMAN TOWER: Would they accept the fact
19 that there are some who might be more pragmatic than
20 others in their disposition toward the West?

21 MR. GATES: Yes. But it comes across very
22 clearly as people who are pragmatists purely out of self
23 interest. They see a value of an opening to the West
24 only for economic, military or personal advancement
25 reasons. So it's a much more skeptical thing.

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1 GENERAL SCOWCROFT: Do you think you are
2 speaking for the community?

3 MR. GATES: Yes.

4 GENERAL SCOWCROFT: Are you suggesting this was
5 a generation of Mossad or Israeli intelligence or even
6 Ghorbanifar to give some kind of structural plausibility
7 to something they wanted to pursue?

8 MR. GATES: I think some of the Iranians and
9 the Israelis fed the notion that there were moderates in
10 Tehran.

11 CHAIRMAN TOWER: Do you think we accepted too
12 much of what Mossad provided us on face value without
13 looking behind it?

14 MR. GATES: I am not sure that this was a Mossad
15 operation. Nir is not well regarded by Mossad. The
16 scuttlebutt I get, for example, is that Mossad is just
17 happy as a clam that he is up to his eyebrows in trouble,
18 so I am not sure that it is a Mossad operation. But it's
19 clear that Nir and some of those who were working with
20 him -- and I don't know who else that might be -- were
21 feeding this notion. At least, that's as far as I can
22 see it.

23 GENERAL SCOWCROFT: But the whole notion here
24 of the opportunities and of the people involved depends
25 heavily on intelligence one way or another. It's not

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1 clear whether the NSC people ever tried to check with you
2 early on to verify the stories they were getting from the
3 Israelis, whether it is Mossad or whatever. Are you
4 aware of anything?

5 MR. GATES: I am not aware of any special
6 tasking. There may have been, you know, the informal
7 kinds of things where Allen, in the context of his role
8 as the NIO for Counterterrorism, would ask informally of
9 the analysts, you know, are there any moderates in the
10 Iranian government or this, that or the other thing. But
11 again that was already -- they first made contact with
12 Allen on this well after it was under way in the first
13 part of September.

14 GENERAL SCOWCROFT: You see, there is some
15 imputation of an Agency attitude toward Ghorbanifar so
16 prejudicial as not to be taken seriously, that you all
17 had it in for Ghorbanifar and therefore could be ignored.

18 CHAIRMAN TOWER: With your permission, Brent,
19 may I take your question a step further? Could you have
20 loaded the questions on the polygraph test to get a
21 predictable result from Ghorbanifar?

22 MR. GATES: Do you mean to get a negative
23 result?

24 CHAIRMAN TOWER: Yes, or could you have asked
25 him questions that you knew that if he answered them

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1 truthfully might compromise him so that he would have to
2 have some justification in not coming clean with you?

3 MR. GATES: Tom Twetten or [] might know
4 the answer. You can talk to them or we can find the
5 answer. But my impression all along has been that our
6 view of Ghorbanifar was based on knowing about him prior
7 to any of this, that it preceded this operation; that
8 we'd run across him before. That's been my impression
9 all along and that it was during those previous contacts
10 that he had been polygraphed, not in connection with this
11 operation.

12 CHAIRMAN TOWER: What I am saying in effect is
13 could Ghorbanifar have lied to you in order not to
14 compromise his own sources or his friends or whatever?

15 MR. GATES: I suppose he could have. I just
16 don't have any idea.. I don't even know when he was
17 polygraphed.

18 GENERAL SCOWCROFT: Apparently the last time
19 was around January 11, '86.

20 CHAIRMAN TOWER: The 11th or 12th.

21 MR. GATES: 1986?

22 GENERAL SCOWCROFT: Yes.

23 SENATOR MUSKIE: I would like to ask some
24 questions out of the chronology that is contained in the
25 Inspector General's report, if I might. Frankly, I find

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1 it very difficult to understand how the initial contacts
2 with the Israelis and the Iranians and especially the
3 meeting of Kimche with Robert McFarlane in July of '85
4 got converted into a situation which excluded CIA from
5 operational involvement, excluded the State Department
6 from any aspects of its responsibility, and resulted in a
7 decision by somebody which up to now has not been
8 pinpointed to my satisfaction, a decision which
9 apparently was read as authority by many people to
10 proceed with events that have since transpired.

11 For example, I mean the public knows about what
12 I am about to quote from this report, and we know about
13 it, and I assume you know about it, not because of your
14 personal involvement necessarily at the time, because it
15 is your business to review all of this as you have. But
16 Kimche's meeting with McFarlane took place in July of
17 '85. In that same month Kimche conveyed the U.S.
18 position to the Iranians and reported to McFarlane that
19 the Iranians recognized that both sides need tangible
20 evidence of the bona fides of the other side.

21 And out of that necessity began the discussion,
22 apparently, of arms and hostages. Now, according to this
23 chronology that I am reading now, "in late July or early
24 August 1985 McFarlane discusses Kimche's proposals with
25 the President at a meeting including the Secretaries of

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1 State and Defense, along with the DCI. The President
2 says he will not authorize any transfer of military
3 equipment."

4 Now that quotation doesn't tell us whether or
5 not what was discussed was the transfer of military
6 equipment by the Israelis with possible replenishment by
7 us or transfer of military equipment directly from us to
8 the Israelis.. Nor does that indicate whether or not the
9 President gave any green light to a continuation of the
10 contacts which McFarlane had with Kimche.

11 Do you know anything more than I have read from
12 this Inspector General's report about what transpired at
13 that time or about the nature of the discussion that took
14 place with the President?

15 MR. GATES: No. In terms of that discussion,
16 no. I think that that part of the chronology, because it
17 predated anything upon which we have any records, was
18 probably put together based on chronologies that North
19 prepared in October or November, as well as what Allen
20 and others have picked up along the way, and Cave, so, in
21 other words, kind of reflecting what they had picked up
22 secondhand.

23 SENATOR MUSKIE: Now the DCI was present at
24 that meeting.

25 MR. GATES: But we don't have any record. He

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1 made no record of what was discussed.

2 SENATOR MUSKIE: And he never discussed it with
3 you?

4 MR. GATES: He never discussed it with me. But
5 my impression of what ensued following that meeting, I
6 have always had the impression or in the last few weeks,
7 as we have gone through this stuff, it's been my
8 impression that the Israelis asked for approval to send
9 the first batch of weapons at the end of August or early
10 September, and that they were turned down and that they
11 sent it anyway. And then the decision was made not to
12 proceed against them.

13 By the time all of this was discovered, the
14 decision was made not to proceed against them because of
15 the possibility that we ourselves might want to use the
16 provision of weapons to Iran to accomplish some purpose.
17 So it has been my impression -- and I don't have any
18 documentation; it's just been an impression -- that that
19 first Israeli delivery took place against the wishes of
20 the United States.

21 SENATOR MUSKIE: Well, now on the 22nd of
22 August, which was a week or two later, apparently Kimche
23 called McFarlane to state that an impasse of confidence
24 existed and he wanted to know if it is U.S. policy to
25 ship or to allow others to ship military equipment to

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1 Iran. McFarlane elevates the question to the President,
2 the Secretaries of State and Defense, and the DCI. The
3 President says that he cannot approve the transfer of any
4 military equipment at that time. This position is
5 conveyed to Kimche.

6 Now could I ask you this? Upon what did the
7 Inspector General base his judgment that this language I
8 have just quoted is an accurate description of what took
9 place in that meeting between the President and the
10 Secretaries of State and Defense and DCI?

11 MR. GATES: May I see that, please?

12 (Pause.)

13 SENATOR MUSKIE: It says the 22nd of October.

14 MR. GATES: I don't know. One of the earlier
15 drafts that I saw indicated sources for each of these. I
16 don't know where he got that.

17 SENATOR MUSKIE: I haven't read this report
18 that thoroughly, but I assume it's possible to get from
19 the Inspector General a description.

20 MR. GATES: Sure.

21 MR. DAWSON: What I am afraid may be happening
22 is they are using Ollie's chron to build a part of this.

23 357 CHAIRMAN TOWER: You may note that some of this
24 is North's chronology.

25 MR. GATES: That is what I have speculated.

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1 SENATOR MUSKIE: - Do you mean there are some
2 reservations about the accuracy of this? Do they have
3 any reservations?

4 MR. DAWSON: No, they don't.

5 SENATOR MUSKIE: Well, we have to rely
6 somewhere at some point on somebody's recollection of
7 what happened. I mean, frankly without going through
8 this minutely at this point -- because I haven't had a
9 chance to read it that thoroughly -- at some point in
10 August a decision was made that somebody interpreted or
11 somebodies interpreted in a way that resulted in the
12 transfer by Israel to Iran of weapons, as a result of
13 which a hostage was released.

14 Whatever that interpretation of authority was,
15 it resulted eventually in the exclusion of the CIA from
16 operational responsibilities. And what puzzles me is
17 that if the situation is loose enough or if the structure
18 is loose enough to permit that kind of slippage in
19 established procedures -- established procedures in my
20 mind being that CIA would take over operational
21 responsibilities -- it would seem to me that for that
22 established procedure to have slipped so that the NSC
23 would result in taking over operational responsibilities
24 must have required an explicit kind of authority or
25 change of direction or change of authority by somebody in

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1 a position to speak for the President, presumably the
2 President himself.

3 But the second point that troubles me is that
4 if there wasn't any such direct confrontation with that
5 point, I am puzzled that the DCI would have allowed that
6 to slip and operational responsibility slip out of his
7 hands in that kind of ambiguous, unidentified way. There
8 is no documentation, apparently, unless the Inspector
9 General has found some, no documentation of what actually
10 took place at that meeting on the 22nd of October. There
11 doesn't appear to have been a subsequent meeting of that
12 same group to have come to grips with the operational
13 responsibility.

14 So I have got to assume that it was in that
15 meeting of August 22 where the initial responsibility,
16 the initial authority, which resulted in the NSC taking
17 over operational responsibility somehow came out of that
18 meeting. And it's been very frustrating to try to
19 identify exactly what it was.

20 We've had some talk about well, maybe there was
21 an oral Finding. Well, an oral Finding is nothing more
22 than an oral decision by the President, which might have
23 been made orally in that meeting, but which in some ways
24 should have been converted into something more formal, I
25 would think, given the nature of the shifting of

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1 operational responsibility.

2 I mean, do you have an explanation for that?

3 MR. GATES: No, and we don't have any firsthand
4 knowledge either. As commented, that is provided
5 basically as background and taken from North's
6 chronology. Again, I am not very familiar with what
7 happened before November, but my impression again has
8 been that the President's decision of the 22nd not to
9 approve the shipment of Israeli weapons or the
10 replacement of them or whatever in fact was abided by and
11 that the Israelis shipped the weapons despite being told
12 that the United States opposed it.

13 And therefore my impression is that whatever
14 happened happened after that first Israeli flight, when
15 the decision, according to what I understand to be the
16 case, when the decision was made to go back to the
17 Israelis or to not report the Israelis for a violation of
18 the Arms Control Export Act. A decision was made at that
19 point not to do that and that other things flowed from
20 that. But it followed the flight which took place
21 against U.S. wishes.

22 Now that's my understanding of it, but I don't
23 really know.

24 SENATOR MUSKIE: Well, let's take the point at
25 which you came into this, as I understand it around the

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1 5th of December. At that point John McMahon had decided,
2 I gather, that whatever had taken place prior to that
3 time -- and he apparently was as little involved
4 personally as you were -- whatever happened before that a
5 Presidential Finding was required and the Finding should
6 be worded in such a way as to retroactively cover what
7 had happened before.

8 MR. GATES: My understanding is that John had
9 attended a meeting with McFarlane in mid-November in
10 which McFarlane had laid out some of the aspects of this
11 transaction with the Iranians. Therefore, when John
12 learned that the flight had taken place on Monday, the
13 25th, it was based on his knowledge from mid-November
14 that he believed that a Finding was required.

15 Those who made the decision over that weekend
16 did not know about that, did not know that the flight
17 apparently was part of a larger program that preceded,
18 that went back in time a couple of months or something,
19 and that something was also anticipated stretching out
20 into the future, that it was something other than just an
21 isolated flight and an attempt to try to get the hostages.

22 So their judgment and the judgment of our
23 lawyers is that based on what our guys who made the
24 decision to let the plane go ahead and be chartered knew
25 at the time that it was not a violation -- that a Finding

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1 necessarily was not necessarily needed. McMahon, knowing
2 more about what it all was, knew that a Finding, because
3 of the larger operation, was needed.

4 SENATOR MUSKIE: Well, if McMahon had known
5 that there was a meeting and if you had known on December
6 5 that a meeting was held on 22 August 1985, at which the
7 Inspector General now finds that the President says he
8 cannot approve the transfer of any military equipment at
9 that time, if McMahon had known that on 5 December or if
10 you had known that on 5 December, would you have approved
11 the preparation of a Finding retroactively covering the
12 transfers that the President had said he could not
13 approve on August 22?

14 MR. GATES: The initiative to try to insert a
15 retroactive coverage of the flight that had taken place
16 on the 23rd and 24th apparently was the idea of our
17 General Counsel, not McMahon.

18 SENATOR MUSKIE: I think he has said that.

19 MR. MC FADDEN: Yes.

20 SENATOR MUSKIE: Yes, I think he has said
21 that. I think that is right.

22 MR. GATES: I didn't know you could do that
23 myself, but I'm not a lawyer.

24 SENATOR MUSKIE: Well, I guess there is a point
25 of view that the President can decide to do anything at

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1 any time, to approve whatever has taken place before or
2 after. Constitutionally I am not so sure about that. I
3 am not a constitutional expert.

4 But, in any case, the point I am making is
5 simply at getting the facts and not for making judgments.

6 MR. GATES: Well, the answer to your question
7 is --

8 SENATOR MUSKIE: If the President said he
9 wouldn't do this in August and the people who were
10 proposing it, a Finding, on 5 December did not know that,
11 I can understand why they went ahead and did what they
12 did.

13 MR. GATES: Well, I think (a) they didn't know
14 it. But (b) it would also depend on whether the
15 President had changed his policy or changed his mind
16 between that 22 August meeting and the time that flight
17 went in November. It is my impression that he had done
18 that.

19 SENATOR MUSKIE: But there is no subsequent
20 meeting involving the President that I have been able to
21 find in this chronology at which he would have made that
22 decision, at which he would have changed his mind.

23 GENERAL SCOWCROFT: But I am not sure a Finding
24 would have been required for that August shipment unless
25 it was approval to replace Israeli stocks; otherwise,

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1 it's just a violation of the Export Control Act. That is
2 not an intelligence operation.

3 SENATOR MUSKIE: No, but McFarlane did raise
4 the question, according to his statement, that the
5 Israelis, before they transferred, wanted to know that
6 they could replenish, and it was that question of
7 replenishment that required the President to -- well,
8 that I suppose was the reason why the President was asked
9 to make a decision. At least that's McFarlane's version.

10 GENERAL SCOWCROFT: Yes, but that is at
11 variance to this chronology.

12 SENATOR MUSKIE: It is.

13 GENERAL SCOWCROFT: There are two steps. One,
14 can the Israelis ship? Two, will we replace? Now this
15 chronology says no to the first one and therefore the
16 second one doesn't arise.

17 SENATOR MUSKIE: But even without the
18 replenishment question, Brent, it would seem to me that
19 if the President were told that the Israelis planned to
20 transfer U.S. equipment to the Iranians and the President
21 sat mute in the face of that that would be a violation of
22 law. I mean, he could not by his silence, as I
23 understand it, allow that kind of transfer to go
24 through. He would either have to object to it or approve
25 it.

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1 MR. GATES: My impression is -- and again it's
2 only an impression based on hearing secondarily about it
3 -- is that the Israelis inquired. The President on the
4 22nd of August said no. And that was conveyed to the
5 Israelis. And the Israelis went ahead and shipped
6 anyway. And it was only after the Administration learned
7 that the Israelis had shipped the materials that there
8 then did ensue a discussion about whether to report it
9 under the Export Control Act or what to do.

10 SENATOR MUSKIE: A discussion at what level, do
11 you think, Bob?

12 MR. GATES: Well, it must have involved the
13 President, since you presumably have a clearcut
14 presidential decision on the 22nd of August not to ship.
15 Now what I was told was that when they learned that the
16 Israelis had shipped these materials, which were
17 apparently HAWK spare parts, unless I am confused I think
18 that the NSC, that somebody down there, presumably Bud,
19 undertook immediately to get the Israelis to get the HAWK
20 spare parts back, and in effect those HAWK spare parts
21 were ultimately returned, unless I got things confused.

22 GENERAL SCOWCROFT: You have. That is the
23 November shipment.

24 SENATOR MUSKIE: The August shipment was the
25 TOWs.

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1 CHAIRMAN TOWER: Because they were defective.

2 MR. GATES: Oh, August was TOWs?

3 SENATOR MUSKIE: Yes. That took place in late
4 August, according to this.

5 MR. GATES: Then I have mistaken.

6 GENERAL SCOWCROFT: But you do raise an
7 interesting point, and that is assuming this chronology
8 is accurate -- let's just assume that -- something had to
9 take place between the 22nd of August and the November
10 shipment, which every apparently agrees we approved and
11 nobody ever mentions any kind of Presidential involvement
12 in between.

13 SENATOR MUSKIE: After August 22.

14 GENERAL SCOWCROFT: How do we get in between
15 the President saying no, the Israelis can't even ship to
16 embracing the operation and nobody suggests that there
17 has been any kind of discussion, meeting or anything in
18 this period of time?

19 SENATOR MUSKIE: And that is a big question.

20 MR. DAWSON: The only meeting that I can find
21 is the meeting that McMahon has with McFarlane, and all
22 that meeting does is --

23 SENATOR MUSKIE: What date is that, Rhett?

24 MR. DAWSON: The 14th of November, and that
25 obviously can't be the meeting either.

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1 GENERAL SCOWCROFT:- No.

2 SENATOR MUSKIE: So we've got a gap in there
3 somewhere that is puzzling. You see, that TOW shipment
4 took place in August, and Weir was released September 15,
5 approximately a couple of weeks later.

6 I just noticed this one. On 13 September Allen
7 calls the DCI in New York on a secure line to inform him
8 of the possibility of an impending hostage release.

9 MR. MC FADDEN: May I just ask a follow-up
10 question? If you assume the scenario that you have just
11 described whereby the U.S. Government, the President
12 objected to the Israeli shipment and the Israelis did it
13 in the face of that objection, there is no violation of
14 U.S. law there as far as the U.S. Government is
15 concerned. The Israelis just simply violated their
16 contractual arrangements with the U.S. Government.

17 It does raise, however, the question of
18 reporting that. You don't know how that matter was
19 resolved, I take it.

20 MR. GATES: No.

21 MR. MC FADDEN: I mean, how that was addressed.

22 MR. GATES: (Nods negatively.)

23 MR. MC FADDEN: Okay. We don't have any
24 indication of that either.

25 MR. ROSTOW: Do you know of a tacit.

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1 understanding between the State Department and Congress
2 with regard to Israeli shipments, transfers of American
3 arms to their friends in Lebanon, that such transfers
4 would not be reported because Congress was getting fed up
5 with getting a report every other minute of such
6 transfers?

7 MR. GATES: No. This is the first I've heard
8 of it.

9 MR. MC FADDEN: Could I then just follow on to
10 the November situation? If the November shipment went
11 forward in the form that it did, it seems to me unless
12 there was a Presidential Finding, that constituted,
13 arguably, a violation of the requirements as far as the
14 Agency was involved to have a Presidential Finding. Is
15 that your judgment?

16 MR. GATES: It was clearly John McMahon's view
17 that a Finding, knowing what he knew, that a Finding was
18 required, and the day he was informed, the 26th of
19 November, he filled in the General Counsel. The General
20 Counsel agreed with him and that same day they prepared a
21 Finding and sent it down to the NSC. The DCI signed off
22 on the Finding and sent it down to the NSC.

23 MR. MC FADDEN: Is it your judgment, in
24 retrospect, given that McMahon knew what he knew, that a
25 Finding was in fact required?

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1 MR. GATES: Oh, I think in retrospect, yes,
2 that a Finding would have been required to do that.

3 MR. MC FADDEN: Now the Agency recommended and
4 drafted a Finding. What did the Agency do to deal with
5 the fact or at least their view that a violation had been
6 committed here of their obligation?

7 MR. GATES: Well, again even at that point,
8 despite Sporkin's or my understanding of Sporkin's
9 agreement with McMahon that they ought to get a Finding
10 was that under the circumstances it was at least an
11 ambiguous case whether a Finding actually had, whether
12 there had to be a Finding to cover that activity.

13 McMahon's direction, as I understood it, was
14 that there would be no more activity like that without a
15 Finding. I have seen nothing to suggest that John
16 believed at the time that there had been a violation of
17 the law or that the lack of a Finding in some way should
18 be reported.

19 The one thing that has not come out in all of
20 this is that regardless of whether a violation of the law
21 occurred or -- that's a very ambiguous situation, based
22 on everything I have read -- but the fact is those who
23 authorized the use of the proprietary did in fact violate
24 an Agency regulation which provides that no operational
25 support request from the White House office shall be

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1 fulfilled without the specific approval of the DCI.

2 It's referred to as the Gordon Liddy rule that
3 they require a specific authorization and they did not
4 have that.

5 MR. MC FADDEN: It seems to me that given the
6 situation that was presented to Mr. Sporkin -- that is,
7 that this activity had occurred and there was no Finding
8 -- that it was certainly prudent to try a ratification
9 approach. That didn't change the fact of whether when it
10 occurred there was a problem and a violation had
11 occurred. It also seems to me justifiable from Junowicz'
12 point of view, from the point of view of the people who
13 were actually operating, who didn't have the full story,
14 who didn't know this was part of a broader pattern, that
15 from their standpoint this may not have required a
16 Presidential Finding,

17 But in light of McMahon's knowledge and
18 McMahon's reaction and the broader picture of what had
19 occurred, it seems to me that your conclusion is sound,
20 that a Finding was required. And that's not a close
21 call. That's a fairly clear call under the circumstances.

22 All I am suggesting is the notion of
23 ratification doesn't go to the question of whether a
24 violation has occurred. It helps to try to deal with a
25 violation if you have one on your hands, and that's what

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1 any lawyer winds up getting. He finds a problem and he
2 says what do I do now to try to deal with it. The
3 question of whether a violation occurred earlier has to
4 stand on the facts.

5 MR. GATES: My problem in answering your
6 question is that I have, according to McMahon's
7 testimony, the fact that Sporkin agreed with him on the
8 26th that a Finding probably was needed and that there
9 should be a Finding. It's not clear to me whether that
10 was prospectively. In other words, if you wanted to do
11 anything else like that you needed a Finding, which was
12 the way John had cast it -- that we need a Finding if we
13 are going to do more of these things.

14 That doesn't tell me whether Sporkin also
15 thought that the one of the 23rd and 24th of November
16 needed a Finding, although you can infer from the fact
17 that he wanted to try to get ratification language after
18 the fact, suggests at least he would have felt more
19 comfortable with it.

20 By the same token, I have in this text,
21 coordinated by our General Counsel's office last week,
22 the statement that that flight was not -- that the
23 failure to have a Finding, that allowing that flight to
24 take place without a Finding, did not represent a
25 violation of law.

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1 MR. MC FADDEN: They had made that judgment now
2 in light of all of the facts at the time?

3 MR. GATES: Yes. So I've got --

4 MR. DAWSON: Two lawyers arguing.

5 MR. GATES: I'm glad you said that.

6 MR. DAWSON: No. Sporkin said it; I'm not
7 saying it.

8 (Laughter.)

9 SENATOR MUSKIE: The way Sporkin described it
10 to us was that he thought with respect to the past he
11 ought to at least try to get ratification, whatever that
12 might do otherwise.

13 MR. DAWSON: I was describing Sporkin's
14 disputing Dougherty having told him that indeed a Finding
15 was necessary.

16 SENATOR MUSKIE: Being a very aged lawyer, I
17 would tend to agree with Clark. The problem that McMahon
18 was confronted with required some pragmatic
19 problem-solving and not a legal judgment so much at that
20 point.

21 MR. DAWSON: And I presume that obviously in
22 retrospect you would go back and you wouldn't do it this
23 way again.

24 MR. GATES: I have said in this speech that in
25 my view any operation or operational support activity

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1 other than counterintelligence and intelligence
2 collection that our officers ought to go into it with the
3 assumption that a Finding is needed, and let the lawyers
4 decide that it's not needed rather than the reverse, that
5 the presumption should be for an operational activity
6 that a Finding is needed.

7 Then, if we decide it's not, based on legal
8 opinion, then we can change that approach. But in effect
9 what I am trying to convey to the groups here is you
10 should err on the side of believing that a Finding is
11 required when somebody asks you to fly a plane or deliver
12 something or whatever.

13 SENATOR MUSKIE: Let me ask this as a matter of
14 trying to identify the procedure that is used here. The
15 President obviously has several kinds of occasions on
16 which he meets with his top national security advisors,
17 some of them more formal than others. And I suppose
18 occasionally there might be one when they are all present
19 or out at a very informal luncheon table without
20 notification in advance, without the formal steps to
21 create it.

22 The question that troubles me is if there is
23 such a meeting, for example the one of 22 August, however
24 formal or informal that was -- and this doesn't indicate
25 the formality of it -- a decision was taken. Now what is

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1 the practice with respect to informing those agencies or
2 departments headed by the NSC participants of what took
3 place?

4 What is the practice? Is there any
5 documentation? Is it regarded as necessary to always
6 have documentation which is then distributed in some
7 fashion to the people who have to implement these
8 decisions, or are they just left hanging in the air to be
9 identified and picked up some time later in circumstances
10 such as we are working under?

11 MR. GATES: My perception is under this
12 Administration, as well as the three that I served on the
13 NSC staff with, is that it differs. It varies greatly
14 with the nature of the meeting, the formality of the
15 meeting, whether there is a notetaker present, whether
16 the nature of the decision being taken, whether it's a
17 small tactical step or whether it's a significant policy
18 step with the sensitivity.

19 Sometimes decisions are made that people don't
20 want to put down on paper. My impression is that it
21 varies greatly.

22 SENATOR MUSKIE: Well, in this case it seems to
23 me that on occasion people just took Lieutenant Colonel
24 North's word that he was acting with authority and even
25 with respect to a Finding that was locked up in

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1 somebody's safe, as you described the one in January.

2 MR. GATES: Well, in the case of 17 January
3 Finding several of our officers did see that signed
4 Finding at the time. We just didn't get a copy of it.

5 SENATOR MUSKIE: Well, with respect to the 5
6 December Finding McMahon has testified that North told
7 him or told somebody who told him that there was only one
8 signed copy locked up in North's safe because it was of
9 such a sensitive nature. Well, are people to take
10 North's word from what his authority was if he contains
11 in his safe the only evidence of that authority?

12 MR. GATES: Well, I certainly wouldn't. And,
13 as I say in this little talk, one of the things that I
14 think we ought to be faulted for is accepting that kind
15 of thing and not going back even on the 5th of December
16 and having somebody look at it. At least in the case of
17 the 6 January Finding, at least the General Counsel saw
18 that, and on the 17 January Finding, even though we
19 didn't get a copy, at least we had several officers
20 personally read it in Poindexter's office.

21 SENATOR MUSKIE: A signed copy?

22 MR. GATES: Yes. So in those two cases at
23 least we had somebody in the Agency who could attest to
24 the fact that such a Finding existed. I don't know why
25 no one ever followed up after the December 6.

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CHAIRMAN TOWER: The December 6, and then about a month later there was a subsequent one, and nothing had happened in the course of that month.

MR. GATES: That's correct.

CHAIRMAN TOWER: Is it likely that if something were to transpire, you were to be utilized or something, in that period that somebody would have insisted on seeing it?

MR. GATES: I would assume now, and I would have assumed then, that John McMahon would not have allowed any operational activity to take place without somebody having laid eyes on that December Finding or November 26 Finding, whatever the date was.

MR. MC FADDEN: Well, I can understand your concern about the procedures that were followed with respect to the Finding, but I fail to see how it had a material impact in this case. There clearly was not a Finding in the earlier activity, at least in August. We may or may not have had an oral Finding in November. But, in any event, that's a real problem, whether that would constitute a violation or not.

But, except for that activity, the November shipment, there was never any doubt that any other activity was covered by a Finding, and whether you actually got a copy of it or not --

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MR. GATES: That's correct. That's fair.

MR. MC FADDEN: -- the Finding was explicitly made and you had people who saw it.

MR. GATES: That's correct.

MR. MC FADDEN: So it seems to me it doesn't really go to the heart of this issue. I would like to go back to the line of questioning of the Chairman at the outset here relating to the professionalism of how this operation was run.

It seems to me I have a suggestion from what you have said in your conclusions here that one of the basic problems with this operation is it was not very professionally run and had this been turned over to the Agency at the appropriate time we may have had a very different result here. I would like to probe that a little more because I think that is an important conclusion for the Board.

How would the NSC -- excuse me, how would the Agency have been able to avoid the use of intermediaries in this case?

MR. GATES: Well, let me go back just one step before that. I don't see how this operation in its totality, again leaving out any question of diversions, could have been run by CIA, because what was involved here was a negotiation with Iran. Now I suppose that we

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could have had George Cave, on instructions from the president, go to the Iranians and say here is our position or here is the United States' position, but it would have put the CIA in the position of negotiating with a foreign government on a non-intelligence problem.

I mean, if I had been in my present position at that time, I would have said wait a second. That's not the way these things operate.

CHAIRMAN TOWER: I think that is pretty clearly understood, but it is the other aspect of the operation other than the logistical side of it.

MR. GATES: The funding aspect.

CHAIRMAN TOWER: Yes, the funding, the transfer, all of that. And, of course, in fact even though you don't negotiate, your people go along to provide the support.

MR. GATES: Sure.

CHAIRMAN TOWER: So I would agree, and I wouldn't suggest that the Agency be placed in a position of conducting the negotiation.

GENERAL SCOWCROFT: In fact, there are no negotiations and the whole thing really is an arms for hostage operation.

CHAIRMAN TOWER: That's what it turns out to be.

GENERAL SCOWCROFT: Which is essentially your

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1 kind of business. I mean, I'm talking about the facts of
2 it and the way the things happened, the details of planes
3 taking off and one hostage released and how many would be
4 released after this shipment and so on.

5 CHAIRMAN TOWER: That could have been a totally
6 CIA operation, Brent. But there were other points of
7 reference.

8 GENERAL SCOWCROFT: There were.

9 CHAIRMAN TOWER: Involved, in which you should
10 use a representative of the President.

11 GENERAL SCOWCROFT: That's true.

12 CHAIRMAN TOWER: Rather than a CIA operative.

13 MR. GATES: In terms of your question now,
14 there are two sort of basic considerations that establish
15 the framework for whatever arrangements are established.
16 The first is that because the Iranians were so badly
17 stung by scams in the first few years of the war they
18 will not pay for any weapons except after they are
19 delivered COD. The Agency, under the law and under the
20 rules, cannot buy weapons from the Department of Defense
21 when it does not have a preexisting source of funds to
22 pay the Department of Defense for those weapons.

23 Now in effect what the NSC went out and did was
24 create off-line a bridge loan to straddle those two
25 considerations. Now, I don't have any great ideas on

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1 how, if we had done this officially and without the use
2 of intermediaries, or if we had done it without the use
3 of private financing -- let's put it that way -- because
4 we would have probably ended up using some kind of
5 intermediary, but for the arms themselves I don't know
6 exactly how you could have orchestrated that to get past
7 those two -- one, a consideration of law and regulation
8 and, on the other, a consideration of practice -- how you
9 could get around that.

10 But I am convinced that there is a way it could
11 have been done. There are ways in which the money and
12 the arms are handled at the same time that somehow could
13 have been worked out.

14 MR. MC FADDEN: I happen to agree with you on
15 that.

16 MR. GATES: But I don't know. It would take
17 some of our operational experts who perhaps have been
18 engaged in things like that who can figure out how that
19 might have been done.

20 SENATOR MUSKIE: Or something like this had to
21 be done in 1980 with the Iranian hostages release. We
22 had to find a way to put money in the hands of the
23 Iranians at the same time that they had let go of them.

24 MR. GATES: You know, one possibility that just
25 immediately, off the top of my head, occurs would be for

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1 the Iranians to deposit the money with the Algerians as
2 in an escrow account of some sort, and our weapons to be
3 put into the hands of the Israelis or whoever the
4 Iranians designated and at that moment the transfers were
5 made or something.

6 It is not beyond the wit of man to design
7 something.

8 SENATOR MUSKIE: But there was a more
9 professional way of doing it.

10 MR. MC FADDEN: But that is just one aspect of
11 this transaction, the use of intermediaries. I would
12 like to pursue some of the others because it seems to me
13 you could have eliminated intermediaries but still would
14 that have made any difference here.

15 Now what about secrecy? You have a situation
16 where, exchanging weapons for hostages in an Iranian
17 context, what are the chances under any scenario with the
18 Agency handling it in your most professional way that
19 that is not going to be disclosed? What is your judgment
20 on that? Was there a possibility in this environment in
21 Iran to provide significant amounts of weapons for
22 hostages without this effort breaking?

23 MR. GATES: Well, in fact that happened for
24 better than a year and, based on my experience over the
25 last half dozen years, the prospects for us keeping it

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secret, now just being perfectly honest with you, the prospects for us keeping it secret if we had gone through the regular covert action approval procedures in the Executive Branch and if we had prior notified the Committees of the Congress would be very low, especially if there were people either in the Executive Branch or the Congress who disagreed with it.

GENERAL SCOWCROFT: Which there would have been in this case.

CHAIRMAN TOWER: It is always easier to keep a secret if everybody agrees it should be done.

MR. GATES: Well, our current situation with covert actions is a good example. We have a bunch of covert actions that have never leaked because nobody disagrees.

MR. DAWSON: Are you going to move on beyond this area?

MR. MC FADDEN: Well, I would like to press this a little further. You mentioned the analytic capability and that the risks might not have adequately been set forth here. I am puzzled by that contention. It seems to me that at least the DCI had quite a full opportunity to inform the President and the others in the National Security Council of the risks in this operation. To be sure, there were major risks, but I

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find it hard to conclude, looking at the January 17 finding, that at that point the President had not had adequate notice of the risks in this situation.

After all, he had had the Secretary of State tell him it wasn't a good idea. He'd had the Secretary of Defense on more than one occasion tell him it was not a good idea. Do you think that in this situation that exposing this to the analytic capability of the Agency or any other part of the national security system would have resulted in the President having a more keen or compelling exposure to the risks of this operation?

MR. GATES: The President might have had a clearer idea about how the Iranians negotiate, which no one involved appears to have surfaced. The President would have had a better notion of the political milieu in Tehran that he was getting himself engaged with, and that some of the assumptions that people were telling him about might not be as clearcut as they thought.

I think that if some of our other people -- not necessarily the analysts -- had been involved he might have learned a little bit more about how the international arms business works and the kinds of people who are tied up in that. So there are various aspects of this that may not have been critical to it, but I think would have allowed the President and those on the NSC

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implementing his policies to have a clearer appreciation of the difficulties they were going to encounter.

I mean, one of the things, for example, that I believe was a serious strategic mistake was the first time that the scenario was violated, in other words the first time that the Iranians did not come through as originally agreed between the Iranians and the Americans, for the Americans just to have said all right, that's it. But, frankly, you know if somebody negotiated in this government, negotiated with the Soviets like these guys negotiated with the Iranians, they would really be in trouble.

MR. MC FADDEN: What about another area, and that is alerting the President to what some witnesses before the Board have contended that there was an essential error in this judgment on this, and that is the political reaction of the United States people, of the nation, to this kind of an arrangement, the kind of outcry and bitterness that ensued? What would be the reaction if it became public?

Would the Agency have been able to help him in any way with that?

MR. GATES: No.

MR. MC FADDEN: Is there anything in this process that would have helped him with that?

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CHAIRMAN TOWER: I'd have to say that I don't regard that as an Agency responsibility. I think that is the responsibility of his immediate advisors and NSC.

MR. GATES: Let me say that (a) we are not supposed to, and, secondly, I would say that we are probably some of the least qualified people to do that.

MR. MC FADDEN: But was the National Security Council staff the place for that to have occurred?

MR. GATES: No. I agree with the Chairman. I think that has to come from the President's close-in advisors.

CHAIRMAN TOWER: I would include his National Security Advisors, because they are supposed to be alive to political sensitivity.

MR. GATES: But not the National Security staff for the most part. Sometimes they can raise some warnings, but they tend not to be very either expert or credible on domestic politics.

SENATOR MUSKIE: It would have to include the Secretaries of State and Defense.

MR. DAWSON: I am interested in trying to sort out the relationship between anybody in your position and the Director. I was intrigued the other day to find out from Mr. McMahon that at certain particular periods throughout this he is not informed by the Director about

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1 the things which the Director knew which he regarded as
2 unusual. But it happens in this case pretty often.

3 I mean, there is a draft NSDD which, while it's
4 not sent to him -- it's sent to Shultz and Weinberger --
5 he responds to on July 17, 1985, supporting the draft
6 NSDD. McMahon knows nothing about that. He didn't see
7 it. He doesn't know anything about the draft NSDD or the
8 response, according to what I think McMahon testified. I
9 don't think anybody would quarrel with that.

10 GENERAL SCOWCROFT: That is correct.

11 MR. DAWSON: There is also a January 3 meeting
12 at the Director's home in 1986 where North is present,
13 and I believe Sporkin is present, but McMahon doesn't
14 even know about that Finding, I think he testified, until
15 January 24. That was the first he'd heard about it.

16 I am troubled by your conclusion that some of
17 this compartmentation was imposed by people outside. I
18 mean, I would argue that some of your compartmentation
19 was imposed by people inside, namely the Director. I
20 guess a lot of your conclusions are based on the rather
21 sensitive relationship between the CIA and its prime
22 customer, the National Security Council, and I think that
23 is a tough one to try to sort out.

24 But I think not having the Director available
25 to speak for himself is obviously a big problem here.

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1 But, based on what McMahon says about what he knew, it's
2 remarkably -- something is going on in this relationship
3 between the two of them that I really don't quite fathom.

4 MR. GATES: Well, clearly one of the problems
5 -- and I mention it in the speech -- one of the things
6 that we did was we tolerated an externally-imposed
7 compartmentation and we probably then made it worse in
8 some respects. With respect to the Director, with
9 respect to that, first of all, there are things that go
10 on that, you know, one of the questions I was asked by
11 the House Committee when I went up there a few weeks ago
12 was whether I had read a cable from McMahon to Casey,
13 this cable of 26 January in which he expressed the deep
14 reservations of the entire senior management preparing
15 these materials.

16 I had never seen that, and I had never known
17 that McMahon sent that.

18 MR. DAWSON: That doesn't surprise me. You're
19 DDI.

20 MR. GATES: Fair enough, and that was my
21 answer. But my own view, my own speculation on this
22 about Casey and McMahon and perhaps Casey and myself is
23 two considerations. First of all, the Director is, this
24 Director does not go out of his way after meetings,
25 routine meetings, to provide feedback to people on what

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1 went on. If we ask him we find out, but, for example,
2 just like when -- we have a weekly breakfast with Cap
3 Weinberger and we have a weekly meeting with the National
4 Security Advisor. And the DDCI always does some notes
5 after that that informs people of what transpired, what
6 things were raised and what the disposition was.

7 When the DDCI's not present that never gets
8 done. It's just the Director's style of work. He will
9 tell you. He's not keeping secrets from you. He just
10 has other things on his agenda than dictating notes of
11 meetings.

12 And it's altogether conceivable to me that with
13 no malice aforethought, with no intention of withholding
14 information from the DDCI, from McMahon, that Casey held
15 these meetings and then went on to the next thing on the
16 agenda, and it doesn't surprise me at all.

17 One of the things that I think there is a
18 tendency to overlook is at key moments of this whole
19 affair how many other things were going on at the same
20 time. That is the second consideration I was going to
21 raise. You know, in the middle of October, one of the
22 questions is well, gee, why did it take you guys a week
23 to get the information to the NSC about our concerns on
24 the operational security. Well, we were in the middle of
25 trying to deal with Reykjavik. We had the Hasenfus plane

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1 down. We had a big hassle going on with the Hill on a
2 couple of issues. We were trying to get the contra
3 program started the first, and so on, and so on.

4 But the point is all I'm trying to say is that
5 I would not necessarily regard it as sinister that Casey
6 did not tell McMahon about some of these things because
7 he told him a lot of things about other things relating
8 to the program that were just as sensitive. I think it's
9 just part of the Director's work style rather than an
10 attempt to withhold information.

11 MR. DAWSON: Well, I guess there is another
12 aspect to it, and that has to do with McMahon's testimony
13 that everybody knew that they weren't to undertake these
14 activities any more without checking with him first or
15 without getting a Finding. But somehow Clarridge doesn't
16 know that or Clarridge says I didn't know that. He never
17 told me..

18 But he, McMahon, can't recall how he put that
19 order out. He apparently didn't. I don't argue, and I
20 am not trying to impute a lot of sinister character to
21 this. I am just trying to sort out how you suggest to
22 the President that we can avoid a recurrence of this.

23 What is it? If you get busy, be careful? I
24 mean, that's not very helpful.

25 MR. GATES: Well, I'll tell you it seems to me,

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1 in thinking about the Commission and the kinds of issues
2 that you all are interested in, it seems to me that one
3 of the most important lessons of all of this is, in my
4 judgment, the Administration has a good process for
5 developing and approving covert actions. It has a
6 reasonably decent process in terms of policymaking and
7 involving the proper actors.

8 It seems to me that if there is a single
9 important lesson out of this whole affair it was that the
10 process was ignored, and from that flow all kinds of bad
11 things in this thing. If the process had been observed,
12 even if you exclude from that process the prior
13 notification of the Congress for secrecy reasons, and
14 even if you severely abbreviate the number of people who
15 have access to it but you still go through the process
16 and have people do the things they are supposed to do, at
17 least the operational irregularities and failures of the
18 thing could have been avoided.

19 GENERAL SCOWCROFT: That is a part of a lot of
20 our questioning, and I understand your answer to Rhett
21 about especially the later period. But here in 1985,
22 sometime during the summer and fall, we have what I would
23 call an absolute revolution in U.S. foreign policy both
24 with how you deal with hostages and the whole Iran-Iraq
25 war. [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 That's what amazes me, that all of this took
6 place without anybody even hardly remembering it
7 happened. I agree completely with your analysis, but
8 what we're trying to find out is why wasn't the process
9 followed and, even if it wasn't, why didn't somebody
10 stand up and scream, my God, do you realize what we're
11 doing and if this thing leaks what the consequences are?

12 MR. GATES: My impression is that those views,
13 this meeting on December 5 that John McMahon had with the
14 rest of us, my impression is that John was using it to
15 prepare himself for a meeting in the residence on the 7th
16 of December where he stood in for the Director and it is
17 my impression from John that he and the Secretary of
18 State and the Secretary of Defense, all three, at that
19 meeting strongly expressed their reservations, their
20 concerns, their opposition to the thing.

21 GENERAL SCOWCROFT: All the chronology says,
22 the meeting is 7 December and so on to discuss an
23 expansion of the informal link between the Iranians and
24 the Israelis.

25 MR. DAWSON: Read the 5 December one, the one

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1 He is referring to.

2 MR. GATES: The 7 December meeting is the one
3 with the President.

4 GENERAL SCOWCROFT: I understand the 5 one.

5 MR. GATES: Again, I'm just trying to recall
6 what John told me. It was that, you know, he had his
7 shot at it along with the others and they made their
8 views known very clearly to the President at that point
9 about the whole thing. I don't know what John said. I
10 don't know if he raised the fragility of the Iraqis or
11 whether he just said it was operationally stupid or
12 what. And John might not have been quite as forceful as
13 he recalls in hindsight. I don't know.

14 GENERAL SCOWCROFT: Few people are with the
15 President.

16 (Laughter.)

17 MR. GATES: My impression is that that is one
18 instance, for example, where people did express in fairly
19 direct terms their opposition to the thing.

20 GENERAL SCOWCROFT: Do you think that the
21 President was so concerned with this opportunity to
22 establish contact with the Iranians that he overruled all
23 of his principal advisors?

24 MR. GATES: I don't know.

25 GENERAL SCOWCROFT: That is a facetious

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1 question, really.

2 SENATOR MUSKIE: Did the 7 December meeting
3 include -- yes, it did -- the Secretaries of Defense and
4 State. But in the meeting of December 16, the DDCI
5 mentioned the December 7 meeting at the White House and
6 didn't describe any of those broader issues that Brent
7 has referred to. I think that is a basic question.

8 MR. ROSTOW: Did it occur to anybody at the
9 Agency that once the President had made his decision
10 after hearing the opposition of the senior Departmental
11 advisors that maybe they should have said okay, Mr.
12 President, I don't agree with you but we're going to take
13 over this operation to make sure it's done right because
14 we know and we have informed you of our serious
15 reservations about the way it's being conducted and the
16 people that are involved?

17 MR. GATES: Well, again I don't know what John
18 said or the Director in terms of worries about the
19 operational approach or the way they intended to go about
20 doing this thing. But, to the best of my knowledge,
21 nobody said that.

22 MR. ROSTOW: Nobody talked about it in the
23 Agency? There was no scuttlebutt? You said that Mossad,
24 for example, isn't too unhappy to see Nir up to his
25 eyebrows.

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1 MR. GATES: That is just gossip.

2 MR. ROSTOW: But couldn't the same thing be
3 said about the Agency and Ollie North?

4 MR. GATES: No, I don't think so. I think that
5 the general view of people in the Agency who dealt with
6 Ollie was that Ollie was one of the few people on that
7 NSC staff who could get things done. I had that view
8 myself, and not in an operational context. The
9 Administration established, largely at Ollie's
10 insistence, in 1981, late '81, between Ollie and Bud
11 McFarlane the crisis preplanning group, which was
12 essentially an under secretaries group to try and worry
13 about crisis situations below the level of the Vice
14 President and the Cabinet level group.

15 And that group basically dealt with all kinds
16 of problems, from Lebanon to Grenada to Libya, a dozen
17 different problems. Ollie was the driving force behind
18 that. If Ollie hadn't been pushing it, if he hadn't been
19 pushing Poindexter and Bud to have those meetings and to
20 get that group together, to force them to deal with some
21 of these issues, it would have never happened, in my view.

22 So I think that the general attitude among
23 those who knew Ollie was, first of all, they liked,
24 almost, I would guess, to a man, liked him as a person,
25 and, second, had some respect at least for the fact that

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1 he could move a problem from point A to point B. So I
2 don't think there was any sense of let's let him get into
3 trouble and hang himself. I just don't think there were
4 feelings like that about North.

5 There were worries that he was kind of a
6 cowboy, that sometimes he did go too hard. But we're not
7 unfamiliar with people like that. We've got a few of
8 them ourselves. So the notion was, you know, you just
9 make surek everything is approved. And one of the
10 things, in talking about the people taking North's word
11 for it, it didn't take too many instances of disagreeing
12 with Ollie or having a problem with something Ollie said
13 and going to Poindexter and being told no, he was
14 authorized to do that, to realize that Ollie was
15 basically speaking on the things we were dealing with him
16 about, was basically speaking for Poindexter.

17 SENATOR MUSKIE: Well, do you think, then, if
18 there was a diversion that North had authority to arrange
19 it?

20 MR. GATES: I really don't know.

21 SENATOR MUSKIE: I mean the get-down guys have
22 their value.

23 MR. GATES: I really don't have the faintest
24 idea.

25 SENATOR MUSKIE: I'm sure you don't, but you

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1 just said, you know, these fellows have some reputation
2 for being cowboys. You said just be sure they don't go
3 too far. How do you manage that with an Oliver North? I
4 won't pursue that.

5 MR. GATES: I would put an attorney next to him
6 in my shop, a good lawyer.

7 SENATOR MUSKIE: Well, North went to a lawyer
8 and he apparently knew. He apparently had some pretty
9 good judgment as to what problems he had gotten involved
10 in.

11 MR. ROSTOW: Was there a sentiment that North
12 was the kind of fellow who could get things done and in
13 some respect the Agency was a kind of institution that
14 could not get things done?

15 MR. GATES: No, I don't think so. I didn't
16 have that sense.

17 MR. MC FADDEN: Well, when you say one of the
18 lessons here is that the process wasn't used, can you
19 enlighten us on other ventures that Ollie North was
20 involved in where the process was used any differently
21 than it was here?

22 MR. GATES: Sure, Grenada, the Achille Lauro.

23 MR. MC FADDEN: And what were the essential
24 differences in the process there that didn't occur here?

25 MR. GATES: Well, those did not involve covert

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1 action, but it involved the use of several different
2 agencies. It involved the use of operational forces,
3 operational activities. And my impression has been that
4 North worked very closely with the right people in DOD,
5 worked closely with the right people in our place in
6 terms of gathering the right information, worked closely
7 with the right people in NSA in terms of bringing all
8 those things together and making it happen.

9 CHAIRMAN TOWER: Then again it comes up to the
10 decision between overall management and coordination of
11 an effort and actual operational activity.

12 MR. GATES: I would make that distinction.

13 CHAIRMAN TOWER: About implementation through
14 operation.

15 MR. MC FADDEN: What is your sense of Colonel
16 North's operational activity on this particular matter,
17 the Iran-contra thing? What did he actually do that was
18 operational, in other words, that he did that the Agency
19 may have been able to do?

20 MR. GATES: Well, it would appear that he had a
21 role in establishing these financial linkages. I don't
22 know that for a fact, but it appears to be the case.

23 CHAIRMAN TOWER: Or tasked others to do it?

24 MR. GATES: Or tasked others to do it outside
25 the government.

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1 MR. MC FADDEN: On that very point, we would
2 like to pursue that with you to see what you and your
3 Agency can do to help us on the question of accounts and
4 so forth, to see what really happened here. I just know
5 what Mr. Casey said to the House Select Committee on
6 Intelligence in his testimony on November 21 in talking
7 about the funding.

8 "I want to reiterate that the funds for the
9 procurement of material enumerated above, as well as all
10 associated costs, were provided by the Iranians
11 themselves. Funding from Iran was transferred to CIA for
12 deposit in a covert funding mechanism. This action
13 provided secure means for control, payment and
14 accountability of all funding associated with this
15 program."

16 Now is that your impression of the way the
17 funding for this program was handled -- through a
18 mechanism that was secured for control, payment and
19 accountability of all funding?

20 MR. GATES: My understanding of the funding
21 arrangements were that, particularly in the first
22 channel, was that because of the Iranian requirement that
23 the weapons, that no payment be made until delivery, that
24 the investors put up a bunch of money -- \$15 million,
25 whatever it was. That money was put into one set of

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1 accounts. I have variously heard those accounts
2 described as Israeli accounts, as intermediary accounts,
3 whatever.

4 The precise amounts that we were billed by DOD
5 or that DOD told us would be the charged were transferred
6 into our account through an electronic transfer from
7 these other intermediary accounts, and only that money
8 which was required to pay our bills was transferred into
9 those accounts. And that's where we can account for
10 every penny of the money that came into our hands. And
11 then our payments were made directly to DOD.

12 But there are these other accounts into which
13 the money was originally put, we don't have the faintest
14 idea to this day how much money went into those accounts
15 and where it went.

16 GENERAL SCOWCROFT: It is my impression that
17 our finance people know about everything there is to know
18 about establishing accounts and this and that and the
19 other thing. Have you tried, have your people tried to
20 trace any of this as to, you know, what the various steps
21 were, just informally to try to sort through this thing?
22 Or could you? Do you think your people could find it?

23 CHAIRMAN TOWER: Have you tried to draw a flow
24 chart or anything like that?

25 MR. GATES: In terms of account numbers and

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1 that sort of thing?

2 GENERAL SCOWCROFT: Yes.

3 MR. GATES: Not that I am aware of.

4 GENERAL SCOWCROFT: Account numbers, what the
5 various people who handle anything at all, who they are?
6 I mean, I think you have got some real experts in there
7 that know a lot about this stuff.

8 CHAIRMAN TOWER: To follow up on that, would it
9 be useful for us to have our staff talk to your finance
10 people about this?

11 MR. GATES: Sure. I don't know whether it
12 would be useful, but you are welcome to. And, if you
13 want to ask them to see if they can trace back, I just
14 don't know what's possible, but anything they can do that
15 would be helpful we would be happy to do.

16 CHAIRMAN TOWER: I think we might want to
17 follow up on that.

18 MR. DAWSON: While we are on the subject of
19 asking you to do things, one of the more difficult
20 problems that we have had is trying to trace down the
21 contra money, not just the front end of it, which I think
22 you are talking about now, but the back end.

23 CHAIRMAN TOWER: Yes, the back end.

24 MR. GATES: Do you mean, in terms of what flowed
25 to the contras, what equipment flowed to the contras?

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1 MR. DAWSON: Mr. Fiers told us that he could do
2 some charts if we wished, and I guess we should make it
3 official and ask you to do that, if you would.

4 But the second part of that is trying to see if
5 there is any intelligence collection that has previously
6 been or could be massaged or further developed to see if
7 it would shed any light on all of this.

8 CHAIRMAN TOWER: In other words, using your
9 assets [] to try to find out what came out
10 the other end, or if indeed anything came out.

11 GENERAL SCOWCROFT: Yes.

12 MR. DAWSON: I will talk to John Pereira about
13 this, if it helps. It might make life a little bit
14 easier.

15 MR. GATES: Why don't you give that
16 specifically to John -- I will mention it -- exactly what
17 you want? I know that you have information on the
18 flights that were made into Nicaragua. I have seen a
19 chart of flights, the kinds of planes, and the dates that
20 they flew. I don't know exactly where they flew. We
21 have some information along those lines.

22 MR. DAWSON: I don't know whether that includes
23 the Second-sponsored flights or not. My impression is
24 that that's not true. I wish it were so.

25 MR. GATES: I just don't know.

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1 MR. DAWSON: Who should I talk to -- John --
2 about all of these, to try to line this up?

3 MR. GATES: I will take care of the one the
4 Chairman mentioned to me before the meeting, but on these
5 others why don't you talk to John directly?

6 MR. DAWSON: Maybe it would help to have what
7 the Chairman talked to you about before the meeting, this
8 list of key players (indicating).

9 SENATOR MUSKIE: Do you know whether or not
10 there was a diversion of funds?

11 MR. GATES: No.

12 MR. ROSTOW: Were you aware that Secord had
13 been denied a security clearance by the CIA?

14 MR. GATES: No. Secord's problems with -- as I
15 said, my understanding is that those problems had
16 occurred in connection with Wilson and so on, and all of
17 that happened at the Agency. That really was, if you
18 will forgive me, on the other side of the house, on the
19 operational side of the house, and I just didn't get
20 involved in it, quite honestly, and didn't know much
21 about it.

22 I heard things about Wilson and Terpil and
23 later about Secord and so on, but I didn't know any of
24 that stuff sort of firsthand or what was bothering them.

25 MR. BRUH: Could I ask you to follow up on

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1 that, though, and maybe even to speculate? Would it be
2 your opinion that since the Agency knew that retired
3 Major General Secord was so involved in the Iranian part
4 of it, if not the contra side of it, that knowing what
5 the Agency knew about Secord, which you said was kind of
6 general information before about him, that they would
7 have felt obligated to tell somebody, even if it was
8 somebody above Colonel North, that they were dealing with
9 somebody, namely General Secord, who was not trustworthy?

10 MR. GATES: I don't know that that wasn't
11 done. In other words, it may well have been McMahon or
12 somebody at some point or somebody from the Directorate
13 of Operations said that. You get different views on
14 Secord within the Agency. Some people believe that
15 nothing has ever been proved against the guy.

16 MR. DAWSON: In a court of law, that's true.

17 MR. GATES: Yes, and that he's gotten a bum
18 rap. Others basically have their own opinion.

19 MR. BRUH: Would the Agency basically have
20 gotten a copy of the last FBI-Department of Justice
21 report on the DISCO, General Secord, et al. matter?

22 MR. GATES: Not normally, I don't think. It
23 might have come to us if Secord applied to us for a
24 security clearance at some point subsequent to that, and
25 we would have done a national agency check. We might

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1 have gotten some part of it, but I just don't know that.

2 MR. BRUH: When General Secord -- Are you aware
3 that General Secord makes a trip with Colonel North and
4 George Cave and then meets with the second channel in
5 Europe?

6 MR. GATES: Yes.

7 MR. BRUH: Would George Cave have known about
8 the concerns about General Secord?

9 MR. GATES: The honest answer is I don't know,
10 but since most of these problems had been related to the
11 Near East that involved Wilson and some of the
12 allegations against General Secord, I would speculate he
13 might have, but I just don't know.

14 MR. MC FADDEN: Can I ask you about the funds
15 in this case? Are you satisfied that the United States
16 Government received all the funds that were due it for
17 the arms transfers?

18 MR. GATES: Do you mean in terms of the pricing?

19 MR. MC FADDEN: I mean in any sense, in terms
20 of the funds that could have been due the United States
21 Government as a result of transferring these arms.

22 MR. GATES: Yes. And I am told that after all
23 of the bills that we anticipate still coming in from the
24 Department of Defense are paid that there will be
25 somewhere in the neighborhood of \$300,000 to \$350,000

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1 left over.

2 MR. MC FADDEN: So you would conclude that
3 regardless of any problems that could be associated with
4 the diversion -- and there may be a lot of problems
5 associated with the diversion, if it occurred -- that the
6 diversion did not occur with United States taxpayers'
7 money?

8 MR. GATES: That is correct. That is certainly
9 my understanding.

10 GENERAL SCOWCROFT: I wouldn't have asked the
11 question that way.

12 MR. GATES: And I may be answering a question a
13 little different than you asked.

14 MR. MC FADDEN: I think the answer is a useful
15 answer, if that is the answer. I don't mean to trick you.

16 GENERAL SCOWCROFT: But taxpayers' money now.

17 CHAIRMAN TOWER: Yes. You see, that is a
18 subjective judgment about what is taxpayers' money. But
19 the fact is that your income out of the whole thing will
20 exceed your outlay. That is the point.

21 MR. GATES: Yes, sir, that is my understanding.

22 GENERAL SCOWCROFT: It was not taken out of the
23 costs of the operation?

24 MR. GATES: That's correct. We recovered the
25 monies owed the United States Government.

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1 MR. MC FADDEN: Do you have any indication that
2 anything more may have been due the taxpayers than
3 recovery of costs?

4 MR. GATES: How do you mean?

5 MR. MC FADDEN: Well, I think General Scowcroft
6 is a little uncomfortable with the formulation of what
7 constitutes taxpayers' money here. You say the costs
8 were covered, so that as far as the arms transfers were
9 concerned the costs were covered. Are you aware of
10 anything else that was due to the U.S. Government in
11 these transactions aside from the covering of costs?

12 MR. GATES: No. We spent a little over \$87,000
13 of appropriated funds in support of the operation, but
14 those were ordinary operational expenses that I would not
15 consider recoverable under this, if you will.

16 MR. MC FADDEN: Well, let's state it another
17 way. Were you aware that there was a bargain struck, if
18 you will, between the United States Government or its
19 agents in some way and ultimately the Iranians for
20 compensation to the United States Government above what
21 it was actually paid -- that is, above the costs that
22 were received?

23 MR. GATES: No, that is the first I've heard
24 about it.

25 MR. ROSTOW: How much money did the U.S.

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1 Government receive in the Iranian arms transfer?

2 MR. GATES: I think the total amount was on the
3 order of \$12,237,000.

4 GENERAL SCOWCROFT: Or 238 or something.

5 MR. ROSTOW: We have heard testimony to the
6 effect that a TOW missile on the open market costs
7 \$10,000. To my rough calculation that would mean that
8 some \$20 million might logically have been returned to
9 the U.S. Government for the arms transfers. Would you
10 agree with that?

11 MR. GATES: Not necessarily, no. My
12 understanding is that the pricing on all aspects of it,
13 the price of the TOWs, to the preparation of the TOWs in
14 Alabama, to the shipping costs to our [] that
15 all of those costs were arrived at through our regular
16 focal point arrangement with the Department of Defense,
17 and I have never heard or seen anything that would
18 suggest that there was any monkey business in the pricing
19 involved.

20 MR. ROSTOW: I am not suggesting that there is.

21 MR. GATES: Or that we got a cut rate from DOD
22 on the price of the missiles. I have read that Secretary
23 Weinberger is having people look into that and I don't
24 know what that will result in. But my impression is that
25 it was all very straightforward.

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1 GENERAL SCOWCROFT: Well, there may have been a
2 difference between whether you were charged replacement
3 cost or cost of the missiles themselves, and there is a
4 substantial difference there.

5 MR. GATES: , Yes.

6 GENERAL SCOWCROFT: But that is not monkey
7 business.

8 MR. ROSTOW: Oh, no. I wasn't suggesting any
9 monkey business.

10 GENERAL SCOWCROFT: But neither one has much to
11 do with the cost on the open market of TOW missiles.

12 MR. ROSTOW: That's right. My question just
13 had to do with whether in fact we ended up charging a
14 price which covered our costs but which was less than
15 what the Iranians would have had to pay I don't know
16 where, but in some arms bazaar somewhere.

17 MR. GATES: Well, my impression is that that
18 probably is true, but I am not also not sure you can even
19 get TOWs on the open market.

20 CHAIRMAN TOWER: I don't think you can.

21 SENATOR MUSKIE: Do you know who quoted the
22 price to the Iranians and whether or not it was a price
23 based upon DOD figures?

24 MR. GATES: I don't know.

25 SENATOR MUSKIE: I mean, I don't think we have

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1 any idea who quoted the price.

2 CHAIRMAN TOWER: I think we are asking some
3 good questions, but they are maybe questions that we need
4 to ask other people.

5 MR. MC FADDEN: Yes. We are not trying to
6 trick you. We are just trying to find out if you know.

7 CHAIRMAN TOWER: My point is there are other
8 people who might really be able to give us good answers
9 to these.

10 MR. GATES: But I don't know whether -- I mean,
11 I would think that the right scenario is we get the price
12 from the DOD focal point and then we communicate that
13 information to North or McFarlane, and they then tell the
14 Iranians here is what the cost will be.

15 CHAIRMAN TOWER: The fact is, DOD sets the
16 price; you don't dictate to DOD what the price will be?

17 MR. GATES: That is absolutely right.

18 SENATOR MUSKIE: And North doesn't either?

19 MR. GATES: That's correct.

20 MR. BRUH: Mr. Gates, it seems that in late
21 1985, early 1986 there seems to be a tremendous amount of
22 communications between General Secord and Ollie North.
23 To your knowledge was the Agency aware of those
24 communications?

25 MR. GATES: I've never heard anything about it.

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1 GENERAL SCOWCROFT: But you would not
2 necessarily, would you?

3 MR. GATES: I wouldn't have at that time, in
4 any event, but I also have not in retrospect and in
5 preparation for all the hearings heard anybody say
6 anything that would suggest we knew about such a thing.
7 That's not to say somebody didn't, but I just haven't
8 heard anything.

9 MR. BRUH: Specifically with regard to Central
10 America is what I am talking about.

11 MR. GATES: No.

12 GENERAL SCOWCROFT: Do you know anything about
13 that relationship?

14 MR. GATES: No.

15 MR. MC FADDEN: I have another question on this
16 business of relating to the costs of these missiles. Mr.
17 Casey testified in that same hearing, that same testimony
18 I mentioned earlier, that with respect to, and I believe
19 this is, let's see, the May shipment, May 1986, in terms
20 of transporting these arms, that the Office of Logistics
21 assembled the available HAWK missile spare parts at Kelly
22 Air Force Base.

23 The parts were then transported to Israel by a
24 private contractor, Southern Air Transport. Now in terms
25 of the Agency, when they delivered those parts to Kelly

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1 Air Force Base, did they still maintain control, dominion
2 or title over those parts until they got to Israel, or
3 did turning it over to the private contractor at that
4 point end the transaction as far as the Agency was
5 concerned?

6 MR. GATES: As far as I know, that ended our
7 involvement in the process.

8 MR. MC FADDEN: You turned it over there? You
9 were paid for it and that was the end of your formal
10 responsibility for that equipment? Is that accurate?

11 MR. GATES: That is my understanding.

12 MR. MC FADDEN: I just wanted to clarify where
13 the line is.

14 MR. GATES: But in terms of the specific legal
15 ties or lines there it would probably be worthwhile to
16 ask somebody from our Office of Logistics.

17 MR. MC FADDEN: Okay. Thank you.

18 CHAIRMAN TOWER: Is there anything further?

19 (No response.)

20 CHAIRMAN TOWER: Bob, there are a couple of
21 questions that I would like to ask that bear on something
22 you said earlier that I would like to do with only you
23 and the three of us in the room, if I may, and excuse
24 everyone else.

25 . (A discussion was held off the record.)

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1 CHAIRMAN TOWER: Ed, did you have a question?

2 SENATOR MUSKIE: Yes. You said that we
3 recovered our costs, our costs being DOD's quotation.

4 MR. GATES: Yes, sir.

5 SENATOR MUSKIE: Now how was that price
6 transmitted to Iran -- directly in some fashion to
7 representatives of the Iranian government or through
8 Ghorbanifar?

9 MR. GATES: My impression is that the price
10 citations, that those contacts were with Ghorbanifar or
11 with intermediaries and not directly to the government of
12 Iran, so Ghorbanifar or some of these guys would have
13 been in a position to considerably increase the costs if
14 they wished.

15 CHAIRMAN TOWER: But in fact Ghorbanifar was
16 our link, so he would be the natural one.

17 MR. GATES: Yes. My suspicion would be most of
18 that information, at least up through late summer of '86,
19 was conveyed through Ghorbanifar, but that could easily
20 be confirmed.

21 SENATOR MUSKIE: I think we have been given
22 evidence to the effect that the Iranians complained they
23 were being overcharged. Did any figure ever come out of
24 them in that respect? Do we know?

25 MR. GATES: I'm sure that there was some of

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1 that in the special materials that we've talked about.
2 There was a reference in late June and July that the
3 officials in Tehran were complaining to Ghorbanifar about
4 the price charged for the HAWKS, the HAWK spare parts.
5 Tehran was complaining it had been charged six times the
6 going rate.

7 For what it's worth, the details of this
8 running argument were well known to the key CIA officials
9 involved, but they assumed the problem resulted either
10 from middleman fees or were part of other arms deals
11 Ghorbanifar had arranged on the side.

12 SENATOR MUSKIE: But if it had been six times
13 the DOD's quotation, it would have been considerably more
14 than the normal middleman's fee.

15 MR. GATES: Yes.

16 SENATOR MUSKIE: So we really don't know what
17 quotation, how the quotation to the Iranians compared
18 with DOD's figures.

19 MR. GATES: It's possible that through a close
20 reading of the special materials that Charlie Allen may
21 know that in a couple of cases. I don't know, but it may
22 be worth pursuing if you haven't talked to him yet, or
23 going back to him if you already have.

24 He probably had a better grasp of what was in
25 those materials than just about anybody.

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1 MR. DAWSON: Was Charlie actually in charge of
2 the CIA end of this, or was it Dewey Clarridge? .

3 MR. GATES: Actually Dewey played little or no
4 role after November. He was basically out of the picture.

5 CHAIRMAN TOWER: After November '85?

6 MR. GATES: Yes. It fell primarily to the
7 chief of our NE Division, our Near East Division, first
8 [] then Tom Twetten, to kind of oversee the thing
9 overall.

10 MR. DAWSON: But who was the guy, if you could
11 put it all together the way the Agency operates, who was
12 the guy you would have looked to at various stages? I
13 guess you have told me first Dewey Clarridge up until
14 November '85, and thereafter [] then Twetten?

15 MR. GATES: Well, there are kind of three
16 phases. The first part, up until late November, when
17 arrangements began to be made for this charter flight,
18 and then for the El Al flight that got aborted, and then
19 the use of the proprietary, until that time it was
20 essentially an intelligence collection problem, and Allen
21 was working that primarily within NSA. So Allen was
22 really the key guy involved during that period.

23 When they needed operational support, first to
24 try to get flight clearances, landing clearances in
25 [] for this El Al flight that was supposed to have

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1 gone on the 21st of November, that telephone call came to
2 Dewey Clarridge from North, is my understanding. All
3 through that period until that plane -- through the sort
4 of 25th or 24th, that was Dewey.

5 But then my impression is that subsequent to
6 that it fell into the Near East Division and was managed
7 first by [] and then by Tom Twetten as the
8 principal figure in terms of having his fingers on what
9 was going on.

10 MR. DAWSON: It stayed there until --

11 MR. GATES: Until the end.

12 MR. DAWSON: Thank you.

13 CHAIRMAN TOWER: Is there anything more?

14 (No response.)

15 CHAIRMAN TOWER: I wonder if the members could
16 remain behind for a moment so that we could do a little
17 administrative business.

18 (Whereupon, at 4:44 p.m., the interview
19 concluded.)
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IRAN

Wednesday, December 10, 1986

U.S. House of Representatives,
Permanent Select Committee on Intelligence,
Washington, D. C.

The Committee, met, pursuant to call, at 1:35 p.m.,
in Room H-405, the Capitol, the Honorable Lee H. Hamilton
(Chairman of the Committee) presiding.

Present: Representatives Hamilton (presiding), Stokes,
McCurdy, Beilenson, Kastenmeier, Daniel, Roe, Brown, McHugh,
Dwyer, Stump, Ireland, Cheney, Livingston and McEwen.

Staff Present: Thomas K. Latimer, Staff Director;
Michael J. O'Neil, Chief Counsel; Thomas R. Smeeton, Associate
Counsel; Jeanne M. McNally, Clerk; Martin C. Faga, Duane P.
Andrews, Richard H. Giza and Diane S. Dornan, Professional
Staff Members.

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by N. Moran, National Security Council

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19 The Chairman. The Committee will come to order again.
20 The Committee's next witness is Robert Gates, the Deputy
21 Director of Central Intelligence. Mr. Gates became
22 the Deputy Director on April 18, 1986. Thus he was not
23 directly involved in the Iran operation at a management
24 level prior to this time.

25 It was to Mr. Gates that lower ranking CIA officials

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1 first suggested the possible diversion of proceeds from
2 the sale of arms to Iran.

3 Mr. Gates has been very forthcoming in speaking with
4 the staff and we appreciate his appearance today to provide
5 his insight into this matter.

6 As we have for previous witnesses, the Committee will
7 receive Mr. Gates' testimony under oath.

8 Mr. Gates, would you stand and raise your right
9 hand. Do you swear or affirm that the testimony you are
10 about to give the Committee is the truth, the whole truth
11 and nothing but the truth.

12 Mr. Gates. Yes, sir.

13 The Chairman. You are now sworn. We look forward to
14 your statement and you may proceed.
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STATEMENT OF ROBERT M. GATES, DEPUTY DIRECTOR
OF CENTRAL INTELLIGENCE

Mr. Gates. Mr. Chairman, I thought what would probably be most productive is for me to describe the events associated with this matter in which I had personal involvement, and then obviously would be happy to take whatever questions the Committee has.

The first time I recall becoming aware that there was a relationship or an ongoing activity with the Iranians was on the 5th of December, 1985, when then DDCI John McMahon convened a meeting in his office that included myself, Robert ^{Latham} ~~Latham~~, Director of the DDI's Office of Near East and South Asian Analysis; the Associate Deputy Director for Operations, Ed Juchniewicz; the Chief of the Near East Division, [REDACTED] and the Deputy Chief of the European Division, [REDACTED]

John began the meeting with a series of substantive questions, at least based on notes reconstructed by his special assistant who attended the meeting and frankly my memory of what went on in that meeting is based on her notes.

One of the issues John had wanted explored was whether there were in fact Soviet BEAR bombers or reconnaissance aircraft that had been overflying either Iran or the Iran-Iraq border, and whether the Iranians were seeking HAWK

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1 spare parts in order to destroy those BEAR bombers.

2 He asked other questions, including information on
3 Iranian tank strength, he asked for a biography according
4 to these notes of the [REDACTED] and
5 several other such questions. For what it is worth, we
6 later determined that there had been no such flights by
7 BEARS.

8 He then turned to a discussion with the operational
9 people present and in the course of that discussion
10 according to these notes, he was given a report on the plane
11 that had flown the weekend of the 23rd and 24th or the 25th,
12 but in any event that first plane that had gone at the end
13 of November. There was uncertainty expressed according
14 to these notes whether there were arms on board and what kind
15 of arms. He was told that there were more planes going,
16 that there would be more flights, and he was also told
17 according to these notes that the Finding had been signed
18 and that basically was the end of the meeting.

19 We went off, we had answered some of his substantive
20 questions during the meeting, and answers were prepared
21 or found for the remainder.

22 I assume in retrospect that these questions were
23 in order for John to prepare himself for the meeting
24 that he had with the President and other members of the
25 National Security Council on December 7th. It was at that.

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1 meeting that I am told that John objected to the proposed
2 undertaking with Iran.

3 The next phase of my participation began after the
4 Finding was signed, on the 25th or 24th of January, in a
5 meeting again in Mr. McMahon's office that included
6 Lt. Colonel North, and several other officials from the
7 Agency. At that meeting, the requirement was placed
8 on us to prepare some intelligence materials that could
9 be used in the contacts with Iran, prepare intelligence
10 materials on Iraqi order of battle along the border.

11 I objected to the preparation of such materials. While
12 I was sympathetic in principle with the idea of preparing,
13 of trying to establish a strategic dialogue with the Iranians
14 and saw a great merit in that, I felt that particularly
15 earlier this year that the situation was so fragile on the
16 border that it would be a mistake to provide intelligence
17 information to the Iranians. In fact it was not until late
18 this summer that our concerns of the possibility of a
19 major Iranian breakthrough had eased somewhat.

20 In any event, we were directed to go ahead and prepare
21 the materials. The one thing I was able to succeed in doing
22 was to have the first packet of materials prepared on
23 a segment of the border that was ~~(well aware -)~~ well away
24 from the main battle area in the south. This was an area
25 to the north and we can provide those materials, in fact

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1 copies of those materials, maps that were prepared, to the
2 Committee.

3 (The information referred to follows:)

4 COMMITTEE INSERT

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1 Mr. Gates. I also tried to make the information as
2 general as possible, and there was a little "to-ing and
3 fro-ing" of just what would be included in these maps,
4 but they were basically locations of division
5 headquarters and other principal military installations.

6 It is perhaps worth noting that the next day on the --
7 the meeting in which this request was first made was
8 the 24th, there was then a meeting with North, with North
9 and company taking place on the 25th and it was at that time
10 that we presumably showed the materials to North and got
11 his comments on them.

12 On the 26th --

13 Mr. Daniel. Mr. Chairman -- are you talking about 1985
14 or 1986?

15 Mr. Gates. 1986, sir.

16 Mr. Daniel. I understand you to have said December
17 1985 at the beginning.

18 Mr. Gates. That is correct.

19 Mr. Daniel. Thank you, Mr. Chairman.

20 Mr. Fates. On the 26th it is worth noting that
21 DDCI McMahon sent a cable to the Director in which he
22 noted the opposition of a number of senior Agency officials
23 to providing these materials to the Iranians, but said
24 "In spite of our counsel to the contrary, we are proceeding
25 to follow orders as authorized in the Finding."

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1 The second tranche of materials was prepared and
2 provided on the 19th of February. It was for a segment of
3 the border south of the first package, again we can
4 provide a copy of that.

5 (The information referred to follows:)

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1 Mr. Gates. The third package of materials was the
2 only one in the whole undertaking that I enthusiastically
3 supported and that was the preparation of materials on
4 Soviet forces in Afghanistan and ~~our~~ ^{armed} ~~raid~~ against Iran.
5 It seemed to me that the more we could warn the Iranians
6 of the nature of Soviet threat to them, the greater the
7 opportunity for some kind of useful dialogue on a strategic
8 basis.

9 Those materials were prepared as I recall during the
10 spring -- during the period February and March, but in any
11 event were not used until the meeting in Tehran in May.
12 That was the last package that I had anything specifically
13 to do with as DDI. There was a fourth package of
14 materials prepared on both the Iraqi forces behind the
15 front lines as well as some Soviet materials that was
16 given or shared with the Iranians on the 19th of September.

17 The only other thing that I might mention during this
18 period worth noting was that I recall seeing -- and I
19 quite honestly cannot place the exact time but it must have
20 been in early February -- a scenario that had been
21 prepared and I believe worked out jointly by the NSC staff
22 people involved, presumably Lt. Colonel North, and the
23 Iranian intermediaries.

24 There was a scenario of exactly the steps that were
25 to be taken in this enterprise. It laid out the dates,

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1 proposed dates of the first of the series of weapons
2 transfers, when talks would take place in Tehran, when
3 certain actions with respect to the hostages would take
4 place and so forth.

5 The only specific date that I recall because it caught
6 my attention at the time and will give you some flavor for
7 the scenario was that as I recall on the 11th of February
8 it was annotated that the Ayatollah would step down.

9 The third phase of my involvement and perhaps the most
10 direct in the entire undertaking began on the first of
11 October when our national intelligence officer for
12 counterterrorism, Charlie Allen, came to me and described
13 how the NSC was in the process of changing channels to
14 the Iranian government, that it was abandoning the
15 channel that it had been ~~(working on)~~ working with for some
16 time and was now going to turn to a channel involving

17 [REDACTED] He said that in the course
18 of changing channels ~~(that)~~ there was a good deal of unhappiness
19 on the part of the people involved in the first channel,
20 that they had not gotten all their money and there were
21 a lot of loose ends left hanging and a lot of unhappiness
22 and there were perhaps investors or others that were
23 unhappy.

24 And he was particularly concerned about the compromise
25 of the operational security of the entire undertaking

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1 with Iran.

2 It was only towards the end of our conversation
3 that he then added his speculation -- and he said that he
4 had no hard evidence, he had no facts, but his reading
5 [REDACTED] was such that there was so much talk of
6 cheating and of overcharging and various other things
7 that he suspected there might be some financial
8 shenanigans going on and he speculated that these might
9 involve some funds going to Central America, to the contras.

10 But he stressed that he didn't have any evidence
11 or any facts. That was a speculation on his part.

12 I found even his speculation troublesome and told
13 him that we should bring that information to the Director.
14 For whatever set of reasons it was several days before we
15 got in to see the Director on this, and on the 7th of October
16 Mr. Allen presented all this information to the Director.

17 Again, the primary focus and his primary concern was
18 on the operational security of the undertaking. That is
19 where he felt he had more to go on and was more worried.

20 When the Director heard this information he
21 directed Mr. Allen to put all this down on paper. And he
22 did so.

23 Now, independent of this -- and I don't know the specific
24 time of day -- but on the same day, the 7th of October --
25 and this I only know indirectly -- the Director received

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1 a telephone call or had received a phone call from a
2 Mr. Roy Furmark who represented himself as the New York
3 representative of Kashoggi, and whom the Director had
4 known some years before. Furmark had said he had -- said
5 he knew something about this operation or had some
6 information he wanted to impart to the Director. Frankly
7 I don't recall but we can confirm for the record whether
8 it was on a telephone call or whether Furmark came down
9 on the 7th and talked to the Director.

10 In any event he said that Kashoggi was involved with
11 a group of Canadian investors who had advanced some money
12 to the intermediary for this operation, and that they had not
13 gotten their money, that they were very unhappy, that
14 they were thinking about going to talk to some
15 U.S. Senators and perhaps launching some lawsuits. Again
16 the primary thrust of the conversation was in the context
17 of operational security.

18 So that, combined with Allen's information, was a
19 source of concern to the Director.

20 According to his records, he called Admiral Poindexter
21 that same day and conveyed to him these concerns about the
22 operational security of the enterprise. I believe that he
23 also told the Admiral that he should have the White House
24 counsel look over the whole undertaking.

25 On the 9th of October, the Director and I had lunch

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1 with Lt. Colonel North. North had just returned from
2 talks with the Iranians in Frankfurt and wanted to come out
3 and debrief us on the course of those talks. In the
4 course of that conversation we talked about the unhappiness
5 of Gorbhanifar, the Iranian intermediary, about the
6 money problems that the first channel was having and again
7 about the operational security of the entire affair.

8 North made a reference which neither the Director
9 nor I understood or followed up on about Swiss bank accounts
10 and contras, and that is about all we can recall.
11 But in the context of everything else we had been hearing,
12 as well as the fact that we were right then in the middle
13 of the Hasenfus business, him having been produced by the
14 Nicaraguans, I think it was that day, we specifically asked
15 North in a very direct way based on your knowledge of the
16 private funding efforts for the contras, is there any
17 element of CIA, any CIA asset, proprietary or staffer or any
18 other kind of asset, directly or indirectly involved in this
19 effort with respect to the contras, this funding effort
20 or support for the contras.

21 He very specifically said that he had worked very
22 hard to keep them separate and that CIA was completely
23 clean.

24 Because of the Hasenfus business and our concerns on,
25 our growing concerns in this other area, I made a brief

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1 memorandum of conversation of that statement of Mr. North's
2 immediately after the lunch. And the Committee I think has
3 that document.

4 We received Charlie Allen's memorandum laying out all
5 of his concerns on the 14th of October. That memorandum
6 focused again almost exclusively on the operational security
7 being at risk, that the whole Iranian activity was going
8 to be exposed.

9 At one point, however, in talking about the unhappiness
10 of Gorbhanifar and some of these other investors, some
11 of the others involved, particularly in the first channel,
12 Allen said in his memorandum that if Gorbhanifar decided
13 to go public, he could make a number of allegations, or he
14 would conceivably make a number of statements about the
15 U.S. involvement in the Iranian affair, statements about
16 U.S. officials, and as I recall the fourth and final
17 particular in the memorandum of things that Gorbhanifar
18 might say was that some of the money collected from the
19 Iranians might have been diverted to other U.S. projects;
20 Allen's memorandum did not specify the contras.

21 We tried to see Poindexter that day and couldn't get
22 in. We saw him the next afternoon at which time we handed
23 this Allen's memorandum. We met in the Director's old
24 EOB office. We had him read Allen's memorandum sitting there
25 with us and I believe that the Director again stated that

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1 he thought that the White House counsel ought to be involved
2 and ought to look over the whole thing.

3 Prior to that meeting I had called in our own
4 general counsel, had briefed him on as much as I knew at
5 that time about the entire undertaking and asked him to look
6 it over and be able to assure me that whatever CIA
7 was doing was in fact within the law, and he returned to me
8 a couple of days later as I recall and said that he did
9 not see any problems from our standpoint.

10 I was then [REDACTED] from the 17th to the 30th
11 of October and when I returned, I believe at our first
12 meeting with Admiral Poindexter after my return on the
13 6th of November, the Director once again in my presence this
14 time urged Poindexter to involve the White House
15 counsel.

16 The last part of my involvement was that we had been
17 pushing for some time for the White House to develop a
18 full statement on the Iranian affair and our recommendation
19 was that this statement be made public, that the operational
20 risks were such that it was basically time to stop and go
21 public with the whole thing and describe what all had been
22 involved.

23 And to that end, I drafted a brief skeleton of a
24 statement that the President might use and that was sent
25 down to the White House on the 10th of November.

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1 The only other thing I might mention in connection
2 with the role that I played at the outset of this affair
3 as DDI, is something about the finished intelligence, the
4 analysis that may have influenced or informed this
5 activity. The national intelligence officer for the Middle
6 East, Mr. Graham Fuller, on the 17th of May 1985 had drafted
7 a memorandum in which he, an informal memorandum to the
8 Director and to me as then Chairman of the National
9 Intelligence Council, in which he laid out his concerns about
10 the paralysis in the U.S. relationship with Iran and the
11 worry that the Soviet Union by being much more flexible
12 might well be in a position to improve its position in Iran
13 at the expense of the United States, frozen in hostility.

14 He laid out a number of measures in that memorandum
15 that might be considered to try and alter that situation.
16 One of the measures was to strengthen -- an antagonistic
17 one in effect, to strengthen Pakistan and other friendly
18 neighbors in the region; another was to try and get
19 West European countries to try and take a more active
20 role in Iran. The only military gesture that he put in
21 the memorandum was that the United States might consider
22 withdrawing U.S. Naval forces from the Persian Gulf as just
23 a gesture. That was the only gesture the Iranians
24 or friendly gesture if you will, that was recommended or put
25 forward in the memo.

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1 His recommendation ended up being that the course
2 we ought to follow was to use the West Europeans as inter-
3 mediaries and let the West Europeans try to improve the
4 relationship of the West with the Iranian government.

5 Two weeks later there was a [National --] special
6 National Intelligence Estimate on Iranian instability
7 and the two principal key judgments in that estimate
8 were first that it seemed to us there was a chance of real
9 instability in Iran before Khomeini's death; and second,
10 that it looked like we were on the verge of some
11 significant improvement in Soviet-Iranian relations.

12 I have no idea what influence either of those documents
13 had on the people on the NSC staff or the President or the
14 assistant to the President or anybody else. But they are
15 two documents that in terms of the timing may have had some
16 role. There was throughout the period of the entire
17 enterprise a continuing flow of finished intelligence in the
18 President's Daily Brief, the National Intelligence Daily
19 and in terms -- in informal memoranda and finished
20 intelligence monographs on Iran, on internal politics, on
21 the economic situation and so on as well as on the war.

22 I don't know what role any of that materials played
23 in the judgments that were made by any of the people involved.
24 It was material that was made available. I am not aware
25 of at this point of any tasking of our analysts on the

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1 political aspects of what was going on in Iran that was
2 associated with this enterprise.

3 There was during the fall -- I can get you the specific
4 dates if you wish -- there were a series of memoranda
5 prepared by our group of people in the Office of Global
6 Issues that follow the international arms market,
7 Charlie Allen requested on several occasions papers on
8 Israeli arms activities in connection with Iran and we
9 have copies of those that we could make available.

10 But those were specifically tasked by Allen and I
11 presume in connection with the project. Perhaps to see what
12 we were picking up from other intelligence about what
13 was going on.

14 Finally, in February of 1986 there was another
15 special national estimate on instability in Iran and the
16 fact is that estimate in a couple of ways significantly
17 revised the judgments of the estimate the preceding May.
18 I think that the best way to characterize it is that that
19 estimate was significantly less alarmist than the one had
20 been in May of 1985.

21 The Soviet and Iranians had seemed to be on the
22 threshold of a number of cooperative ventures, few if any
23 of which had actually panned out. And the regime seemed,
24 proved more durable in enduring some, in going through
25 some of the internal difficulties than had originally been

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1 forecast.

2 And that basically is the picture in terms of the
3 finished intelligence associated with the project.

4 Mr. Chairman, that completes my opening remarks.
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1 The Chairman. Thank you, Mr. Gates. We will proceed
2 under the five-minute rule.

3 When did you first suspect that the United States
4 was selling arms to Iran?

5 Mr. Gates. I think that the first indication that I
6 had apart from the very brief discussion on December 5th,
7 was probably in January when -- and perhaps in late
8 January, when the full scope of the plan was outlined in
9 connection with the intelligence materials that we were
10 being provided. That is the first that I recall of it.

11 The Chairman. That is January of 1986?

12 Mr. Gates. January 1986, yes.

13 The Chairman. When the Finding was issued.

14 Mr. Gates. Yes, sir.

15 The Chairman. The Finding was issued January 17th.
16 You really did not know prior to that time that arms sales
17 had been made by the United States to Iran?

18 Mr. Gates. As best I can reconstruct, that is correct.

19 The Chairman. When did you first suspect that a
20 diversion of funds was occurring to the contras and when
21 did you first know it?

22 Mr. Gates. We knew obviously throughout the years
23 that the contras were getting considerable money and just
24 by virtue of what they were doing. It was clear that
25 they were getting outside funding. There was a good deal of

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1 speculation about possible sources for this money. I recall
2 hearing rumors and I cannot even recall who I heard them
3 from, but that Taiwan, South Korea, Saudi Arabia, and
4 eventually Iran might all be involved. But there was no --
5 we had no specific information. The first time that I heard
6 anything that I thought deserved any credence was when
7 Allen came to me on the First of October. I did not know
8 it until the Attorney General's statement on the 25th
9 and it struck all of us at the time. All we had at the time
10 that the Director came up here on the 21st of November was
11 Allen's speculation, and on the 22nd of October Roy Furmark,
12 this representative of Kashoggi in New York, had told
13 Charlie Allen who was up there debriefing him, that he
14 thought some of the money -- that Gorbhanifar believed that
15 some of the money had been earmarked for Central America.

16 No proof. No evidence. Speculation of a brief by
17 a man that everybody believed to be a liar. So we had
18 by hearsay and it was on that basis, so we went ahead and
19 forwarded that information to Poindexter. The fact is we
20 didn't have very much. We had no evidence. We had no
21 indication, not even speculation, that the Agency was
22 involved.

23 As I recall it at that time, we didn't even have any
24 evidence or speculation that the NSC was involved. We just
25 had some speculation that some of the Iranian money was

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1 somehow getting to the contras. So that the first reaction
2 of some of us on the 25th was that clearly the Attorney
3 General had found something much more specific and much
4 more detailed than anything we had ever seen.

5 The Chairman. The 25th is what date now?

6 Mr. Gates. November 25th when the Attorney General
7 announced that there had apparently been a diversion.

8 The Chairman. Does the Director's personal knowledge
9 of the sale of the arms and his personal knowledge of the
10 diversion correspond, do you think, roughly to your own?

11 Mr. Gates. I think his knowledge of the sale of the
12 arms, of the enterprise, pre-dates mine. To the best of
13 my knowledge his knowledge of the diversion, his information
14 on the diversion is the same.

15 The Chairman. When you had that lunch with Colonel
16 North, in October of 1986 --

17 Mr. Gates. Yes, sir.

18 The Chairman. -- he did tell you at that time of the
19 diversion?

20 Mr. Gates. He didn't --

21 The Chairman. I didn't understand your testimony
22 there.

23 Mr. Gates. Part of the problem is we didn't understand
24 what he said. He had been talking about Gorbhanifar and
25 these financiers and he spoke of a Swiss bank account and

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1 than something about the contras. We didn't pick up on it
2 at the time. It was only after the meeting, after the
3 lunch that I went back in to the Director and said could
4 you make any heads or tails of what in the hell he was
5 talking about on that particular issue?

6 And he said that he -- he didn't understand what he was
7 talking about nor did I.

8 The Chairman. Now, the CIA -- my time is up.

9 Mr. Ireland.

10 Mr. Ireland. Let me just ask quickly, when you talked
11 about meeting with, the first meeting with Allen and he said
12 that he was concerned about the operational security --

13 Mr. Gates. Yes, sir.

14 Mr. Ireland. -- you didn't say what made him -- what
15 brought about his concern? What was the source of his
16 concern about the operational security?

17 Mr. Gates. His concern was based on an analytical
18 judgment that as best I can tell from talking to him,
19 derived from his reading [REDACTED] and the talk
20 about a group, among a group of people that there had been
21 cheating and overcharges and unhappiness about people not
22 getting their money and as he watched this develop -- and
23 I don't know over what time frame -- I think he drew the
24 judgment from that that you had a group of people
25 involved in this thing that were increasingly unhappy and

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1 that there may be a good chance that there might be a
2 good chance that they would go public.

3 Mr. Ireland. Did he say there were references besides
4 that, references to funds going elsewhere in that?

5 Mr. Gates. No, sir, he didn't.

6 Mr. Ireland. [REDACTED]

7 Mr. Gates. No, sir. Not in what he described to me.

8 Mr. Ireland. And then on two occasions when you and
9 the Director met with Admiral Poindexter, if I recall it
10 right you said the Director urged Admiral Poindexter to
11 consult the White House counsel.

12 Mr. Gates. Yes, sir.

13 Mr. Ireland. And was there any follow-up on that
14 at that time or did he -- did the Admiral say, no, I am not
15 going to do that; in other words did you follow up to find
16 out or did the Director find out whether that was actually
17 done or not?

18 Mr. Gates. My impression from the Director's
19 reconstruction was that on the first occasion the Admiral
20 said basically that he didn't -- the operation was still
21 ongoing and he didn't want to do that quite yet. Now, I
22 recall and I believe the date was November 6th which would
23 have been the second or even perhaps the third time the
24 Director had mentioned this to Poindexter, that when the
25 Director raised it again the Admiral was very explicit in

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1 saying I don't trust Wallace to keep his mouth shut. I will
2 rely on Paul Thompson who was his military assistant and
3 according to my understanding, is also a lawyer.

4 Mr. Ireland. One last question. When those meetings
5 in which that was urged, who was at those meetings, you
6 and the Director and the Admiral? Any other officials
7 from the White House?

8 Mr. Gates. At the meeting on the 15th, in the
9 Director's FOB office it was only the three of us. In
10 the meeting on the 6th, I don't recall, it may also have
11 been just the three of us. His deputy might have been
12 there, but I don't recall.

13 Mr. Ireland. But no other members of the White House?

14 Mr. Gates. No, sir.

15 Mr. Ireland. Of the staff over there?

16 Mr. Gates. No.

17 Mr. Ireland. Thank you.

18 The Chairman. Mr. Stokes.

19 Mr. Stokes. Thank you, Mr. Chairman.

20 Mr. Gates, the first meeting to which you referred
21 in your opening remarks with you and other individuals, what
22 was the date of that meeting?

23 Mr. Gates. The 5th of December, 1985.

24 Mr. Stokes. Are you familiar with a memorandum dictated
25 by John McMahon dated 7 December 1985?

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1 Mr. Gates. Yes, sir.

2 Mr. Stokes. You are.

3 Let me refer to paragraph 3 of that memorandum.

4 I just want to read from the memorandum.

5 It says somewhat distressed at this turn of events
6 I immediately informed our general counsel after confirming
7 with Dewey Clarridge our involvement. I instructed the
8 CPN personnel to go over and brief general counsel and
9 so advise the general counsel at 5:15 the evening of the
10 25 November. He informed me later that night that a
11 Finding would be required, not so much from the airlift
12 standpoint but from our involvement in influencing foreign
13 government officials to assist the mission. The Finding
14 was prepared the next day. The Finding was cleared with
15 the Director who called McFarlane and Don Regan to ascertain
16 that indeed this had Presidential approval and to get
17 assurances that a Finding would be so signed.

18 After repeated calls to NSC personnel on 27 November
19 during the week of 2 December continuously receiving
20 reassurances of the President's intent to sign the Finding,
21 we were notified on 5 December that indeed the Finding
22 was signed. The President directed us not to inform Congress
23 for the reasons of the safety and secure release of the
24 hostages until he so directed.

25 Now, when did you become familiar with this

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1 memorandum?

2 Mr. Gates. Just within the last couple of weeks as
3 we have been compiling documents.

4 Mr. Stokes. At the time you had the meeting to which
5 we have already referred, was any reference made at that
6 time to a Finding?

7 Mr. Gates. Yes, sir, the Deputy Chief, according
8 to the notes taken by McMahon's assistant, he was told and
9 I assume it was in my presence by the Deputy Chief of the
10 European Division, [REDACTED] that the Finding had
11 been signed.

12 Mr. Stokes. Now, to your knowledge have you ever seen
13 that Finding?

14 Mr. Gates. No, sir.

15 Mr. Stokes. Do you know today where the Finding is?

16 Mr. Gates. My impression -- I don't know of any such
17 Finding other than these references to the preparation. The
18 only thing that I recall hearing about this Finding beyond
19 this meeting was that, and I cannot pinpoint the date,
20 but that later in December I seem to recall that the
21 Finding had been forwarded with a passage in it that in
22 effect covered events that had already transpired, that
23 provided authorization for events that had already
24 transpired, that is the flight that had gone in late
25 November, and my memory -- and it could be faulty -- but my

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1 memory was that I heard at the time that the White House
2 lawyers had said that that Finding couldn't be signed, that
3 it was too broad protection, that it retroactively, that
4 that retroactive protection just wasn't possible.
5 That is the only thing I heard.

6 " I might mention on this Finding business, the Agency
7 did not even have a copy of the January 17th Finding until
8 well into October of 1986. It was at the luncheon with
9 North that I insisted that we get a copy of the Finding
10 and I told the Director, I said maybe I am being ridiculous
11 and maybe I have read one too many spy novels, but if there
12 is one copy of a Finding that exists in somebody's safe
13 and it disappears, there are going to be a lot of people
14 in trouble.

15 So we insisted that we get a copy of the Finding,
16 North said he would help do that, and he did in fact get a
17 copy from Poindexter within a few days or a week or so of
18 that.

19 Mr. Stokes. Then at that time having the concerns you
20 had, who in your opinion was authorizing the type of actions
21 you were talking about?

22 Mr. Gates. My understanding retrospectively, and I
23 didn't know of any Agency operations other than the flight
24 discussed at the meetings on the 5th, this flight of late
25 November, I didn't know of any other Agency operations under

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1 way and my understanding, even at this point, is that between
2 that flight in late November and the signing of the Finding,
3 that there were no other Agency operational activities going
4 on.

5 Mr. Stokes. My time has expired. Thank you,
6 Mr. Chairman.

7 The Chairman. Mr. Cheney.

8 Mr. Cheney. Thank you, Mr. Chairman.

9 Mr. Gates, I am curious about the extent to which
10 the practices that were pursued here are common, ordinary
11 kinds of practices or whether there was a truly unique set
12 of circumstances. It seems to me we have an interest as
13 a committee obviously into looking into specifically
14 the Iranian transaction and why Congress wasn't
15 notified and whether or not the President was within his
16 prerogatives not to notify us that the funds went to the
17 contras.

18 As a committee, we do have an interest in the
19 interaction between the CIA and the Congress. But I am
20 curious, do you have any knowledge at any other time when
21 we would have received the kind of markup on weapons sales
22 that we did in this case with respect to Iran. Is that a
23 common way to generate cash?

24 Mr. Gates. I don't know of any other instance in
25 which that has happened.

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1 Mr. Cheney. This is the only time we have ever sold
2 to your knowledge, ever sold weapons to another country
3 and taken in more than what we actually thought these
4 cost?

5 Mr. Gates. It is the only one I know about. But
6 I have to admit that I have not been involved with that
7 end of the business very long.

8 Mr. Cheney. Would there be another place within the
9 Agency where we might best direct that question?

10 Mr. Gates. I would think that the office within the
11 Directorate of Operations that interacts with the Department
12 of Defense would probably be the right place to. They
13 would have the historical memory.

14 Mr. Cheney. Aside from the fact that the President's
15 Finding was not made immediately available to the Agency,
16 was the transaction handled in a normal kind of fashion,
17 was the Iranian part of it, the acquisition of weapons
18 from DoD, was normal procedure followed in providing those
19 weapons to the Iranians?

20 Mr. Gates. To the best of my knowledge and again,
21 I am -- I have to betray a little bit my lack of familiarity
22 with the historical aspects of the operational world.
23 I don't know of any other instance, for example, since
24 the signing of the -- since the passage of the Oversight
25 Act in 1980, where the kinds of, the overall kind of

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1 first lack of prior notification, second the lack of
2 involvement in a major operation of the analytical side
3 in terms of being able to provide some judgments, or where
4 these procedures of the kind that you are describing were
5 followed, but that is based on my own knowledge. We
6 have -- one of the things that I think has represented a
7 significant step forward in the last several years is that
8 we have instituted procedures in the Agency, beginning
9 when I became DDI, where no Finding would be sent to the
10 Director without a comment or a judgment by the Directorate
11 of Intelligence on the various pros and cons and risks
12 involved in the activity.

13 This is the only Finding that I am aware of in this
14 Administration where that has happened. So to the best of
15 my knowledge, the whole thing was a fairly unique under-
16 taking. But in terms of the specific operational transac-
17 tions I really cannot answer the question. I don't know.

18 Mr. Cheney. But we could obtain that information
19 presumably from someone within the Agency who wasn't
20 involved in the Iranian transaction.

21 Mr. Gates. Yes, sir.

22 Mr. Cheney. Was it common practice for you or the
23 Director to deal with Colonel North. Was he somebody you
24 interacted with on a regular basis?

25 Mr. Gates. We had fairly frequent interactions with

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1 North. Mine were confined until this activity primarily
2 through the crisis pre-planning group which is in effect
3 an Under Secretary's group chaired by the Deputy Assistant
4 to the President that was established in 1982 and included
5 Mike Armacost, Rich Armitage, the three star assistant
6 to the Chairman of the Joint Chiefs, and that core group
7 would deal with planning for various crises or various
8 problems, Lebanon, Grenada, Suriname, a whole range of
9 issues.

10 North was basically the organizer of CCPG and served
11 for the first two or three years of its existence, sort of
12 as its executive secretary and it was in that context that
13 most of my dealings with North took place.

14 Mr. Cheney. Was he involved in any other covert actions
15 to your knowledge?

16 Mr. Gates. Well, I don't know the answer to that,
17 except that I knew that he was deeply involved throughout
18 in the NSC's handling of the Nicaraguan problem and it is
19 my understanding that he was a member of the small group,
20 small interagency group that worked on the Nicaraguan
21 problem.

22 Mr. Cheney. Thank you, Mr. Chairman.

23 The Chairman. Mr. McCurdy.

24 Mr. McCurdy. Thank you, Mr. Chairman.

25 Mr. Gates, is it normal operation for a Lt. Colonel

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1 on the NSC to be able to task directly the CIA for
2 specific actions? Either the gathering of the intelligence,
3 direct analysis -- is that the normal chain of command?
4 I am trying to figure out just what the normal flow would
5 be.

6 Mr. Gates. Well, it basically depends -- the answer
7 is it depends, and having spent a fair amount of time on
8 the NSC staff myself, frankly I tend to be a little
9 skeptical when an NSC staffer calls and asks for something,
10 particularly if he asks in the name of the President or
11 the assistant to the President.

12 Especially if it involves the large-scale reallocation
13 of resources. So, for example, if I would get a call from
14 an NSC staffer, and I was DDI, wanting me to set up a
15 whole new unit to work on a problem, I would just basically
16 tell him to go soak his head and if the assistant to the
17 President wanted it, I would count on him to tell Mr. Casey
18 or call me directly.

19 On the other hand,

20 [REDACTED] or
21 asking for a specific paper on an issue or that sort of thing,
22 we yes, we would take tasking from a member of the NSC under
23 those circumstances.

24 Now, in this thing, my impression, particularly at the
25 time the whole thing was going to be organized, and here I

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1 am just giving an impression, was that while he was
2 doing a fair amount of tasking, there were a number of
3 conversations and contacts with Admiral Poindexter that it
4 was pretty clear it must have been pretty clear to the
5 Director and t McMahon that in fact North was not operating
6 on his own.

7 Mr. McCurdy. More as an agent.

8 Mr. Gates. Yes, sir.

9 Mr. McCurdy. Okay.

10 Mr. Gates. But that is an impression.

11 Mr. McCurdy. Right.

12 The statements coming from the analytical side of the
13 meetings of October 9th and some other ones, or January
14 24th about documents and maps being supplied and meeting
15 with McMahon, concerning the Iran-Iraq border, you expressed
16 that you had, or stated you had some express misgivings
17 about that. There is a memo or a wire cable sent from
18 McMahon to Director Casey who was [REDACTED] at the
19 time. I would like to read parts of this memo to you, or
20 the cable to you.

21 McMahon says to the Director, a new dimension has
22 been added to this program as a result of a meeting held
23 in London between North and Gorbhanifar. "We have been
24 asked to provide a map depicting the order of battle on
25 the Iran-Iraq border showing units, troops, tanks, electronic

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1 installations, and what have you. The game plan is for a
2 segment of the map depicting a part of the front to be
3 passed to show our bona fides and that will start in
4 train a series of events. When the movement of the missiles
5 takes place the remainder of the map will be passed. That
6 will prompt all the reciprocal action on the part of the
7 Iranians. Timing is for the first segment of the map to
8 be delivered here tomorrow, Saturday, 25 January; then
9 on the 9th of February a thousand TOWs with the remainder
10 of the map as the first tranche of a 4000 commitment."

11 Paragraph 2, "We are to get the TOWs from the U.S.
12 Army and arrange transport overseas."

13 Paragraph 3, "Everyone here at Headquarters advises
14 against this operation, not only because we feel the
15 principal involved is a liar and has a record of deceit
16 but secondly, we would be aiding and abetting the wrong
17 people. I met with Poindexter this afternoon to appeal his
18 direction that we provide this intelligence, pointing out
19 not only the fragility and ability of the principal to
20 deliver, but also the fact we are tilting in a direction
21 that could cause the Iranians to have a successful offense
22 against the Iraqis with cataclysmic results. I noted that
23 providing defensive missiles was one thing, but when we
24 provide intelligence on the order of battle we are giving
25 the Iranians the wherewithall for offensive action."

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1 that is a pretty strong memorandum or cable, isn't it?

2 Mr. Gates. Yes, sir.

3 Mr. McCurdy. Do you agree with the text of this?

4 is it accurate to your knowledge?

5 Mr. Gates. To tell you the truth, I have not seen
6 that cable. I have this one excerpt from it which I assume
7 is from it, but I have not seen the full text.

8 Mr. McCurdy. From McMahon to Casey, Casey was in
9 [REDACTED]

10 Mr. Gates. I am sure that in part the strength of
11 his statements was based on the objections that I have
12 stated to providing the intelligence.

13 Mr. McCurdy. Well, this is -- there are a number of
14 questions that arise out of here, and I understand the
15 light is on here, but first of all there is the significant
16 question of the judgment of whether to pass this information
17 and the type and quality of information; secondly, was it
18 sanitized which we don't have any access to at this point;
19 third, the reciprocity, it appears from this cable we are
20 not talking about just probing contacts with so-called
21 moderates, we are talking about direct exchange, hostage
22 release or whatever.

23 I am assuming that within the context of the cable there.

24 I guess I will have to wait for the next five minutes
25 to come around, but I think this memo needs to be placed

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1 in the record at this point, Mr. Chairman, and I think it
2 is patently obvious that this is an incredible piece of
3 paper and that I have to concur with the sentiments expressed
4 in it and am somewhat amazed and dismayed even more
5 so about this operation.

6 The Chairman. Without objection, the memorandum
7 will be placed in the record.

8 (The information referred to follows:)

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1 The Chairman. Mr. McEwen.

2 Mr. McEwen. Thank you, Mr. Chairman.

3 Does the CIA in following shipments of arms around
4 the world, Mr. Gates, track Mr. Kashoggi and Gorbhanifar
5 and Secord's activities much?

6 Mr. Gates. I don't know if they -- well I know they
7 don't track an American, a U.S. citizen. Whether they had
8 previous tracks on either Kashoggi or Gorbhanifar I don't
9 know. I can find out.

10 I know they do track arms deals and that there are --
11 there is a fairly established group of international arms
12 dealers that they watch pretty closely. I would have to
13 check though on these two.

14 Mr. McEwen. In your judgment would General Secord
15 be considered an international arms dealer?

16 Mr. Gates. I don't know enough about what General
17 Secord does to comment. I just don't know. It sounds like
18 from what I read in the newspaper that he sure is but --

19 Mr. McEwen. And do we have any information as to
20 whether or not he has profited significantly from these
21 transactions?

22 Mr. Gates. I don't think we know that.

23 Mr. McEwen. Thank you, Mr. Chairman.

24 The Chairman. Mr. Beilenson.

25 Mr. Beilenson. Thank you, sir.

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1 To your knowledge who in the White House was aware of
2 this Iran operation?

3 Mr. Gates. The only people that I ever spoke to in
4 the White House itself or heard speak about it was
5 Admiral Poindexter.

6 Mr. Beilenson. He is the only one you have any
7 knowledge of?

8 Mr. Gates. Yes, sir.

9 Mr. Beilenson. And was clearly --

10 Mr. Gates. Direct knowledge.

11 Mr. Beilenson. And our Chairman, Mr. Hamilton, asked
12 you about whether Mr. Casey may have known or different
13 things from you. As I recall your response was something
14 to the effect that his knowledge about arms sales to Iran
15 probably predated your own knowledge, but with respect to
16 diversion of funds to the contras or other purposes he
17 found out about that at the same time you did.

18 Mr. Gates. Yes, sir.

19 Mr. Beilenson. I take it he knew presumably about the
20 arms sales, the whole general operation because he is on
21 that NSC whatever, he is on that council, I guess as
22 Director. So he must have known from the beginning that
23 they were reaching out and involved in reaching out to
24 Iran with some sales.

25 Mr. Gates. Yes, sir. I believe that his, as we have

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1 put together our chronology inside the Agency, our own
2 factfinding effort, my recollection of it is that he --
3 McFarlane raised this with him perhaps in September of 1985.

4 Mr. Beilenson. This is a difficult and perhaps unfair
5 question and I am not quite sure how to put it and others
6 may wish to follow up later, but obviously you work for
7 Mr. Casey and I guess there are problems perhaps involved
8 and when you relate to him or folks in your organization
9 relate to him questions or concerns about this whole
10 operation in a sense having been part of the operation
11 from the beginning, he may not -- he has been partially
12 co-opted in a sense, I am not sure that is the proper word.

13 But I guess I cannot ask you directly, whether you
14 have any concerns about whether he -- if he were removed
15 from that, if he were not part of the original decision-
16 making process to go ahead and deal with Iran, he might
17 have been more receptive or more strong perhaps in
18 presenting your concerns to the White House, to Mr. Poindexter
19 or whoever else.

20 You don't have to respond if you don't want to.

21 Mr. Gates. Well, just based on our reconstruction of
22 the chronology, my memory of it is such that he was
23 basically informed of these undertakings with Iran through
24 Israel in the early fall of 1985.

25 Mr. Beilenson. Informed by whom?

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1 Mr. Gates. By McFarlane.

2 Mr. Beilenson. Okay.

3 Mr. Gates. I don't see any indication in the
4 chronology that he participated in the decision-making
5 meeting.

6 Mr. Beilenson. In other words -- once they decided
7 to do it somebody else did it."

8 Mr. Gates. That this contact had already started and
9 that he was informed about it. I think that the dates are
10 in September.

11 Mr. Beilenson. You have no reason to believe, perhaps
12 this may not be a fair question, that Mr. Casey knew
13 about diversion of funds prior to the time that you did?

14 Mr. Gates. No, I don't. His reaction when Allen and
15 I raised this with him on the 7th, his direction to Allen
16 to put it all down on paper and the promptness with which
17 he was prepared to deliver that paper to Poindexter as soon
18 as we got it, suggests to me that he was disturbed by that
19 possibility as well as the operational security."

20 Mr. Beilenson. That doesn't prove anything. If he had
21 been involved that would be the normal thing he would do
22 anyway. And I don't mean to suggest that but there have to
23 be people higher than Mr. North and Admiral Poindexter
24 who knew about this and were directing it.

25 I am just concerned about it. You said in the January

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1 24th meeting of this year, the CIA was asked to prepare
2 intelligence information to be provided to the
3 Iranians that you objected, but were directed eventually to
4 go ahead anyway.

5 Mr. Gates. Yes, sir.

6 Mr. Beilenson. Who directed you to go ahead anyway?

7 Mr. Gates. John McMahon.

8 Mr. Beilenson. Directed you all?

9 Mr. Gates. To go forward.

10 Mr. Beilenson. You don't know why he did that, do
11 we?

12 Mr. Gates. I assume based on the cable that Mr. McCurdy
13 read, that he had, after making his views known to Admiral
14 Poindexter, he was told to go ahead by Poindexter. But
15 that is an assumption on my part.

16 Mr. Beilenson. You mentioned, and I forgot the date,
17 I neglected to note it, that you had seen briefly that
18 scenario which had among other things the stepping down
19 date of the Ayatollah.

20 Mr. Gates. Yes, sir.

21 Mr. Beilenson. The whole series about transfers and
22 arms sales and meetings and so on. The scenario was shown
23 to you all by Colonel North, was it, or do you recall that?
24 I am not sure what you told us.

25 Mr. Gates. I don't recall how I received it to tell

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you the truth. I remember sitting down and going over it with Clair George and it quickly was overtaken by events, for example, I think that in the cable that Mr. McCurdy just read he referenced a meeting on the 9th of February. Things began to slip almost immediately in that second meeting for the intelligence materials ended up on the 19th.

So the thing quickly became outdated. In fact to the best of my knowledge, not a single -- and here I am drawing on my recollection -- not a single entry in the scenario took place on the date that was specified in the scenario or in the form specified in the scenario. The piece of paper quickly became essentially worthless.. The only -- in terms of a plan.

The only reason I mentioned it was that it was the first time that kind of the full scope of the thing was laid out that I remember, that I read.

Mr. Beilenson. One more question if I may --

The Chairman. Go ahead.

Mr. Beilenson. Charles Allen in early October talking about his concern for operational security because of the changeover from the first channel to the second channel finally and almost as an afterthought perhaps speculated with respect to the diversion, possible diversion of funds to the contras.

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1 Mr. Gates. Yes, sir.

2 Mr. Beilenson. Kind of a dual question, one, do you
3 have any idea in the world why he came to the conclusion
4 that perhaps the diversion of funds might be for that
5 particular purpose, I don't mean did he hear or hear
6 something or he figured that out and he figured North was
7 involved and he got it intuitively perhaps, with North's
8 interest in the contras, but secondly, has he ever told
9 you apparently we now know or Mr. Casey told us
10 that some money was directed to the contras. Do we know or
11 suspect if any of that money was directed to other
12 so-called U.S. purposes elsewhere in the world other than
13 the contras?

14 Mr. Gates. I have been told by our people that
15 we can account for every nickel of the money and that
16 none of it that was paid into our accounts went to any
17 other purpose other than for paying for the weapons.

18 Mr. Beilenson. You are talking about the basic
19 [REDACTED] million.

20 Mr. Gates. Yes.

21 Mr. Beilenson. But we know money above that was diverted
22 elsewhere.

23 Mr. Gates. I am not aware of any of that -- not
24 aware of any other money allocated to any other projects.

25 Mr. Beilenson. You are not even aware of yourselves

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1 that some was diverted to the contras, the money --

2 Mr. Gates. I don't know any facts. I know what the
3 Attorney General said.

4 Mr. Beilenson. Do you know, do you have any idea
5 why Mr. Allen came to the conclusion or to the possible
6 conclusion that it was going to the contras?

7 Mr. Gates. Well, you obviously can and will speak to
8 Mr. Allen and be able to get him to repeat his analytical
9 process, but my sense is that it was the movement to the
10 second channel and the involvement of Secord both in the
11 Iranian arms thing and Secord in the rumors of Secord and
12 the private funding effort for the contras, and if you put
13 that together with all of the unhappiness about cheating
14 and overcharging and so forth, my impression is that
15 it was basically that process that led Charlie to the
16 conclusion, the speculation that you conveyed to me.

17 Mr. Beilenson. Thank you, Mr. Chairman.

18 The Chairman. Mr. Livingston.

19 Mr. Livingston. No questions.

20 The Chairman. Mr. Kastenmeier.

21 Mr. Kastenmeier. I would like to follow up on a
22 couple of sort of general things. I know people would
23 like to ask specific questions with specific answers, but
24 along the line that Mr. Beilenson was following, given
25 your own reservations and that of John McMahon in the policy

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1 itself, my question is a general one, the senior
2 officers in the Agency, do they feel a freedom to express
3 reservations about policy? Is there an understanding
4 for example where we are in terms of our national policy
5 with respect to Iran and Iraq, therefore if you get a tasking
6 which seems to contradict what your understanding is of our
7 general policy you or Mr. McMahon can raise questions about
8 whether this is desirable or not?

9 Mr. Gates. Absolutely. We do it all the time.
10 Perhaps the starkest example is on Lebanon.

11 Mr. Kastenmeier. Thank you. That is right. I want
12 to get clarification on a detail with respect to the Finding.
13 You indicated that on December 5 that Mr. McMahon in a
14 discussion with you had said that there was a Finding, you
15 needed a Finding and that they were informed such a Finding
16 existed at that time?

17 Mr. Gates. In the meeting on the 5th the Deputy Chief
18 of the European Division, [REDACTED] told McMahon
19 according to these reconstructed notes, that the Finding had
20 been signed.

21 Mr. Kastenmeier. You then referred to a January 24,
22 1986 event and you described it as after the Finding was
23 signed.

24 Mr. Gates. Yes, sir.

25 Mr. Kastenmeier. But then if we are to believe --

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1 You do not believe there was a Finding signed as of
2 December 5th?

3 Mr. Gates. That is correct. When the Finding was
4 signed on January 17, I know that the Deputy Director of
5 Operations, and I think one or two others of our officers,
6 including one of our attorneys, went down to the White House
7 and read the Finding so we had people in the organization
8 who had themselves read the Finding of the 17th of
9 January.

10 Mr. Kastenmeier. Another question --

11 Mr. Gates. Even though we didn't have a copy.

12 Mr. Kastenmeier. Yes. I appreciate that.

13 Another question I have goes to the meeting, the lunch
14 you had with the Director and Mr. North, Colonel North.
15 You made an allusion, you discussed a number of things,
16 Swiss bank accounts, contras, and you apparently asked
17 North about whether any of your assets, CIA assets were
18 used by the contras because of the Hasenfus case that had
19 just broken.

20 My question has to do with command and control. Are
21 you not fully aware at all times of command and control of
22 CIA assets. Would you have to learn from Mr. North whether
23 your assets were used or not? Would you not necessarily
24 know yourselves?

25 Mr. Gates. No, sir, I would regard it more as a

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double check. Our officers were very explicitly instructed on several occasions once the Boland amendment was passed, to stay away from the contras and in consonance with the law, those directions were sent to Central America, our officers at Headquarters were told of it and they were reminded on several occasions of those restrictions.

But in light of the downing of the Hasenfus plane and all of the speculation in the press, it seemed to me at least worth asking a fellow we assumed was basically the one fellow on the NSC who knew something about the contra funding, just double checking and making sure that in all of his, whatever his wide-ranging activities were, that he has not somehow gotten any of our assets involved.

We had no reporting from our own chain of command that that had happened. In fact we were receiving assurances to the contrary, but it seemed not an imprudent thing to do to check with him.

Mr. Kastenmeier. But you are saying it was theoretically possible that Colonel North could have obtained the use of CIA assets and employed them theoretically, presumably it did not happen -- and employ them without your knowledge?

Mr. Gates. Theoretically yes, that he had at some point, might have or one of the private benefactors might somehow have used one of our proprietaries without anybody knowing about it, including the proprietary or anything else.

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1 It was in that context that I addressed that question
2 to him. But again, it is in the context of what I would
3 regard as a pretty rigorous effort, a rigorous effort on
4 the part of the Directorate of Operations to make sure
5 that its officers obeyed the Boland amendment.

6 Mr. Kastenmeier. Thank you.

7 The Chairman. Mr. Daniel.

8 Mr. Daniel. Thank you, Mr. Chairman.

9 Mr. Gates, this is not a hostile question but it is
10 a concerned question, and concern has been heightened by
11 your statement that you had not read the cable which was
12 just read into the record by Mr. McCurdy.

13 Are you concerned that through your various channels
14 that you didn't pick up more information about this operation
15 than you did?

16 Mr. Gates. About the Iranian arms deal or diversion
17 of the funds?

18 Mr. Daniel. All of it.

19 Mr. Gates. With respect to the diversion of funds,
20 I think what is at work here is in part something that
21 grows out of an attempt to -- and I believe a
22 successful attempt -- attempt to fully comply with the
23 Boland amendment. As we have told various members of
24 both oversight committees at the time of the Hasenfus
25 affair, I believe our officers actively worked not to inform

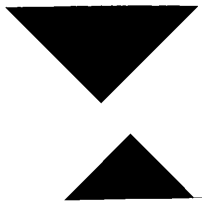
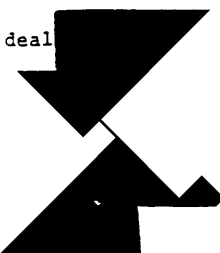
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1 themselves. We knew money was going to the contras and
2 we could have probably found out a lot more about it had we
3 pursued those channels and had we asked questions, but the
4 point was that our people were concerned about crossing the
5 line with respect to the Boland amendment and so actively
6 shunned opportunities to go find out more.

7 Mr. Daniel. My concern, Mr. Gates, is more general than
8 that. You have contacts, agents, overhead pphotography all
9 over the world. My concern is why you didn't find out
10 more of this operation over this extended period of time
11 that it had been going on.

12 Mr. Gates. If we had not -- suppose this entire
13 operation were going on between Canada or some other country
14 and Iran. We would have known a great deal about the arms
15 deal



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20 So we did have a fair amount of knowledge about this
21 thing. In fact one of our concerns on the operational side
22 is under our sharing agreements, it is my impression that
23 the  knew.

24 Mr. Daniel. Did you also say that you had not seen
25 the document that Mr. McCurdy read?

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1 Mr. Gates. That is correct.

2 Mr. Daniel. Is that unusual?

3 Mr. Gates. No, not particularly. A private communica-
4 tion from the DDCI to the DCI at a time when I was a
5 subordinate official, no, no. Frankly as we have put
6 together an enormous number of materials over the past
7 two weeks for passage to the oversight committees and the
8 Justice Department, I have read a lot of documents I had
9 not seen before. That is one I had not seen and have not
10 read.

11 Mr. Daniel. Can you tell us what you know about
12 Israel's participation in this activity?

13 Mr. Gates. Only to the extent that I know that
14 Israel played a very active role, it is my belief based
15 on what I have read that Israel played a significant
16 role in getting the operation started in the first place
17 in attracting the interest of the White House to the
18 possibility of contacts with the Iranians that could
19 both lead to a strategic dialogue and to getting the
20 hostages back.

21 Mr. Daniel. Do you know of any participation by any
22 other country?

23 Mr. Gates. No, sir.

24 Mr. Daniel. Thank you, Mr. Chairman.

25 The Chairman. Mr. Roe.

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1 Mr. Roe. Thank you, Mr. Chairman.

2 Just for the record, Mr. Gates, going back a bit,
3 you mentioned in the one meeting with North I believe it
4 was, on January 25th, you mentioned you used the words
5 "North and company". You didn't elucidate who was the
6 "company", was it just North or who else was there?

7 Mr. Gates. Let me see if I have a recollection of
8 who was there at that meeting. Deputy Director for Operations
9 Clair George; NIO Charles Allen; and Chief of then I guess
10 it would have been then Deputy Chief of the Near East
11 Division, Tom Twetten.

12 Mr. Roe. Let me just be a little bit general, too, and
13 this puzzles me more than anything else, you made a strong
14 point and I think rightfully so from my perspective, of the
15 concern you have in relationship to providing the Iranians
16 with the battle plans. I think Mr. McCurdy spoke to that
17 issue. You mentioned you were very much concerned about that.

18 Mr. Gates. Yes, sir.

19 Mr. Roe. But ultimately because of decisions that
20 were made that information apparently was gathered. Was it
21 given to the Iranians?

22 Mr. Gates. The information on order of battle -- let's
23 see, I have a note here. The first information was briefed
24 and I believe the annotated map given to Gorbhanifar as
25 I recall at the end of January 1986. The package of the

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1 17th of February -- most of these mark as I recall and as I
2 say we can provide these to the Committee, but mark the
3 location of principal units, physical barriers, roads, that
4 sort of thing. The next package on the 19th of February
5 also included annotated satellite photography. That was
6 not given to the Iranians, it was shown to the Iranians
7 but not given to them.

8 In the package of Soviet materials on the 13th,
9 prepared on the 13th of May or made available on the 13th
10 of May, Mr. Cave has told me when they were in Iran that
11 package also included a couple of annotated satellite
12 photographs showing Soviet forces and he told me that
13 basically in their conversations he kind of flashed these
14 at one of the Iranians and said if you guys can get
15 your act together, maybe we can have a greater sharing
16 of intelligence on subjects like this, and then he immediately
17 put them away.

18 And there was no other sharing.

19 Mr. Roe. But in the first instance the information,
20 was it given directly to Gorbhanifar?

21 Mr. Gates. My impression is that Allen gave the
22 annotated map to Gorbhanifar.

23 Mr. Roe. Not to any other Iranians?

24 Mr. Gates. But not to another Iranian.

25 Mr. Roe. So he had the map.

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1 Mr. Gates. Let me double check that.

2 Mr. McCurdy. Mr. Chairman, while he is searching,
3 can we just make sure, I want to have it in the record,
4 that we be delivered copies of everything provided as
5 related to that memo and others to the Iranians. I thank
6 the gentleman for yielding.

7 The Chairman. Mr. Gates, can you assure us that we
8 will have those copies?

9 Mr. Gates. Yes, sir.

10 (The information referred to follows:)

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1 Mr. Gates. I don't know the specific date.

2 Mr. Roe. Time is so desperately short here, what I am
3 trying to get at is if Gorbhanifar was such a creep and
4 thief and liar and so forth, do we have any assurance
5 that Gorbhanifar gave the information to the Iranians or
6 did he sell it to somebody else, did he sell it to the
7 Iraqis? I am not being facetious.

8 Mr. Gates. I don't know that we have that assurance,
9 no.

10 Mr. Roe. So there was a change in pace that took place
11 where the contact was different later on.

12 Mr. Gates. Yes, sir.

13 Mr. Roe. You mentioned some Iranians being at that
14 meeting. We assume that at that point there must have
15 been Iranian officials or somebody there at that point.
16 Do we know who they were? I am leading to a point.

17 Mr. Gates. My impression from the chronology that I
18 have is that Allen provided the order of battle intelligence
19 to Gorbhanifar in London on the 26th of January. On the
20 19th of February the Chief of our Near East Division,
21 Tom Twetten, provided the second package also to Gorbhanifar.

22 Mr. Roe. So we don't know -- what we are saying
23 is just because I have to ask it, the fact is as far as
24 you know some of the information was directly provided to
25 Gorbhanifar but we don't know what that course was and

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1 how it got to the Iranians. We don't know whether it got
2 there or not?

3 Mr. Gates. That is right. It may be that Allen knows
4 from his reading [REDACTED] that in fact Gorbhanifar
5 delivered the stuff to some other Iranians.

6 Mr. Roe. In view of your extraordinary concern
7 personally of providing that information, do you feel
8 comfortable to suggest to the Committee why you were so
9 concerned?

10 Mr. Gates. Basically for the reasons that
11 Mr. McMahon expressed in his cable to the Director. We
12 have been concerned all year about declining and were until
13 actually August or September of this year, sorry, of this
14 year, yes, about the fragility of the Iraqi position. We
15 have known for some time that the Iranians were preparing
16 a significant offensive. We were concerned about the
17 declining Iraqi morale. We were concerned by the successful
18 Iranians' offensive at Al Fau in the south. So there were
19 a variety of things going on that appeared to put the military
20 momentum on the side of the Iranians.

21 Now that has changed since August or September, but
22 at the time this was all going on these were the sources of
23 my concern.

24 Mr. Roe. Well, what I am trying to get at is, in
25 other words, it appears to me that above and beyond the

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1 transfer of money, you know, which is the thing here, our
2 relationship between Iraq and Iran you could consider
3 was materially compromised at that point as far as national
4 policy would have been concerned.

5 We were supposed to be taking an even-hand as I under-
6 stand it, and we were supposed to try to solve it, that
7 was one of the things the President said, we wanted to bring
8 this to an end.

9 But here we were willing to give them in your own
10 concern extraordinary information that could unbalance
11 the whole situation. Is that a reasonable assumption to
12 make?

13 Mr. Gates. Well, only to the extent that the informa-
14 tion was useful to them. Frankly we did what we could to
15 make it as unhelpful and still get away with it.

16 Mr. Roe. I understand that but I am just saying
17 that nevertheless the level of determination, whoever
18 decided this, obviously I hope should have been aware of
19 that.

20 Mr. Gates. I am sure they were.

21 Mr. Roe. That leads to the point that Mr. McCurdy
22 made, the idea of moderates involved, I cannot possibly in
23 credulity favor dealing with moderates, what good is everything
24 if the Government of Iran who is conducting a war with
25 Iraq isn't going to use this information? What good would

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1 it have been? Well, that is all right. You cannot answer
2 that.

3 The Chairman. Do you want to finish another question?

4 Mr. Roe. I have one short one.

5 The Chairman. Go ahead.

6 Mr. Roe. Time gets away. I think this might be
7 helpful to the Committee. We have all kinds of situations
8 going on with the contras. Congress has been battling that
9 for the last 2 or 3 years. the Boland amendment, the
10 \$32 million that went for the humanitarian aid, then the
11 [REDACTED] that now is being allocated supposedly
12 for other aid. It puzzled me when you say, and I don't mean
13 this offensively, that you say that you were aware or some
14 folks in your operation were aware there was considerable
15 funding going to the contras, that could have come from
16 all these different places.

17 How do we determine as a policy position, how does the
18 CIA determine if the votes are there to support the
19 contras, how do they determine the qualitative needs of
20 the contras if money is coming in -- is there no -- how
21 do you figure out how many shells they need, how many
22 missiles they need, what is reasonable in the [REDACTED]
23 [REDACTED] so forth.

24 Do we keep an ongoing track of what they were doing?
25 Is there somebody that monitors that situation as far as why

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do we suggest [REDACTED]

[REDACTED] I am just wondering if there is any coordination or continuity at all?

Mr. Gates. Yes, sir, there is but I think that the honest answer to your question is that the amounts are basically --

Mr. Roe. Inconsequential?

Mr. Gates. No, first of all I probably shouldn't have used the word "considerable". We knew there was private money going to the contras and it was keeping them going. One of the concerns about that was in terms of the future of the contras, was whether it was regarded by I think most people as essentially a short-term undertaking that couldn't be sustained for very long certainly.

Mr. Roe. If the Secretary of State and other people had chatted with different countries and suggested they needed help in-between while Congress is making up its mind -- I don't want to pursue it. I will pursue it later but that is where I am coming from. It seems to me if we have got a policy that relates to Central America and relates to the contras and then we don't know ourselves what is coming in and out of there, I find that extraordinary to accept.

Mr. Gates. We do collect intelligence on contra activities and to the extent we can there military activities

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inside the country and what the Sandinistas are doing against them so we can have a reasonable picture of military action.

Mr. Roe. They are getting all this money from other sources, maybe we should get some back on the [REDACTED] I am talking about. I don't mean to be facetious.

Thank you, Mr. Chairman.

The Chairman. Mr. Brown.

Mr. Brown. Just to follow up briefly on this. We have asked you before with regard to the Agency's intelligence with respect to the supply operation and I think the testimony was that you were aware that they were receiving arms and that there was an air drop situation.

I think we asked you if you could monitor the over flights and I think your response was yes. Is that your recollection or am I making this up?

Mr. Gates. I don't know that you --

Mr. Brown. I am not sure --

Mr. Gates. I am not sure you got that testimony from me, but yes, I think the answer to that is yes.

Mr. Brown. As a matter of fact, I think we asked for a log of the actual supply flights as far as that information -- if it was available through CIA intelligence channels.

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1 Does the Committee staff know if we ever received
2 that information?

3 Mr. O'Neil. We have not received a log. We have
4 received a number of the other things that were requested.

5 Mr. Brown. You have made reference to the fact that
6 you knew that money was coming in. You don't actually
7 mean you knew the money was coming in, you knew?

8 Mr. Gates. They were getting outside help.

9 Mr. Brown. They were getting outside help.

10 Mr. Gates. That is a better way to put it.

11 Mr. Brown. It is the public statement of some contra
12 leaders that they didn't see any money.

13 Mr. Gates. Yes, we just knew they were getting
14 outside help.

15 Mr. Brown. And you feel that you had some indication
16 of the gross magnitude of that help?

17 Mr. Gates. I think so, yes, sir.

18 Mr. Brown.

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21 Is that a correct assumption?

22 Mr. Gates. Yes, sir.

23 Mr. Brown. But it is your testimony that you made
24 valiant efforts to avoid acquiring any more information
25 than necessary about that?

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1 Mr. Gates. Yes, sir. That is what I have been told
2 and I believe.

3 Mr. Brown. You would deliberately avoid knowing that
4 say the embassy's military advisor was in contact with
5 this group and perhaps giving them advice and guidance from
6 time to time?

7 Mr. Gates. I would have to go back and ask people
8 that specifically. I don't know of my own --

9 Mr. Brown. There is nothing wrong with this, of
10 course, but I am trying to probe into the role that you
11 perceived. You would not perceive it as a part of your role
12 to determine if embassy staff, the military advisor, whoever
13 else, was in contact doing something that you had been
14 prohibited from doing. You would not be responsible for
15 policing that?

16 Mr. Gates. No, sir. You know, again, I would have
17 to check in terms of whether one of our people might have
18 inadvertently learned that or just learned it. But I don't
19 know.

20 Mr. Brown. Certainly it wouldn't be your responsibility
21 if a former CIA contract employee, former CIA proprietaries,
22 former retired military who have done CIA missions were
23 involved in that. You would not feel it was part of your
24 responsibility to police that kind of activity?

25 Mr. Gates. Again, part of it -- it seems to me part of

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1 the issue was an effort not to get involved and not to know

2 Mr. Brown. I don't think there was anything in the
3 Boland amendment that prevented you from seeking to know.
4 It was preventing you from seeking to engage in certain
5 kinds of activities.

6 Mr. McHugh. I would like to be clear on some facts
7 we have not touched on in your testimony.

8 As I recall the CIA provided to the NSC the use of
9 Mr. Cave who was a CIA retiree for the purpose of facilitating
10 some of the meetings that took place to negotiate these
11 arms transactions; am I correct?

12 Mr. Gates. Yes, sir, we felt it would be useful for
13 the NSC to have somebody on its own team that spoke Farsi
14 and knew something about Iran.

15 Mr. McHugh. I presume Mr. Cave would report then to
16 the CIA with regard to any meetings he participated in.

17 Mr. Gates. Yes, sir, I think he did.

18 Mr. McHugh. I would also like to be clear on the
19 Swiss bank accounts that CIA provided to the NSC for
20 purposes of funneling money as part of this transaction.

21 This was as I understand it, a CIA account which had
22 been used for other purposes previously. Is that correct?

23 Mr. Gates. My understanding, and I invite you to,
24 the Committee staff or Committee to talk to our controller
25 who knows the intimate details of this better than I

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do -- my understanding is that for reasons of expediency the first several payments, first couple of payments for the weapons were deposited in an account which was also used to, used for the Saudi money associated with the

Mr. McHugh. In the interests of time, the thrust of my question here is that it is our understanding that all payments received from Iran for the arms that had been shipped to Iran which payments were to be reimbursed to the State -- or to the Defense Department, went through CIA account or a number of CIA accounts at different times.

Mr. Gates. Yes, sir.

Mr. McHugh. I presume therefore that the CIA monitored the deposits and expenditures from those accounts.

Mr. Gates. Into and out of those accounts, yes, sir.

Mr. McHugh. All right.

Now, it is my understanding further that on somewhere around October 26th the meeting took place in West Germany which was attended by Mr. Cave, Mr. North, General Secord and his associate, as well as an Iranian representative at which the Iranian representative delivered to the American side \$4 million in payment of a prior arms shipment to Iran. Is that correct?

Mr. Gates. That is not what I have here, sir. I have that North, Cave, Secord, and Hakim met in Mainz with a

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1 senior Revolutionary Guard official for further discussions,
2 on 29 October, 500 TOW missiles were flown to Iran from
3 Israel; on 2 November American hostage Jacobsen was
4 released.

5 On 28 October, \$2.037 million was deposited into a
6 CIA account to cover the cost of 500 TOWs.

7 Mr. McHugh. It is our information, and perhaps the
8 staff can correct me if I am wrong, that at the meeting
9 which we have described in West Germany, \$4 million was
10 handed by way of check, handed to the American side by the
11 Iranian side and that subsequent to that, \$2,037,000 was
12 deposited into the CIA account.

13 Now, I would like to have those facts confirmed.
14 Because if they are in fact true there was a shortfall of
15 \$2 million which was or should have been evident to the
16 CIA by virtue of the fact that Mr. Cave was at the meeting
17 and reported \$4 million having been transferred and the
18 CIA has control of the account into which \$2,037,000 was
19 deposited, there was an immediate, there is clear evidence
20 if those facts are true, wholly within the knowledge of the
21 CIA, that \$2 million got lost someplace.

22 It is also our information and perhaps you can confirm
23 this at least as a general understanding on your part, that
24 Mr. Secord was much involved as well as Mr. North in the
25 provision of aid in one form or another to the contras.

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1 Now, these facts as I understand them trouble me if
2 true, because if true they clearly indicate that the CIA
3 knew at least at that point that there was a diversion
4 of approximately 50 percent of the money paid by Iran to
5 another purpose, and I would appreciate any response
6 you have to that and if you are not sure, I would certainly
7 want the Committee to know specifically what the CIA
8 says about that.

9 Mr. Gates. We will -- frankly this is the first I have
10 heard of that. I will take that information back and
11 get you an answer.

12 (The information referred to follows:)

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1 Mr. McHugh. I am also troubled I must say generally,
2 and I invite your response to this, and it relates to the
3 same problem, by the train of events which preceded this
4 meeting and transfer of funds which I have referred to and
5 correct me here if I am wrong about the train of events.

6 As I understand your testimony, you have said that on
7 October 1st Mr. Allen mentioned to you for the first time
8 that he speculated to you for the first time, rather, that
9 some funds might have been diverted to the contras.

10 If this speculation proved to be true obviously it was
11 a serious matter. I presume you agree that that would have
12 been illegal if participated in by any U.S. officials.
13 Correct?

14 Mr. Gates. I don't know the answer to that. I assume
15 so.

16 Mr. McHugh. Secondly, the second reference was on
17 October 9th when Mr. North made some if I understand you
18 correctly, obscure reference to Swiss bank account and
19 contras. You were not sure precisely what he meant, you
20 spoke to the Director about it and as a result specifically
21 asked Mr. North whether the CIA or any of its assets were
22 involved in support for the contras.

23 And he responded the CIA was clean.

24 Mr. Gates. Yes, sir.

25 Mr. McHugh. Then on October 14 Mr. Allen formalized

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1 in a memorandum his concerns about the security being
2 compromised and also mentioned that if Mr. Gorbhanifar
3 went public he could say that some of the money from
4 Iran could have been diverted to other projects.

5 In other words, there was a series of references,
6 albeit some perhaps more obscure than you might have
7 liked, but nonetheless there were a series of references
8 to the diversion of funds as part of the arms transaction
9 in which to some extent the CIA was involved and then of
10 course we have the October meeting which I referred to
11 at the beginning where there was a \$2 million shortfall
12 somehow.

13 It seems to me that bells should have gone off in the
14 CIA, not only by going to Mr. Poindexter and having him
15 read a memo in your presence and suggest to him that he
16 should talk to the White House counsel, but that there might
17 well be some significant evidence now of, or suggestion of
18 illegality and that perhaps the Committee should have
19 been at least alerted.

20 Since my time is up I would simply ask if you have
21 any comment on that, and first have I misstated any of the
22 facts; secondly, do you have any comment as to why more
23 affirmative, concrete action was not taken beyond alerting
24 Mr. Poindexter and suggesting a meeting with the White
25 House counsel?

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1 Mr. Gates. First of all, I don't know whether the
2 facts regarding the meeting and transfer of the \$4 million
3 are correct, but that said, it seems to me that there
4 are considerations that need to be taken into account.

5 First of all, neither Allen nor Furmark when he later
6 talked to Allen on the 22nd of October, ever adduced any
7 evidence or even speculated to the fact that the NSC was
8 involved. Never adduced or mentioned that CIA was
9 involved.

10 We were fundamentally ignorant of the funding mechanisms
11 for the contras and so on that the White House was aware
12 of so what we had was an analytical speculation in the
13 context that this is something Gorbhanifar might say if he
14 went public in the context of Allen's memo, and we had a
15 businessman from New York saying that Gorbhanifar,
16 a known liar, had told him that he believed that some of
17 the money was being -- had been earmarked for Central
18 America.

19 Now, that is all we had.

20 Mr. McHugh. Mr. Gates, my time is up and therefore
21 I will not debate it with you but on October, as early as
22 October 9th you had Lt. Colonel North making reference --

23 Mr. Gates. But it was --

24 Mr. McHugh. -- to this which was, which you had been alerted
25 to by Mr. Allen, albeit by way of speculation.

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1 This is not the time to debate the issue. And
2 therefore I will yield back the balance of my time but I do
3 think that there is a series of suggestions or hints at
4 least that there was something amiss here and there is a
5 question in my mind at least about whether the CIA, which
6 was very much involved in the whole transaction of arms
7 out of which this diversion took place, should have been
8 more aggressive.

9 Mr. Gates. Well, if I may, Mr. Chairman, I would
10 like to make two brief comments, the first is that
11 even in the session with North, in this very brief and
12 very cryptic comment that perhaps occupied one minute of
13 an hour-long lunch, there was no mention that any U.S.
14 persons were involved in any of that.

15 And second, I think that the very shaky nature of
16 the tip-offs if you will that we received need to be seen
17 in the context that we still had an operation going on in
18 which the White House believed and told us that they had
19 considerable hopes of still getting the release of two
20 hostages.

21 We were still maintaining our internal compartmentali-
22 zation.

23 On the basis of those things, it seems to me bearing
24 in mind all of these activities and the nature of
25 what we had been told, that a decision to have the CIA

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1 counsel look over the whole thing and make sure that
2 there were no problems, getting an assurance from North,
3 and informing Poindexter of all of these problems and
4 recommending that Poindexter bring in the White House
5 counsel in the context of an operation that was looking
6 towards a ^{dissemination} ~~dissemination~~ within a couple weeks were prudent
7 actions in light of the shakey nature of the information
8 we had.

9 Now, if things had developed otherwise or we had gotten
10 more information, more concrete information, then I think
11 we would have had to consider very seriously whether to go
12 either to Justice or to the President.

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1 The Chairman. Mr. Dwyer.

2 Mr. Dwyer. Thank you, Mr. Chairman.

3 You told the Committee staff when they talked to you a
4 week or so ago, Mr. Allen came to you with concerns that
5 the Iran operation was about to be exposed and proceeds from
6 the operation may have been diverted for these purposes,
7 is that the discussion you had with the staff?

8 Mr. Gates. Yes, sir.

9 Mr. Dwyer. There was also some apprehension about
10 this Iranian situation?

11 Mr. Gates. I think that people in the Agency, and I
12 wouldn't presume to speak for anyone else, but even for
13 those who agreed with the strategic objective of establishing
14 a dialogue with Iran, arms transfers apart, were disturbed
15 by the character of some of the people that were involved
16 in this whole thing. These people are not unknown to us,
17 particularly Secord, and we also were concerned about the
18 operational security of the thing, so I would say that,
19 particularly on the question of the security of the
20 operation, we were, we were concerned, especially when we
21 began getting evidence that a large body, that a growing
22 body of people involved in the thing were getting unhappy.

23 Mr. Dwyer. You mentioned General Secord. You mentioned
24 the fact that you don't keep tabs on him because he is an
25 American. Is that because you are precluded by law from
doing that?

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1 Mr. Gates. Yes, sir.

2 Mr. Dwyer. How about an American operating outside of
3 the limits of the United States?

4 Mr. Gates. Can't do it then except in a counter-
5 intelligence context.

6 Mr. Dwyer. Is there enough suspicion about him that you
7 might want to do it in that context?

8 Mr. Gates. No, sir.

9 Mr. Dwyer. You mentioned a lunch in January of 1986.

10 Mr. Gates. A meeting with North.

11 Mr. Dwyer. Yes, sir, and he laid out all of the dates,
12 apparently laid out in some agenda form the entire
13 operation of arms going to Iran, weapons, dates, payments,
14 things of that nature?

15 Mr. Gates. I think the meeting was more to lay on the
16 preparation of these intelligence materials. I don't recall
17 that he did that at that meeting. I just recall seeing
18 a piece of paper that laid out the scenario, and it may
19 have been subsequent to that meeting.

20 Mr. Dwyer. At that particular meeting, with that
21 particular layout, was the CIA-controlled bank accounts
22 mentioned?

23 Mr. Gates. No, sir, I don't believe so.

24 Mr. Dwyer. When did you first have knowledge of the
25 CIA bank account was being used?

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1 Mr. Gates. I don't think that I had specific
2 knowledge of that until this entire affair was exposed
3 in the middle-to-late part of November.

4 Mr. Dwyer. You are the Director of Operations.
5 How many Swiss banks accounts do the CIA have going at
6 any given time, it would seem to me that would be an impor-
7 tant undertaking of the Agency?

8 Mr. Gates. My impression is that we have a number of
9 Swiss bank accounts.

10 Mr. Dwyer. Do you have any idea what the activity
11 is in those bank accounts?

12 Mr. Gates. No, sir.

13 Mr. Dwyer. Who does that?

14 Mr. Gates. The Deputy Director for Operations, the
15 Office of Finance, the Controller, there are a number of
16 different organizations that have responsibility for
17 monitoring those accounts.

18 Mr. Dwyer. You have not been curious enough about
19 those accounts to ask who might have drawn checks, or
20 drafts on those accounts?

21 Mr. Gates. No, sir.

22 Mr. Dwyer. Do you think you should have been curious
23 in that direction?

24 Mr. Gates. No, sir, I would regard that as a degree
25 of micro management in a [REDACTED] operation that we

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1 hold the Deputy Director for Operations and the Director
2 of the Office of Finance responsible.

3 Mr. Dwyer. Sort of like the bank president fiddling
4 with the books and no one knew it.

5 Mr. Gates. No, sir, not quite like that.

6 Mr. Dwyer. During the month of October, Director
7 Casey heard of other things which complemented what
8 Charles Allen had said in his memory of the 17th
9 concerning the possible diversion of funds from the
10 Iran operation.

11 Would you want to elaborate on what other things
12 Mr. Casey might have heard?

13 Mr. Gates. When I talked to staff, I may have been
14 confused in my own mind. My impression had been in the
15 initial conversation with this businessman, Roy Furmark
16 on the 7th of October, that that was the time which
17 Furmark mentioned the possibility that Gorbhanifar,
18 he believed some of the money may have been earmarked to
19 Central America.

20 The fact is, that did not come up in the conversation
21 of the 7th but rather when Charlie Allen debriefed Gorbhanifar
22 on the 22th in New York so I was mistaken when I talked to
23 the staff in terms of the chronology.

24 Mr. Dwyer. Go back to the statement Director Casey
25 heard of other things.

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1 Mr. Gates. That was what I had in mind, this report
2 from Furmark.

3 Mr. Dwyer. The fact that the diversion of funds
4 became the subject of brief discussion, wouldn't that
5 prompt you to take a look in the traffic in the Swiss
6 bank accounts?

7 Mr. Gates. We had no indication that there were any
8 irregularities in any respect with the bank accounts,
9 the Swiss accounts that were receiving the monies for the
10 weapons, and people in our Office of Finance knew how
11 much money was in the account, how much we had been billed
12 by DoD, what was still to come and so on.

13 Mr. Dwyer. Thank you. My time is up.

14 The Chairman. Gentlemen, I am sure you all have
15 additional questions for Mr. Gates.

16 We do have Mr. McFarlane waiting, and he has been
17 waiting now for about 40 minutes.

18 The Chair is going to suggest after we have Mr. Casey
19 and the other CIA witnesses, that we submit in writing to
20 the CIA a number of questions that come to your mind and the
21 staff's mind as a result of Mr. Gates' testimony and the
22 subsequent testimony by the other CIA officials,
23 including the Director. I would like to suggest that we
24 move on with Mr. McFarlane right away.

25 Are there any questions that you feel you would like

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1 to give to Mr. Gates at this moment.

2 Mr. Gates, we are deeply appreciative of your
3 willingness to come in and testify this afternoon. Your
4 statements have been very helpful to us, and you are
5 excused.

6 Mr. Gates. Mr. Chairman, thank you, and I might just
7 say both Mr. Casey and I are grateful to the Chairman
8 and to the Committee for your courtesy in allowing us to
9 reschedule our appearance.

10 The Chairman. The Committee will take a five-minute
11 break and we begin with Mr. McFarlane.

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Chairman BOREN. It is now my privilege to turn for opening comments to the Vice Chairman of the Committee. As I've indicated, this is a Committee that has operated in a uniquely bipartisan way in keeping with our trusteeship responsibilities in this sensitive national intelligence area. It has been my privilege to work with him. I could not have a more effective working partner and one that takes his responsibilities more seriously.

So I turn now for his opening comments to my colleague, the Vice Chairman, Senator Murkowski of Alaska.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Chairman and colleagues, no government appointment is of greater sensitivity or importance for national security than that of Director of Central Intelligence. Because of recent international events, the nomination before us takes on a particular significance.

In my 10 years in the Senate, I have never seen a time in U.S. foreign relations that present greater opportunities or, if we fail to take advantage of those opportunities, greater long-term difficulties. Some years ago, former Secretary of State Dean Acheson wrote a book entitled "Present at the Creation," describing the formation of U.S. foreign policy at the outset of the Cold War. Now the Cold War is over and we are present at the creation of the post-Cold War era. These are extraordinary times. Just within the last year we have seen Saddam Hussein's invasion of Kuwait, and a victorious and powerful U.S. military response. We've seen the final collapse of the Soviet Communist empire within Russia itself. This August, a coup, led by supporters of faded and outmoded ideology, failed, leaving in its wake an outlawed Communist party. This event was the final trigger releasing the forces of reform. Now we find a stunning situation in what used to be called the Soviet Union where republics are now declaring independence and either leaving or attempting to reformulate a confederation—leaving in some disarray the control of Soviet weaponry. These staggering events will have profound impacts on the future of U.S. intelligence.

We have been fortunate to have President Bush, Secretary Baker, Secretary Cheney and General Scowcroft in positions of leadership during these incredible times.

However, the President's team is not complete. He needs at his side his choice as Director of Central Intelligence. The President sent his nomination to the Senate in June, and we had hoped to hold our confirmation hearing prior to the August Recess. Yet, as a consequence of waiting until now, we will be able to hear from more key witnesses, including persons who have been involved with the Independent Counsel.

Mr. Chairman, the nominee before us, Robert M. Gates, enjoys President Bush's unconditional support. I have personally met with the President as recently as last week and he reaffirmed his commitment to this nomination in no uncertain terms.

Having come to know Bob Gates for several years now, I can understand why the President has selected him. From the time of his graduation from the College of William and Mary, he has dedicated his career to intelligence and national security issues, either at the National Security Council or at the Central Intelligence Agency. His original expertise is in Soviet analysis—a vital skill at a time

when the Soviet Union, with thousands of nuclear weapons, is undergoing a convulsive and unpredictable transformation. Perhaps more importantly, Dr. Gates has accumulated broad experiences along the breadth and depth of national security and foreign policy issues. He is a trained analyst—the first Director with this background. All this makes Bob Gates uniquely qualified to lead the Intelligence Community at a time when the most basic assumptions about this world must be re-examined and the entire role of intelligence must be redefined.

This Committee has a serious obligation to the United States Senate to insure that we develop a complete record on the fitness of Dr. Gates to assume this critical post. Chairman Boren and I and all the Members of this Committee take this obligation very seriously. We have directed our staffs to look into each and every matter of concern that has been expressed about this nomination. When our resources were limited, and when it was appropriate, we have asked the FBI to investigate specific allegations.

The Chairman has already outlined the areas of inquiry that we will pursue in this nomination and the confirmation process, and I need not repeat what he has already said. I will say that my review of the Committee's work, and that of the FBI, has convinced me up to this point that allegations against this nominee have little or no merit.

The Intelligence Committee, as the Chairman has indicated, is by tradition, non-partisan, inasmuch as we are limited to eight years of our Senate careers, unlike other Committees.

Our deliberative process, when necessary, has been somewhat frustrating, however. We have been confronted with serious concerns raised about the nomination, but we have also been exposed to frivolous or far-fetched allegations from persons of questionable background who apparently see nothing wrong in creating wild aspersions in an effort to generate headlines or protect themselves from prosecution. While I can express irritation at this process, I know that the nominee and his family has even more frustration in having to silently endure four months of an endless stream of allegations. I know Mr. Gates looks forward to being able to respond now and to set the record straight.

This nomination has rekindled old issues surrounding the Iran-Contra affair, and questions about when Dr. Gates knew about the diversion of funds to the Contras. Some wonder how Bob Gates could not have known all along, since his immediate boss, Director Bill Casey, may have known about the diversion.

Well, I expect to explore the management of style of Bill Casey in these hearings, for it has a bearing on whether Dr. Gates should have been made aware of certain events. From my review, thus far, it is clear to me that Bill Casey reached out to and personally directed the actions of CIA personnel, no matter where they appeared in the organizational chart. From what we've heard in our interviews, it was widely known that Casey cared very little for the layers of administrative bureaucracy. It is no surprise to me that certain employees, such as Alan Fiers, may have reported directly to Bill Casey, without going through their supervisors. In fact, Bill Casey was known to be no slave to any organizational chart. He kept certain things to a very few person—perhaps in an effort to

eventually insulate the Agency from criticism and perhaps to accept personally the risk. Further, it appears that Casey followed these procedures on numerous CIA assignments.

I look forward to hearing from Dr. Gates about his relationship with Mr. Casey.

Some may wonder why Dr. Gates has been the subject of so much interest. The answer partly lies in the fact that he has a spectacularly successful career. Bob has a sharp and directed intellect and has risen quickly to positions of responsibility both at the National Security Council and in the Central Intelligence Agency. After having been a principal assistant to Director Bill Casey, Bob Gates was tapped for the important position of Director of the Directorate of Intelligence, the side of the Central Intelligence Agency that produces analysis for policymakers. His capabilities were further recognized in April 1986 when he became the Deputy Director of Central Intelligence Community's analytical arm, he made it clear that he intended to make intelligence analysis more timely and more useful for the President and for senior policymakers. Under him, the analytical output of the CIA grew dramatically. Dr. Gates is not a person who like the status quo. By all accounts he demands accountability from subordinates.

There are some who react well under his strong management style, and there are others who resist and resent it. In the context of our work on this nomination, there are even some who say that Dr. Gates intentionally slanted intelligence to make it agree with the preconceived views of policymakers. Dr. Gates will have an opportunity to tell us how he ran the analysis side of the CIA, and whether his firmly held views on a number of subjects influenced analysis under his leadership.

Since 1988, Dr. Gates has worked directly for President Bush on the National Security Council, and has gained the President's complete confidence in the process. It is not trivial to say that one important attribute of an effective leader of the Intelligence Community is that person's ability to gain the respect and attention of the President. Clearly Dr. Gates enjoys such a close relationship with President Bush. It is also not trivial to note that Dr. Gates has been a frequent and effective witness before this Committee. The ability to master complex intelligence programs and issues and articulate them to the Congress is a rare and valued skill.

Bob Gates will face enormous challenges not merely in providing guidance to the President, but in managing the Intelligence Community. I believe that he is the right person at the right time in our history to become Director of the Central Intelligence Agency. He is of a generation that understands the uses and limits of advanced technology, while retaining a firm grasp of the need for human intelligence resources as well. He fully understands the full complexity of the Intelligence Community as it exists today, and I'm sure through these hearings will enlighten us as to how he could propose changing certain aspects of the Community to make it more responsive to the nation's needs. He has been at the vortex of the highest level of foreign policy decision-making for the past several years.

We on this Committee will do our job thoroughly, as the Chairman has said, and we will of necessity review the past. There are

some who may suggest that we should delay this nomination until all aspects of the past, including work now underway by the Independent Counsel, is completed. Well, I believe we must move ahead now. We cannot predict when the Independent Counsel's work will be done. It's gone on now for four years already, and there is no clear end in sight. We will have testimony from some key witnesses, but we will not be able to penetrate the secrecy of the grand jury. Yet, we will hear sworn testimony from the nominee and we have developed our own, exhaustive record on any number of issues. It is time to take action on this nomination. The President needs his team in place at this critical time. We have a duty to act, not a duty to delay.

I am confident the President has submitted a highly qualified person to be the next Director of Central Intelligence, and I know that Dr. Gates looks forward to this opportunity to finally meet with us at this confirmation hearing. Dr. Gates we welcome you to the Committee.

Chairman BOREN. Thank you very much, Senator Murkowski. I now turn for his opening statement to Senator Nunn.

Senator NUNN. Mr. Chairman, in the interest of time and with the hope of establishing some precedent I would ask that my exciting, witty and brilliant statement be admitted to the record.

Chairman BOREN. Without objection that will be accepted. And you may set dangerous precedents indeed if you move us along that quickly.

[The opening statement of Senator Nunn follows:]

OPENING STATEMENT OF SENATOR SAM NUNN (D-GEORGIA)

HEARING ON THE NOMINATION OF

ROBERT M. GATES TO BE

DIRECTOR OF CENTRAL INTELLIGENCE

MR. CHAIRMAN, I JOIN YOU IN WELCOMING ROBERT GATES BEFORE OUR COMMITTEE THIS MORNING.

THE ROLE OF THE DIRECTOR OF CENTRAL INTELLIGENCE (DCI) IS ONE OF THE MOST IMPORTANT POSITIONS IN OUR GOVERNMENT. THE DIRECTOR OF CENTRAL INTELLIGENCE IS BOTH THE DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY AS WELL AS THE HEAD OF THE UNITED STATES INTELLIGENCE COMMUNITY. AS SUCH, THE DCI IS RESPONSIBLE FOR THE COLLECTION, ANALYSIS AND DISTRIBUTION OF INTELLIGENCE; FOR THE CONDUCT OF COVERT ACTION; AND FOR THE OVERALL MANAGEMENT OF THE INTELLIGENCE COMMUNITY. THOSE ARE MAJOR RESPONSIBILITIES, THE PERFORMANCE OF WHICH HAS A SIGNIFICANT IMPACT ON THE NATIONAL SECURITY OF THE UNITED STATES.

WITH THE RECENT DRAMATIC CHANGES IN THE GLOBAL SECURITY ARENA, THE COLLECTION AND ANALYSIS OF INTELLIGENCE HAS BECOME AN EVEN MORE IMPORTANT MISSION THAN IT WAS HERETOFORE. ADDITIONALLY, THE MISSION MUST BE PERFORMED AT A TIME OF DWINDLING BUDGET RESOURCES. RECENT CRITICISMS OF THE INTELLIGENCE COMMUNITY, PARTICULARLY IN CONNECTION WITH SUPPORT TO THE FIELD COMMANDER DURING OPERATION DESERT STORM; A FAILURE TO ANTICIPATE MAJOR CHANGES IN THE WORLD; AND THE JUST REPORTED INTELLIGENCE FAILURE

IN THE FORMER EAST GERMANY WARRANT CLOSE EXAMINATION. THIS COMMITTEE IN PARALLEL WITH THE SENATE ARMED SERVICES COMMITTEE IS EMBARKED ON AN EFFORT TO ASSESS THE APPROPRIATE ORGANIZATION AND FUNCTIONS OF THE INTELLIGENCE COMMUNITY. THAT EFFORT WILL REQUIRE THE CLOSE AND CONTINUING COOPERATION OF THE NEXT DCI.

THE AREA OF COVERT OPERATIONS PRESENTS AN ENTIRELY DIFFERENT SET OF PROBLEMS. THE RECENTLY ENACTED INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1991 PROVIDES A USEFUL CODIFICATION OF THE DEFINITIONS AND LIMITATIONS OF COVERT ACTION. BUT THE ISSUE OF TIMELINESS OF NOTIFICATION TO THE CONGRESS HAS NOT YET BEEN FINALLY SETTLED, NOR IS THERE TOTAL AGREEMENT BETWEEN THE CONGRESS AND THE PRESIDENT ON ALL ASPECTS OF COVERT ACTIONS. THE CONGRESS MUST BE ABLE TO RELY ON THE INTEGRITY AND WATCHFULNESS OF THE DCI IF THAT LEGISLATION IS TO WORK AND IF MISTAKES OF THE PAST ARE TO BE AVOIDED.

MR. GATES HAS A DISTINGUISHED RECORD OF PUBLIC SERVICE WITHIN THE CAREER INTELLIGENCE FIELD AS A PROVIDER OF INTELLIGENCE ANALYSIS AND MANAGER AND WITHIN THE NATIONAL SECURITY COUNCIL AS A POLICY ADVISER. THIS HAS GIVEN HIM EXTRAORDINARY EXPERIENCE ON BOTH THE INTELLIGENCE PROVIDER AND INTELLIGENCE CONSUMER SIDES OF THE EQUATION. THAT EXPERIENCE WILL SERVE HIM WELL IF HE IS CONFIRMED AS THE DIRECTOR OF CENTRAL INTELLIGENCE. THERE ARE, AS WE ALL KNOW, SOME TOUGH QUESTIONS THAT MR. GATES MUST ANSWER WITH RESPECT TO HIS PAST ROLE IN THE AGENCY AND I LOOK FORWARD TO HIS TESTIMONY BEFORE THE COMMITTEE.

Chairman BOREN. Senator Chafee?

Senator CHAFEE. Well, thank you very much, Mr. Chairman. First I want to say to you Mr. Gates that it's a tribute to you that President Bush, who of course is a former Director of Central Intelligence, has nominated you for this job. I think it's also a tribute to President Bush that he put substance above politics in submitting your name to the Senate. I think it would have been easy for the President to have said, "Well, I know that Bob Gates is the best man for the job and I know that he wasn't guilty of wrongdoing in the Iran-Contra affair, but his nomination is going to raise this issue once again, so why go through that struggle?"

But the President didn't take that route and I commend him for it and I think he's right. I think there are others whom he could have nominated if his only objective were to avoid polemics. But I share the President's view that in a period of profound political change, declining budgets and changing missions, the Intelligence Community requires a leader who is intimately familiar with the mechanics of the institutions involved. Someone who knows how the different parts of the U.S. Intelligence Community are connected and how much stress they can bear, each of them, because an overhaul of the system is clearly going to come about as we work with reduced expenditures in the years ahead.

I think we all agree that the Intelligence Community is an arcane system of arcane systems. It's got a Rube Goldberg wiring diagram connecting everything from moles that have gone underground to satellites in space. I'm not sure how many Members of this Committee could explain the difference between ELINT and IMINT and COMINT and SIGINT and MASINT, or the relative merits of multispectral versus signal-band imagery. The DCI has to have a grasp of these and a thousand other details in order to effectively manage the Intelligence Community, and I think it's important to remember we're talking the entire Intelligence Community here. Sometimes people think you're just being nominated to head the CIA. It's far more than that.

As a former Air Force intelligence officer, CIA analyst, Deputy Director for Intelligence, Deputy Director of Central Intelligence, and Deputy National Security Adviser, you have acquired over many years the depth and range of experience necessary to effectively lead the Intelligence Community during this period of profound change.

I think it bears repetition, however that integrity is as important as expertise in examining your fitness for this very sensitive position. And the Committee clearly has an important obligation to insure that you will faithfully uphold the law. After reviewing the record and your responses to the battery of questions submitted to you by this Committee, I have yet to see any evidence of wrongdoing on your part. It appears that you promptly notified your superiors when you received information, even though it was speculative, indicating that funds may have been illegally diverted to the Contras.

You have stated that in hindsight you wish you had done even more and that's a laudable sentiment. And I assume that if such situation ever arose again you would do more.

However, it's also fair to say that there are some legitimate and still unresolved areas of concern regarding your actions during the Iran/Contra affair and hours will be spent grilling you on those.

It's my strong hope that your responses on those issues will resolve any lingering doubts that Members of the Senate or the public may have regarding your past conduct and your qualifications for this extremely important position.

You clearly enjoy the trust and the confidence of the President and that is a very, very important asset. You have, by all accounts performed with remarkable diligence and competence during a series of crises during your tenure at the NSC, including the war with Iraq and the invasion of Panama.

But just as important is the future, and I hope we can spend some time in these hearings on the future. What are your visions for the CIA in the overall Intelligence Community? The principal threat that's dominated our intelligence services for the past forty-six years has been greatly reduced and everybody knows that. Therefore, can our intelligence budgets be substantially cut? Where should these cuts be made? Must we switch our intelligence gathering techniques dramatically? Are satellites far less useful as has been suggested here, and human collection far more important than formerly?

There is a good deal of talk of industrial espionage. Should our U.S. government intelligence agencies be commissioned to ascertain, for example, whether a foreign industrial competitor of the U.S. has developed a more powerful computer chip, one that represents a significant leap forward? Or should U.S. intelligence agencies be involved in industrial counter-espionage, ascertaining whether other nations, or companies from other nations, are attempting to steal U.S. proprietary information? Should the CIA be the organization that would alert us that, for example, China is expected to have a massive drop in grain production? And that we in the U.S. may have lucrative sales if we increase our own production? Now is this a duty of the CIA, for example?

In brief, Mr. Gates, I don't believe that these hearings should focus exclusively on what you did or didn't do in 1985 and 1986. I want to hear your views on the future of the entire U.S. Intelligence Community, which encompasses far more than just being head of CIA.

Thank you very much, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Chafee. I want to turn now to Senator Warner for his opening statement. Senator Warner, of course, serves as the ranking minority Member of the Senate Armed Services Committee as well. I've talked about the relationship of the work between that Committee and this Committee and he has certainly served us well and importantly in his capacity making sure that the work of the two Committees was cooperative and consistent.

Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. Mr. Chairman perhaps you'd want to alternate and I could follow Senator Hollings and thereby keep your order. I always want to follow Senator Chafee since I was his Deputy and will be for the rest of my life.

Chairman BOREN. I think Senator Hollings is willing for you to go ahead.

Senator WARNER. I'm going to take a note from Senator Nunn and file my statement; but I do wish to say a few things to my good friend, and I say that with great respect, because we worked together for a decade. Furthermore the CIA is based in my state, Virginia and I'll have the privilege of joining other colleagues in introducing Robert Gates.

But, Mr. Chairman, you have noted that the world is looking at this hearing. Unlike the advise and consent procedure for Judge Thomas which is primarily of interest within the domestic borders, this hearing projects beyond our borders. The decisions that the next Director of Central Intelligence will make, the advice that he will give the President and his Cabinet, has an effect on every foreign capital in the world. Furthermore, the degree to which you can establish trust and confidence with your counterparts among our friends and allies is the degree to which our intelligence can be improved.

And this is why it is so important that our President has chosen you, Bob Gates, a man of 25 years of experience. Because he recognizes, and I think this Committee will eventually recognize, that you are the man best qualified to reach out beyond the borders of this country and form those bonds with your counterparts in those other countries and thereby improve our own intelligence.

This is not an adversarial proceeding, as you said Mr. Chairman, to those from abroad who watch. It is not a trial, it is not a political exercise. It is a function that we perform under Article II, which incidentally is the article of the Constitution which deals with the powers of the President. He's given the primary authority to pick and choose those advisers whom he feels can best advise him in the Cabinet. And our judgment as a Senate, while equally important, is to determine only if he's erred in that judgment. In my judgment he has not.

And I also, Mr. Chairman and Members of the Committee, would like to point out that, if confirmed, Bob Gates will become a member of a team, which includes the Secretary of State, the Secretary of Defense, the National Security Adviser, and the Chairman of the Joint Chiefs. And that chain can be no stronger than its weakest link. And each of those individuals have put their reputations on the line in a sense when they jointed the President in recommending to the Senate that you be the next Director of Central Intelligence.

So I view this nomination as the end product of a team effort, a team that we here in the Congress have great respect for, and a team that has earned the respect and confidence of the world.

Mr. Chairman, we still face an uncertain and a dangerous world. We face proliferation of weapons of mass destruction which, to this Senator, is one of the most serious things that will have to be addressed by the next Director. And you, Mr. Gates, have had a good deal of experience and you have spoken out very forcefully on this subject.

We have before the Congress now vital decisions as to how we reorder the priorities of our defense budget. In particular whether or not we're going to move forward in this country with devising

the technical means to defend ourselves against an accidental launch or an unintentional launch of a single, or maybe, more nuclear weapons towards us. And you have a knowledge in this area and you have spoken out and supported the fact that this country should move forward.

Certainly if there is anything we learned from the coup in the Soviet Union it was that we cannot just simply rely on the fact that no matter what happens in the Soviet Union there are going to be men of strong minds that are going to make the decisions. Wrong. There were times during this coup when the codes relating to nuclear systems fell into the hands of individuals, many of whom were highly intoxicated in those few hours and days in which they thought they had some authority. And some of whom became so unstable mentally as to take their lives.

And that's why I feel it's so important that we have a man with your background and your training that will step into this position.

Lastly, I want to pick up on a note by my distinguished colleague Senator Chafee. As we look at the reorganization of the CIA, the emphasis placed on the Soviet Union in the past can be scaled down in some measure. And those assets and that emphasis I strongly suggest be shifted to the economic side of the house, and that you develop and augment the staff that can support your constituency and the departments of Treasury, Energy, Commerce, as well as Customs, and work on this question of stealing our technology.

Unlike matters of national security where you can deal with your counterparts on an equal basis throughout the world on national security, when it comes to trade and commerce, we have very few friends in the world, if any. It's everybody for himself in this world economy. And I think we've got to strengthen that side.

Mr. Chairman, if confirmed, we'll have a new CIA Director who needs no on-the-job training. Good luck.

Chairman BOREN. Thank you very much Senator Warner. I'm now going to turn to Senator Hollings of South Carolina for his opening statement. Senator Hollings chairs the Commerce Committee and chairs the Subcommittee on Appropriations which deals with many sensitive national security programs and brings that perspective to the work of our Committee.

Senator Hollings.

Senator HOLLINGS. Thank you very much Mr. Chairman. I will ask that my prepared statement be included.

Chairman BOREN. Without objection.

[The opening statement of Senator Hollings follows:]

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OPENING STATEMENT OF SENATOR ERNEST F. HOLLINGS

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

SEPTEMBER 16, 1991

THANK YOU, MISTER CHAIRMAN. MISTER GATES, I JOIN MY COLLEAGUES
IN WELCOMING YOU TO THESE PROCEEDINGS.

THERE WILL BE SUBSTANCE IN THESE HEARINGS BECAUSE, UNLIKE SOME
NOMINEES TO HIGH POSITIONS, YOU HAVE A RECORD IN THE AGENCY AND
FIELD WHICH YOU HAVE BEEN CHOSEN TO LEAD. IT IS A RECORD OF SOLID
ACCOMPLISHMENT, OF EXPERTISE AND ABILITY THAT HAS BEEN RECOGNIZED
BY SENIOR OFFICIALS OF BOTH REPUBLICAN AND DEMOCRATIC
ADMINISTRATIONS AND BY THE TOP PROFESSIONALS IN CIA OVER THE PAST
TWENTY YEARS. IT IS A RECORD OF SERVICE, AND I SALUTE YOU FOR THAT
RECORD AND FOR THE REPUTATION YOU HAVE ACHIEVED.

IN LOOKING AT YOUR RECORD IT OCCURS TO ME THAT IF YOU ARE
CONFIRMED FOR THIS POSITION, WE WON'T HAVE TO SET ASIDE A PERIOD
FOR YOUR ON-THE-JOB TRAINING. I AM CONFIDENT IN YOUR KNOWLEDGE OF
THE BUDGETS AND STRUCTURES AND MISSIONS NOT JUST OF CIA BUT OF ALL
THE AGENCIES THAT COMPRISE THE INTELLIGENCE COMMUNITY. YOUR RECORD
SUITS YOU WELL, IN MY VIEW, TO LEAD THE REORGANIZATION AND

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REDIRECTION OF THE COMMUNITY THAT MUST COME OUT OF THE CHANGES THAT HAVE OCCURRED IN THE WORLD. AT THE SAME TIME, YOUR RECORD SHOWS STRONG EXPERTISE IN SOVIET AFFAIRS, A SUBJECT THAT WILL CONTINUE TO BE ESSENTIAL TO OUR SECURITY AS THAT COUNTRY CONTINUES ITS LONG-OVERDUE REVOLUTION.

YOUR RECORD ALSO INCLUDES SERVICE AS DEPUTY DIRECTOR FOR INTELLIGENCE AND AS DEPUTY DIRECTOR OF THE ENTIRE AGENCY DURING THE IRAN-CONTRA EPISODE. I MUST TELL YOU THAT THIS IS THE PART OF YOUR RECORD THAT TROUBLES ME THE MOST. I NEED TO UNDERSTAND WHAT INFORMATION WAS AVAILABLE TO YOU CONCERNING THE DIVERSION OF FUNDS FROM THE IRAN PROGRAM TO THE CONTRAS, WHEN YOU LEARNED OF THE DIVERSION, AND WHAT YOU DID WITH THE INFORMATION. FRANKLY, I HAVE DIFFICULTY BELIEVING THAT AN INTELLIGENCE OFFICER OF YOUR EXPERIENCE, SITTING IN THE NUMBER TWO POSITION IN THE AGENCY, COULD NOT HAVE KNOWN, BUT I WANT TO HEAR YOUR SIDE OF THE STORY.

IF, AS YOU HAVE SAID, YOU WERE EXCLUDED FROM THE EVENTS OF THAT EPISODE, I WILL NEED YOU TO HELP ME UNDERSTAND HOW THAT COULD HAPPEN AND WHAT LESSONS ABOUT MANAGEMENT AND LEADERSHIP YOU DRAW FROM THE EXPERIENCE OF BEING KEPT IN THE DARK ABOUT THESE ACTIVITIES. I WANT TO KNOW HOW YOU WILL USE THOSE LESSONS OF 1986 TO RUN THE AGENCY IN 1991 AND BEYOND. I WANT TO LEAVE THESE HEARINGS CONFIDENT THAT IF YOU ARE CONFIRMED AS DCI, YOU AND YOUR DEPUTY WILL NEVER AGAIN BE SIMILARLY ISOLATED FROM THE ACTIVITIES OF YOUR SUBORDINATES.

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YOU STARTED OUT AS AN ANALYST, AND ALTHOUGH YOU HAVE BEEN A SUPERVISER AND POLICY-MAKER IN THE LATTER PART OF YOUR CAREER, I BELIEVE YOU STILL TAKE PRIDE IN THE TITLE "ANALYST", AS WELL YOU SHOULD. THE HIGH QUALITY OF YOUR ANALYSIS OF SOVIET AFFAIRS IS PART OF YOUR RECORD. I THINK IT MAY BE ABOUT TIME THAT SOMEONE FROM THE ANALYTICAL SIDE OF THE COMMUNITY BECAME DCI. I HAVE BEEN DISAPPOINTED IN THE QUALITY AND RELEVANCE OF ANALYSIS IN RECENT YEARS AND AN ANALYST OF YOUR DISTINCTION IS EQUIPPED TO MAKE THE IMPROVEMENTS WE NEED. AT THE SAME TIME I RECOGNIZE THE SUB-CULTURES THAT EXIST IN THE COMMUNITY, AND SO I WILL WANT TO HEAR FROM YOU HOW SOMEONE WITH AN ANALYTICAL BACKGROUND CAN LEAD THE OTHER ELEMENTS OF THE COMMUNITY, ESPECIALLY THE OPERATIONS PEOPLE. I WILL WANT TO HEAR YOUR STRATEGY FOR GAINING THE SUPPORT AND CONFIDENCE OF ALL THE AGENCY'S PERSONNEL, INCLUDING THE OPERATORS.

I WILL ASK SOME QUESTIONS ABOUT HOW YOU PLAN TO DEAL WITH BUDGET REDUCTIONS, BECAUSE I SEE THEM AS INEVITABLE. FIRST, MONEY IS SCARCE AND GETTING SCARCER. SECOND, THE INTELLIGENCE COMMUNITY GREW LIKE TOPSY DURING THE 1980'S, TO THE POINT THAT YOU HAD TO CLONE YOUR HEADQUARTERS AND YOU STILL DON'T HAVE ROOM FOR ALL YOUR PEOPLE. LALLY WEYMOUTH TOLD US IN THE WASHINGTON POST LAST WEEK THAT THERE ARE NOW MORE THAN 800 SENIOR EXECUTIVES AT THE CIA. I CAN TELL YOU THAT THE INTELLIGENCE HASN'T GOTTEN ANY BETTER BECAUSE ALL THOSE EXECUTIVES ARE WORKING ON IT. IN FACT, IT HAS GOTTEN LESS USEFUL. SO I PREDICT THERE WILL BE MAJOR CUTS IN THE NOT TOO DISTANT FUTURE, AND I WANT TO HEAR WHAT YOUR PRIORITIES

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WILL BE IN ALLOCATING THOSE CUTS IN THE COMMUNITY.

FINALLY AND MOST IMPORTANTLY, I WANT TO SOUND OUT YOUR VIEW OF THE FUTURE. TO WHAT EXTENT SHOULD WE DIVERT COLLECTION ASSETS FROM THE FORMER SOVIET UNION TO OTHER TARGETS, AND WHAT ARE THEY? WHAT ARE THE EMERGING THREATS TO OUR NATIONAL SECURITY? HOW CAN INTELLIGENCE BECOME PART OF AMERICA'S COMPETITIVE ADVANTAGE IN THE TRADE WARS THAT LOOM AHEAD? WHAT MORE CAN INTELLIGENCE DO IN MEASURING ENVIRONMENTAL CHANGE, OR IN MONITORING THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION?

IT'S A NEW WORLD, AND I WANT TO HEAR HOW THE INTELLIGENCE COMMUNITY, WITH FEWER DOLLARS AND PEOPLE, CAN CONTINUE TO KEEP US FOREWARNED AND CAN INSURE THAT EVERY POSSIBLE ADVANTAGE IN THIS NEW WORLD ACCRUES TO THE UNITED STATES OF AMERICA. IT'S A TALL CHALLENGE, BUT IT'S ONE THAT MR GATES HAS AGREED TO TAKE ON.

I LOOK FORWARD TO MR GATES' TESTIMONY AND I THANK THE CHAIR.

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Senator HOLLINGS. And, Mr. Gates, it has been suggested that the Committee should be more interested in the future rather than what happened back in '85 and '86. I would appreciate the reliability and credibility of what you intend in the future if you can convince us of the reliability and credibility of what you stated in 1986. That was at the end of the marathon cat and mouse game between the White House and the Congress relative to Iran-Contra.

Everyone knew that aid was getting to the Contras down in Nicaragua. And Congressman Boland over on the House side put his famous Boland Amendments, one after another, first that you couldn't give aid, under that particular Defense Appropriations bill, to the Contras. Then seemingly, since it was reasoned that maybe it wasn't for the Contras, but really for our own intelligence, the prohibition was that you couldn't use the money for intelligence directly or indirectly in Nicaragua. That didn't catch them or stop it, and then they put another amendment on that you couldn't use the CIA directly. Any monies that were appropriated to the CIA would not be used for Iran-Contra.

Now you came on board at the end of this thing, but it was still ongoing, and before its exposure and in your confirmation as Deputy Director for Central Intelligence, you said, "Mr. Casey and I have consulted extensively," I am quoting, "consulted extensively even in my present position in all areas of intelligence policy, including, not just analysis and estimates, but also organization, budgeting, the requirements process, decisions of technical collection systems, covert action, Congressional relations, and the others. I will now have a formal role in all of these areas. Director Casey and I have discussed my forthcoming duties, and we intend to integrate our offices so that I will be involved in all areas of decision-making."

So the question is, with that pledge to the Congress, how do you not become involved in all areas, or specifically, Iran-Contra. As I understand, I have been told by several White House representatives that you are highly intelligent, and we know it. Of a high integrity, we know that. And yet, they said a person of that integrity and intelligence wouldn't dare come to this process if there was any vulnerability with respect to this question. I have yet to hear a good logical answer. You have Mr. Casey who said he knew nothing about it, we now know he knew all about it. Mr. North saying that he knew all about it, and Mr. North saying that he misrepresented to the Congress. And the two down underneath, Fiers and George, seemingly knowing something about it and you right in the middle and not knowing.

So I would like to know and the public would like to know about that specifically.

Secondly, with respect to the character and reliability of our own intelligence. I served on the Hoover Commission back in 1954 and '55, investigating the intelligence activities of the CIA and all intelligence of this government. And I can tell you categorically back then we found much better briefings, better information, produced by a staff of less than 800. Now, Lally Weymouth writes in the Washington Post that we have got over 800 supergrades, Senior grade pay employees. That caused me to put in an amendment here in this Committee to cut this blooming thing a couple of bil-

lion dollars, just to get it down to size. If I took over your job in the next 10 minutes, let's say, as the Director of CIA, I would want that kind of excuse or mandate, just to clean out, cut-back, and shorten somehow the actual field intelligence report to the analyzed report given us in Washington. Specifically, General Schwarzkopf said he couldn't depend upon it. He had to depend upon field intelligence, otherwise he would have never gone forward in the Gulf.

So we have got to do some cutting back there and we have got to cut out the over-analyzing. And in that light, finally, since you are the analyst, there is a tremendous difference between the field operative and the analyst and in fact I have found our field folks very, very reliable. I travel, I see, I go ask for the Agency representative as I travel. And as I talk to them, they are on the ball, they are up-to-date, they know what they are doing, but somehow it is not coming through to us here in Washington. And I want to know as an analyst who grew up on that side, how you intend to really instill the confidence and the enthusiasm and loyalty of the field operatives in the Central Intelligence Agency?

That will be one big task you will have at the very beginning, should you be confirmed. Keep these things in mind as we go forward with the questions.

Thank you Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Hollings.

Next I will turn for his opening statement to Senator Cranston from California. Senator Cranston.

Senator CRANSTON. Thank you Mr. Chairman. I would like to join in welcoming Dr. Gates to the Committee.

I have known Bob Gates for a number of years, and while we have not always agreed on policy issues, I have found him to be a highly competent and qualified professional. It is a measure of his accomplishments that again he has been nominated to be Director of Central Intelligence.

There are a number of issues that must be aired fully before this hearing process is complete. The unsettling questions raised during Dr. Gates' nomination hearing in 1987 concerning his role and knowledge of the Iran-Contra affair must be put to rest to the best of our ability and the ability of Dr. Gates.

Other questions have been raised about whether the nominee distorted the content of intelligence analysis to promote preconceived policy questions, his role in the arming of Iran during the Iran-Iraq War, and other alleged actions. These are important questions. As I look around this Committee, I see a wealth of expertise, including yourself, Mr. Chairman, concerning the Iran-Contra affair. And I am confident these subjects will be thoroughly covered. But there are other non-Iran-Contra issues that are equally important as we consider the future roles, missions, and functions of U.S. intelligence. It is this area where I intend to focus much of my questioning.

There are two primary factors that will change the conduct of US intelligence activities. The end of the Cold War and a declining budget environment. It's become a cliché to say that the world is changing. It has changed. It changed dramatically as recently as a

month ago when we witnessed the aborted coup in the Soviet Union and the dramatic aftermath.

This raises important issues for the future of US intelligence. For decades, the Soviet military threat has been the central defining factor influencing US intelligence activities. That threat is rapidly fading. Indeed, perhaps it has already vanished. And US intelligence must respond to a world situation that is fundamentally different from what it has been for the past 50 years.

The questions are obvious and they are fundamental. What are the principal threats to national security with which US intelligence must concern itself. And to what extent is US intelligence postured for the responsibilities that lie ahead.

Ironically, in many ways we face a less predictable world. The growth in chemical, biological, nuclear and missile proliferation throughout the world attests to this fact. Terrorism and hostage taking are new threats requiring close attention. We must also redefine friend and foe. Closer cooperation with other countries is required. We must reassess the nature of our relationship with other countries.

The growth in the Intelligence Community since World War II, in terms of dollars and people, has been truly phenomenal. In the current budget climate, it is clear that US intelligence will have to get along with fewer resources. And it is important that the decisions made in this new climate are the right decisions. I believe there will be an inevitable down-sizing of the Intelligence Community. And I believe that while this process will inevitably be a painful one, it is nonetheless one that will create an opportunity for revitalization and renewal.

Budget constraints have a way of focusing attention on this question. What are the essential activities of the US intelligence service. At this critical junction in world history it is necessary that we search with great care for the wisest answer to that question.

This is a critical moment for the Intelligence Community. The individual nominated to serve as Director of Central Intelligence must have the judgment, experience, character, leadership and vision needed to chart the course for the Intelligence Community for the decades to come.

I have thought a lot about the task that the President faces in making appointments. I thought a lot about it when I was running for President. It seemed to me then, and it seems to me now, that the CIA Director is the most difficult post for a President to fill. It is totally different from nominating a Supreme Court Justice. That is an appointed power shared with the Senate and it's an appointment to a third branch of our government. Appointing the CIA Director is really different in a fundamental way from other appointments within the Executive branch that require Senate confirmation.

A President must have absolute, total confidence in the individual he chooses to run the CIA. If he doesn't, he can't be confident he knows what is going on. The President must have a close and a very intimate relationship with the CIA director. President Bush has that confidence in Robert Gates. President Bush has that relationship with Robert Gates. For that reason, along with the obvious qualifications of Robert Gates, I start out inclined to support his

nomination. Of course, I will reserve final judgment on the nomination until we have reviewed the entire record. It is my hope that this confirmation process will be comprehensive, thorough and constructive, Mr. Chairman, and I thank you for your leadership in seeing to it that that is the way we proceed.

Thank you.

Chairman BOREN. Thank you very much, Senator Cranston. I appreciate your comments. I am going to turn now for his opening remarks to our colleague from the State of Washington, Senator Gorton.

Senator Gorton.

Senator GORTON. Thank you Mr. Chairman. The world is an especially fluid and challenging place today. Yesterday's status quo is history today and an anachronism tomorrow. Five years ago, who would have predicted that communism would end so abruptly? Or that the Soviet Union could fracture into a dozen or more independent nations in all possibility? The triumph of the United States in the Cold War and of democracy and free markets as a way of life to be sought everywhere, simply presents us with new challenges and problems which have never been more varied and complex.

Intelligence will play a central role in addressing successfully many riddles facing the United States. In battle, intelligence is called a force multiplier. It is the equalizer for the overmatched, the insurance for the strong.

Today, we face many challenges and need as never before a force multiplier. Even with the experience, knowledge, vision and leadership we already possess, accurate information will be the key to success. That is the role of intelligence—to be stars for the sailor and to assist the leaders of our nation in navigating treacherous seas.

The Intelligence Community will face innumerable challenges during the next decade. The once dominant Soviet threat has receded but has been succeeded by a mixed bag of concerns. More nations are capable of building and delivering nuclear, biological and chemical weapons today than ever before. International conflicts may be diminishing, but the potential for domestic unrest, and internal conflict in both the second and third worlds is perhaps even greater.

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. As much as anything though, the reality of changes at home will 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.

Finally, as Mr. Gates knows only too well, our intelligence must be more focused and responsive to the needs of its consumers—military, political and otherwise. These demands will surely test our next Director of Central Intelligence.

Mr. Gates, your record as a government servant is long, distinguished and commendable. Your devotion to public service is clear. You have served five Presidents, Republican and Democratic alike, in a wide selection of posts. You have been recognized publicly and by your peers as one of the best analysts in the intelligence business. Twice you have received the CIA's highest honor. Predictions you made years ago have been justified by events. You have experience as an analyst and a consumer and would be the first analyst to rise to DCI.

You have worked closely with both the Executive branch and with Congress and always have stood up for what you believed. Clearly, you have the experience to be DCI.

Mr. Gates, as I am sure you know, I once came back from a disappointing political defeat. After considerable introspection, I returned wiser, I hope, with a greater understanding of my convictions and goals as well as of my role in this world. Like you, my return was undertaken for and rooted in a love of country. Your love of country, your enthusiasm for this job, are reflected in your willingness to subject yourself to the rigors of this hearing process and to seek confirmation a second time.

Welcome, and good fortune.

Chairman BOREN. Thank you very much, Senator Gorton.

Now to turn to our colleague from Ohio, Senator Glenn. I might indicate also that Senator Glenn has the responsibility of chairing the Government Operations Committee and in that capacity has worked closely as a Member of this Committee on a number of legislative items including the creation of the position of a statutory independent Inspector General at the CIA. So he has been very much involved in the work of this Committee.

Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

Because Congressional oversight of intelligence must necessarily be conducted in the black box of secrecy, a unique burden is imposed on this Committee. We serve as surrogates not only for the Senate as a whole, but for the American people as well.

As members of the U.S. Senate, we are subjected to a confirmation process before the electorate every six years—and it is a rigorous and thorough process.

As representatives of the American people, we have an obligation to be just as rigorous and thorough in our assessment of Presidential nominees for positions of high public trust. Of the more than 1,000 positions in the Executive branch requiring Senate confirmation, there is no higher position of public trust than that of DCI—the custodian of our nation's secrets.

I was not a member of the Senate Select Committee on Intelligence when Mr. Gates was a senior official at the CIA, nor was I on this Committee four years ago when Mr. Gates' nomination for DCI was being considered. So I approach these hearings with no preconceived notions about Mr. Gates, or his suitability for this position. I will make up my mind about this nomination after the confirmation hearings have concluded.

Our Committee's consideration of this important nomination comes at an extraordinary time. For almost half a century, America's foreign policy, defense, and intelligence infrastructure have

been focused primarily on the Soviet threat. During this period, we have viewed most national security issues—justifiably or not—through that narrow prism of the U.S.-Soviet competition.

This can no longer be the case. With the overwhelming rejection of Communism in the Soviet Union and elsewhere, the dissolution of the Soviet empire, and the forces of democratic reform flourishing in the Soviet Union in the wake of the recently failed coup attempt, America's national security bureaucracy must be prepared to come to terms with a rapidly changing world. And having a robust and effective Intelligence Community is the most important means to attain that end.

Indeed, timely and accurate intelligence forms the foundation of our foreign policy and defines the threat to U.S. national security that is the basis of our defense spending. The need for intelligence collection assets to monitor rapidly changing developments within the Soviet Union remains significant. Because like it or not, the Soviet Union is the only power in the world right now which poses a potential direct threat to the United States. Their missiles are still in silos targeted at the U.S. I am not saying we have the same threat now as we did in the past, but it is something that we must continue to monitor. For instance, do we know what kind of control the Soviet central authority has over their nuclear weapons?

We must also focus more attention on other areas of concern, such as the proliferation of weapons of mass destruction—such as chemical and biological weapons—what's been referred to as "the poor man's nukes." More intelligence resources must be targeted at trade, foreign economic developments, environmental change, drug smuggling, terrorism, low-intensity conflict in the Third World, and the illicit export of high-technology items. That is really the future of our Intelligence Community.

Yet with the decline of the Soviet threat, some have argued that it is safe to decrease the intelligence budget and significantly reduce our intelligence capabilities. And some have even suggested that the CIA is a Cold War relic which has outlived its usefulness, and we should do away with it. I strongly disagree with such views. In this unprecedented time of enormous change and uncertainty in the world, our need for the CIA and a robust intelligence budget is greater than ever before. As we reduce our military strength over the next few years, the need for a substantial intelligence base has increased. Because if we ever have to expand our defense again, then we need to do it from the best information and intelligence base possible. We need to reorganize intelligence, as has already been mentioned this morning, but not just cut intelligence on the misguided basis that we no longer need intelligence around the world.

So I am anxious to hear Mr. Gates' views on these matters as well as learning where he intends to lead the U.S. Intelligence Community.

Also of great interest to me are the nominee's views on the importance of Congressional oversight and the need for accountability of the CIA and the rest of the Intelligence Community.

In his response to our Committee's questionnaire, Mr. Gates stated: "Accountability, with respect to adherence to the law, relevant Executive Orders, guidelines, and regulations, as well as effec-

tive management and performance is, in my judgment, the fundamental purpose of Congressional review of intelligence activities." Mr. Gates, I strongly agree with that statement. I am convinced that the confirmation process is a constructive means of demanding that kind of accountability. It enhances public and Congressional confidence in the senior leadership of the CIA.

Because of my belief in the need for accountability, I, along with Senator Specter, introduced a Senate Bill, S. 1003, legislation which would require Presidential nomination and Senate confirmation of the CIA's General Counsel and the five Deputy Directors of the CIA. Now, let me hasten to add this was not an effort to politicize the CIA—it is exactly the opposite. It is an effort made to do everything possible to make certain that CIA operates without political bias and without fear or favor in making intelligence assessments out at Langley. We want to avoid appointments made solely for political purposes. The CIA should be the last place in our whole government where we do such things. And that's the purpose of this legislation.

And so I am anxious to hear Mr. Gates' views on this proposal to enhance CIA's accountability. I would also note that this Committee will conduct an open hearing on this legislation on September 26th, next Thursday at 2:00 p.m. in this room.

Also of concern to this Committee will be its assessment of the nominee's commitment to the integrity of the intelligence process. There are few greater shortcomings in an intelligence officer than "cooking the books"—deliberately distorting or misusing intelligence information and analysis in order just to please policymakers or superiors in an organization.

Intelligence collection systems are extraordinarily expensive. Human intelligence sources even place their lives on the line. But if the data collected by these systems is not fairly and thoroughly analyzed and presented to policymakers in an objective and a balanced manner, these systems become virtually worthless, and the intelligence process becomes nothing but a sham.

This Committee must determine whether Mr. Gates, by his past conduct as a senior CIA official, is committed to the integrity of the intelligence process and is sufficiently independent of policymakers.

The Committee is also compelled to examine Mr. Gates' involvement in the Iran-Contra affair. The errors and misjudgments made by senior officials at the CIA during Iran-Contra were deeply damaging to the Agency's credibility morale, and overall effectiveness. And I am firmly convinced that it will be difficult for the CIA to fully restore its credibility and effectiveness in the near term unless it is able to successfully place Iran-Contra in the past once and for all.

Recent indictments of former CIA officials and the on-going investigation of the Special Prosecutor raise continuing concerns about what senior Agency officials knew and didn't know about the Iran-Contra affair, and whether there was deliberate misleading of the Congress.

These uncertainties could remain for months, if not years. This Committee must certainly review Mr. Gates' involvement in the Iran-Contra affair, and ultimately determine whether he is the

right person to place Iran-Contra in the Agency's past, as it must turn to confront a challenging future.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Glenn.

The Chair now recognizes for his opening comments the Senator from New York, Senator D'Amato.

Senator D'AMATO. Thank you Mr. Chairman. Let me welcome Bob Gates to the hearing. So that we might have an opportunity to hear him some time today, I'm going to ask that the full text of my remarks be placed in the record as if read in its entirety.

Chairman BOREN. Without objection.

[The opening statement of Senator D'Amato follows:]

16 September 1991

Senator Alfonse D'Amato

Opening Statement

Select Committee on Intelligence

Confirmation Hearing

on

Robert M. Gates

Mr. Chairman:

This Committee seldom has the opportunity to give its advice and consent to the President's nomination of a Director of Central Intelligence. Mr. Robert M. Gates comes before us now for the second time as a President's selection to be DCI, this nation's senior intelligence official.

Our responsibility in the confirmation of intelligence officials is substantial, both because so few require confirmation and because the work they do is so important to our nation. Also, their work, by its nature, must be secret to be successful, so they are free of much of the daily public scrutiny other government officials must face. We, on the Intelligence Committee, must be doubly watchful to make certain that high intelligence officials are managing well those under their authority, and that their organizations are engaged only in properly authorized activities.

I support confirmation of Mr. Gates as Director of Central Intelligence, unless our confirmation hearings should reveal disqualifying information. I stress that, at this time, I am not aware of any information that I would consider disqualifying, and I do not expect that any such information will come to light during these hearings.

While some of my colleagues will use these hearings to replot old ground, I am most interested in learning what Bob Gates' views are on the future and how the United States' intelligence agencies should be preparing to meet it. We face such issues as the end of world communism as we know it, the end of the Cold War, the upsurge in narcotics trafficking and in associated narco-terrorism, general political terrorism, low-intensity conflicts, the proliferation of weapons of mass destruction, and economic competition.

I am also interested in Mr. Gates' views on his relations with Congress. What does he think about Congressional oversight of intelligence? To what extent will he cooperate with this Committee's oversight activities?

This Committee last year began an initiative to review the structure of the U.S. intelligence community and to reorganize it to increase its efficiency and decrease its cost. This initiative is even more important now, in light

of recent revolutionary change in the Soviet Union. I want to know what Bob Gates thinks about the structure of U.S. intelligence, what its priorities should be, and what savings can be found for the taxpayer as a result of these dramatic changes in the world.

As Senators, we again face the question of what standard to employ to decide whether or not a President deserves confirmation of his nominee to a very important post in his Administration. In my view, the proper standard is that a nominee should be confirmed if he or she is qualified for the position for which he or she is nominated. The question of qualification should be decided upon the basis of the nominee's character, integrity, experience, education, and past performance. A nominee should not be confirmed if substantial, credible disqualifying information is found.

What does this mean? Disqualifying information is not proof that the nominee holds policy or ideological positions contrary to mine. Neither is it evidence of small errors of judgment in personal or professional matters. It certainly is not evidence that a nominee took controversial positions in good faith on certain issues.

Disqualifying information is negative information that bears upon a nominee's character, integrity, or competence so strongly that, when weighed against the totality of the

nominee's personality, career, and accomplishments, it casts serious doubt on the nominee's ability successfully to perform the duties of the office to which he has been nominated. This is the standard I will employ in judging the allegations against Bob Gates.

As an attorney, I learned that one of the basic tests of a proposition is to assume it to be true and then ask, "what difference does it make?" At the outset of these hearings, I have reviewed the allegations against Bob Gates. Without prejudging the outcome of these hearings, I find that some of the allegations fail this simple test. Even if they were true, they would not be disqualifying.

There are some serious matters that require clarification. Bob will be probed hard on a variety of issues. I am confident that he will have good answers to the questions he will be asked and, at the end of it all, I am confident that I will feel comfortable voting for his confirmation.

Thank you, Mr. Chairman.

Senator D'AMATO. I would like to make one observation. I think Senator Glenn touched on something that is most important. I'm interested in learning what Bob Gates' views are on the future and on how the U.S. intelligence agencies should be preparing to meet the challenges of the future.

I want to know what he thinks about the structure of U.S. intelligence and what its priorities should be. And I share Senator Glenn's concern that there are some who believe that this is an opportunity to cut back on our intelligence efforts. I'm concerned about that. I want to hear the prospective new Director's views.

I think Bob Gates will be confirmed, I intend to support him, barring unforeseen developments, and I'm confident that Bob is going to be able to answer the tough and probing questions that are going to be put to him.

But I'm most concerned about his views where we should be going and what our emphasis should be on. Also, with some particularity, I wonder if we can afford to make the kinds of cuts that some have suggested. Is this the time to cut back on our human intelligence efforts? Is there a need to expand upon them, given what I would characterize as poor performances in certain areas? The collapse of the Soviet Empire, the Middle East and the fact that it seems that in many cases, like the Iraqi situation, that we're behind the curve. The fact that we've heard on this Committee and from each and every Member, time after time, that we don't have the HUMINT resources, that we get the technical equipment but we don't have people in place to give us the kinds of insights that are most necessary.

What does this portend for the future? What about the poor man's A-bomb, chemical and biological weapons? What do we know about the kinds of problems that will emerge from these unstable areas? So that's what I hope we could be focusing on.

I thank the Chair.

Chairman BOREN. Thank you very much, Senator D'Amato.

And now I'll turn to the Senator from Arizona, Senator DeConcini, for his opening comment.

Senator DECONCINI. Mr. Chairman, thank you very much.

Mr. Gates, I'm sure you're wondering how long this torture will go on. But I think it's important to note the interest of this Committee, that so many Members are here, number one, and want to express to you their confidence, their quandaries, their questions about you, but indeed their respect that they have for you.

I first want to commend the distinguished Chairman, Mr. Boren, Senator Boren and also the Vice Chairman, Mr. Murkowski, for their tireless efforts to ensure that each of us on this Committee had a voice in the process of putting together these hearings. I appreciate that immensely, Mr. Chairman, Mr. Vice Chairman. The process is important and though it's laborious at times and may be right now most laborious, in my judgment it has been fair and will be a fair hearing, and Mr. Gates will have an opportunity to clear the air, perhaps once and for all regarding all these questions that have been raised.

I was one of the Senators on this Committee who took great exception to President Bush's criticism of the Committee for the handling of the nomination. I believe the President's statement that

was something to the effect, and I believe it's correct, quote, "They," meaning us, "ought not to panic and run like a covey of quail because somebody has made an allegation against a man whose word I trust," was truly out of line.

I trust Mr. Gates' word. He's going to be under oath and I have no reason to doubt what he tells us when he tells us. The President needed only to review the stacks and stacks of documents and testimony that I've looked at involving Mr. Gates and other CIA personnel, to understand the enormous task faced the Committee in its efforts to provide Mr. Gates with a fair hearing.

I understand the importance of this position to the President. I realize his confidence in you, Mr. Gates, is unsurpassed, and that to me bodes very well for your confirmation. I start from a presumption favoring nominees sent by the President for our confirmation process, because I know that he would not purposely, any President, send someone who is unqualified.

But here there are allegations, lingering ones, maybe unfair ones, but that's what the process is all about. In the end, I think the delays somewhat rest with you, Mr. Gates, in that you can't help it but with these allegations hanging out there, there had to be ample time to review them and to prepare. For you and for Members of the Committee and the staff.

Your involvement or non-involvement perhaps in the Iran-Contra scandal has been touched here numerous times. The accusation of the politicizing of intelligence reports, the President's strong view in his own autobiography about, biography rather, about non-politicizing the reports. Your statements that I've read over the years of the importance not to do that, the sharing of information with Iraq, the numerous issues that have been brought to the attention to the Committee must be gone into.

It is Mr. Gates memory loss that has this Senator concerned. Meetings, briefings, conversations that led to some of the delay. It has been this lack of memory, Mr. Gates, that fact that you could not remember meetings and what have you, but I understand that, time passes and you're a busy man, you have been deeply involved in other national security efforts and briefings of the President and perhaps the time will work in your benefit to be able to pursue and to explain to us some of these discrepancies.

I find it hard to believe that an individual who personally said five years ago that Director Casey and I have discussed my forthcoming duties and intend to integrate our offices so that I, meaning you Mr. Gates, will be involved in all areas of decisionmaking, and that you could not know or care to know about critical issues that those above and below you were will aware of. I think that is the opportunity, Dr. Gates, for you lay the record clean and to convince us. I believe you can do that, based on your past experience. I've had numerous calls from members of the Administration who I have had a working relationship with and great respect, complimenting you. I was in Boston last night came across Cardinal Law who is a big fan of yours. And he said don't forget my friend Bob Gates. And I don't know how well you know him, but those are the kind of people you have speaking up for your integrity and ability.

You have an opportunity to be totally truthful and to demonstrate what your leadership qualities are going to be. The Director

of the American Intelligence Community in the 1990's, I can think of no more important job for the well-being of this nation and of course the advice to the President and others in the Cabinet.

In addition to the Iran-Contra issues that will be focused on this week, I plan to question you, Mr. Gates, on accusations that have been brought to the attention of this Committee concerning the politicization, your efforts in the area of the Papal paper and background, done in 1985, I believe.

I have no hidden agenda or any bombshell I intend to lay upon you. These are questions. I think you can probably explain the BCCI and the sharing of intelligence with our "allies" as temporary as they may be.

And finally, I need to know how you, Robert Gates, would streamline and make more efficient an Intelligence Community that I believe needs real strong leadership at this particular time. When I look at the U.S. Intelligence Community, it reminds me of the U.S. auto industry at the start of the 1980's. The next Director of the CIA is going to have to restructure and to make some very difficult decisions in this Senator's judgment. These Committees that oversee the CIA can play an important role and your past statements regarding oversight is very encouraging. I don't think there is anybody on this Committee who wants to be destructive in our oversight.

But there are legitimate questions as to what the CIA does with its taxpayers funds and what do we get from it. I look forward to the testimony that you're about to give. I'm hopeful, that you, Mr. Gates, that your memory has improved since the last time you appeared before the Committee in order to sufficiently address the many unanswered questions that hang over this nomination.

In this Senator's mind we have an extremely bright and capable man that has the confidence of the President and that is very important and will influence this Senator. Nevertheless, you must answer questions which have been raised regarding the lack of judgment and leadership in order to be considered for the Director's position. I have an open mind. I've not decided how I'm going to vote and the presumption favors you at this moment in my mind. But I do have questions that I'm sure you will address. Thank you Mr. Gates and thank you Mr. Chairman.

Chairman BOREN. Thank you very much, Senator DeConcini.

Senator Metzenbaum was there at the beginning of these hearings this morning. He also has responsibilities in the Judiciary Committee at this moment in the confirmation hearings and proceeding there. He's rejoined us and I recognize the Senator from Ohio for his opening comments.

Senator METZENBAUM. Thank you very much, Senator Boren, and I do want to apologize to my colleagues whose opening statements I didn't hear and also indicate to you that my failure to be here full time is not from a lack of interest, but I don't have a split personality that can be at two Committees at the same time.

Mr. Gates, as you know, I have expressed misgivings about moving forward with this confirmation process today. While I am sure that both you and the President feel strongly that you have waited long enough, I honestly feel that we are gathered here prematurely.

Nevertheless, we will proceed to ask questions and to seek answers. But throughout, I believe we will be hobbled in our efforts because I know that there is and will continue to be a body of information to which we have no access. I am referring to files and records of the ongoing Special Prosecutor's investigation.

You are a subject, but not a target of that investigation, as I am informed. I am not suggesting that the prosecutor's files include information which, if known, would persuade us to vote against you. I don't know that to be the case. I simply believe that in order for the Members of this Committee to make an informed and well considered decision in voting for or against your nomination, we should know all the facts.

The Special Prosecutor, Mr. Walsh, has now spent several years investigating the activities stemming from our country's illegal involvement in Iran and Nicaragua. That involvement was first revealed to the people of this country in November 1986, while you were Deputy Director of Central Intelligence. Mr. Walsh considers your role in those activities to be worthy of inquiry. His office has so far brought indictments against two CIA officials who reported to you, at least one of whom I understand we will be questioning in the course of these hearings.

Your superior at the CIA, the late Mr. Casey, was also deeply involved in those illegal activities. I am frank to say to you that many of us wonder how, in an organization whose motto boasts "know the truth," you, as a top official, could know so little of it. The CIA's very mandate is to gather and analyze information. You were well trained to carry out that mandate. Now we are left to believe that you failed in that responsibility. You failed to know what everyone around you knew so well.

You have also said you didn't want to know. The questions raised by these circumstances are painfully obvious. You were the number two official in the CIA at the time of Iran-Contra. Number one, Director Casey, knew and perhaps engineered the affair. Number three, Clair George, knew it was happening when it was happening. At least one CIA official who reported to Mr. George knew as well. Mr. Dick Kerr, who was at the time Deputy Director for Intelligence and is now Acting Director of the CIA, says he told you of suspicions about illegal activities months before they were revealed.

You were absolutely surrounded by the truth. The question is: How could you possibly not know? As you were the number two man at the Agency, willful ignorance is inexcusable. Perhaps we will learn the answer to this improbable puzzle when you testify and in the course of these hearings. I hope so. I hope you offer us a cogent and believable explanation for why or how Robert Gates could be unaware as the CIA and members of the National Security Council staff defied stated US policy on Iran, broke laws restricting their activities in Central America, refused to inform the Legislative branch of this government, and then lied to Congress and grand juries seeking to learn the truth about those activities.

If you can satisfy me with an explanation as to how you didn't know, why you didn't want to know, I expect I will vote for you.

I must admit, however, that I am skeptical about your ability to give us such an explanation, because you seem to have great diffi-

culty in recalling events. And this is particularly disturbing. In the written questionnaire you completed for this Committee this summer, I counted no fewer than thirty-three instances in which you failed to recall your role in Iran-Contra related events.

Mr. Gates, you are a very intelligent man. Your failure to recall the answers to thirty-three questions posed to you by this Committee frankly is not credible.

I hope your memory improves during the course of these hearings, and I notice Senator DeConcini also mentioned that point.

Additionally, there are certain events that we haven't asked you about, simply because we only learned about them in the wake of recent indictments brought by Mr. Walsh's office. Over and above this failure to recall, more than 40 of your answers were not that you didn't recall, but that you never knew. Or better stated, that you never sought to know. For example, I understand that you never reviewed Oliver North's notebook pages which refer to you on several key dates. Frankly, that's hard to understand and difficult to believe. Oliver North's trial could not have had more public attention. The notes were available if you would ask to see them. It's unbelievable that you would not have made an effort to review that portion which referred to you. It suggests an unwillingness to learn the facts as reported by Oliver North to himself in his own diary.

Furthermore, when the Committee asked you questions about references to you in Oliver North's notebooks, your answer was that you had never seen the notebooks. Whether or not you had seen the notebook pages before the Committee submitted its questions to you, why didn't you look at them when you received our written questions? It would have been the logical and straightforward approach.

Now, Mr. Gates, our questions will not be limited to your role in Iran-Contra, or even to other CIA activities under your watch that people have alleged were against U.S. laws. I will also have questions regarding the future of U.S. intelligence. For example, we now find ourselves with an intelligence service largely designed and developed to combat an enemy which may no longer threaten us. You came up through the ranks of the CIA as an analyst whose expertise is in Sovietology. In today's world, that may have the equivalent currency of a U.N. interpreter specializing in Latin: intellectually fascinating, but all but useless in a practical sense.

We will want to hear how you plan to re-tool U.S. intelligence to deal with a newly drawn map with many more countries, and a foreign policy with new and different challenges. I want to know what your views are on the limits or far reaching intent of economic intelligence. I would ask how you would acquire it and protect it so it would not benefit one American company over another. We will also want to hear about your efforts and intentions to preserve the integrity of the intelligence estimates and other analysis produced by the Agency. As you know, we base much of our foreign policy decisions, as well as covert operations, on this type of intelligence information; and the purity and objectivity of this analysis should be above reproach.

I was interested to read in the morning paper that the Chairman has indicated he believes that the intelligence budget can be cut. I

will look forward to hearing from you as to your views on that subject and, if you agree with him as to the manner in which you would cut it.

I want assurances that the highly qualified CIA experts writing intelligence estimates and reports—those men and women who decipher Middle East factionalism, make projections on power shifts in Africa, monitor the tumult generated by the collapse of the Berlin Wall, interpret flutters in the Bamboo Curtain, and catalog the erratic climate in the nations to our south are allowed to evaluate data in the most informed and impartial environment possible.

I will want you to resolve questions that have arisen suggesting that in the past, analysis was influenced by partisan politics, or tailored to correspond with policymaker objectives or to conform to your personal biases.

In short, Mr. Gates, we will want to know how you intend to run the shop. And to help us to make that determination, we will want to examine the manner in which you carried out your duties as the head of analysis, as Deputy Director, and as Acting Director at the agency which the President now wants you to head.

The position of Director of Central Intelligence is one that affects every American. The Director's decisions on analysis and on covert and clandestine operations can vitally affect U.S. foreign policy. The Director's decisions on intelligence operations directed at Americans can potentially affect the freedoms of each of us. And no matter how well this Committee does its job, the vast majority of these decisions will be made with no Congressional input and often without our knowledge.

So our decision on whether to recommend confirmation of this nomination is a crucial one. We cannot shirk this duty and we will do the American people a great disservice if we take this step thoughtlessly or based on incomplete information.

Thank you Mr. Chairman.

Chairman BOREN. Thank you, Senator Metzenbaum.

I might say that just for information for those involved today that it would be my intention to next recognize Senator Bradley for his opening comments and then Senator Moynihan. After that we will have an introduction of the nominee by the Senators from his home state, and then it would be my intention to hear the opening statement of the nominee before we recess. We will commence again later this afternoon.

The final opening statement by a member of our Committee will be given by the Senator from New Jersey, Senator Bradley.

Senator Bradley. Thank you very much Mr. Chairman, and let me thank you for your continuing effort to make sure that we get all the information from the CIA and the intelligence agencies that we need in order to do a thorough job pursuant to our constitutional responsibilities. We are still waiting for some information and I know you are actively pursuing that and I hope that we'll be able to get all the information so that we may make a judgment.

Let me welcome Mr. Gates to the Committee once again and let me begin by saying that I think these hearings are not just an occasion to re-examine Mr. Gates' role in Iran-Contra. In other words, what he knew, when he knew it, why he didn't find out more sooner and what he did or did not do as a result. These hear-

ings are an opportunity to open new debate on the future of the role of intelligence in protecting not just American interests against foreign dangers, but also U.S. taxpayers against unneeded defense spending.

The U.S. Intelligence Community annually spends many billions of dollars and employs tens of thousands of people to avoid the cost of false alarms while keeping us alert to the real dangers. The DCI leads the Intelligence Community, manages its vast resources and advises the President and the Congress on these critical issues. That is why we have to appraise Mr. Gates' past record as CIA's former Deputy Director for Intelligence, former Chairman of the National Intelligence Council, former Deputy and Acting DCI, and as the current Deputy Assistant to the President.

We have to appraise all these to ensure that he meets high standards of integrity, judgment and leadership. In addition to Iran-Contra we have to evaluate his performance on the two issues that have been central to American security in recent years, the Soviet Union and Iraq.

But based on our past investigations, the moment needs to go to Iran-Contra. The Iran-Contra scandal began with an error of judgment. In 1985 the National Intelligence Council which Mr. Gates headed produced a badly flawed estimate that overestimated Iranian vulnerability and provided the Administration with a strategic rationale to help Iran get arms. A few months later the CIA gave unauthorized support to covert Israeli shipments of U.S. arms to Iran. When Mr. Gates found out about them afterwards, he not only failed to object but also neither reviewed nor disclosed them to the congressional oversight committees for a year. Moreover, during the summer of 1986 he ignored growing signs that profits from selling arms to Iran were being diverted to the Nicaraguan Contras contrary to law. Despite his promises to supervise and report all covert activities, he was instrumental in misinforming the Senate Committee about the CIA's role in this scandal.

The Committee will have to decide whether these lapses of judgment were isolated mistakes or part of a pattern in which Mr. Gates tailored intelligence to suit policymakers or his own biases; failed to prevent, protest, or at least warn of improperly authorized activities; or even suppressed damaging information.

The reason these questions—whether isolated incidents or a pattern—is important to decide is because upon confirmation, the Director of Central Intelligence disappears behind a veil of secrecy, accountable to the public only through the congressional oversight committee. If we confirm someone whose past lack of candor has hidden poor judgment and his own failure to exercise leadership, how can we be confident that the CIA will do a good job under his direction in the future? That is a basic question in these hearings.

Assuming Mr. Gates satisfies the Committee on Iran-Contra, I think he must still explain his persistent overstatement of Soviet strength and insufficient attention to Iraqi threats. His weak record on these crucial issues raises questions about his strategic judgment.

First, the USSR. Mr. Gates' slowness to recognize the powerful movements toward democratic and nationalist revolutions in the former Soviet Union is cause for concern—especially in view of the

data and insights he was getting from intelligence analysts. While he might be excused for belittling the fundamental changes taking place as early as 1986, it is hard to excuse his blindly fatalistic view in 1988 that, in his words, "The dictatorship of the Communist Party remains untouched and untouchable" or that, in his words, "a long competition and struggle with the Soviet Union lie before us." Today, both the Communist Party and the former Soviet Union are rapidly fading into history. There is no question that Mr. Gates got it wrong. The question is why.

The Committee has to decide whether such mistakes were truly impartial errors of judgment or the result of systematic biases to support the bloated defense budgets of the 1980's.

For instance, in November 1986, he publicized highly alarming estimates of Soviet strategic laser developments and warned that, in his words, "The failure to proceed with an American strategic defense would hand the Soviets a unilateral military advantage of historic consequence—with awesomely negative implications for strategic stability and peace."

This was simply a false alarm. Yet, it supported a costly and fruitless quest for wonder weapons and squandered resources that would have been better spent, for example, on ensuring that Patriot missiles were improved to knock out all SCUD warheads in case of conflict in the Persian gulf. These and other alarmist messages about the Soviet Union that Mr. Gates publicized during the 1980's were embodied in intelligence estimates that he provided to policymakers serving two Administrations.

Now, let's turn to Iraq. In the mid-80's, even as the Iran-Contra operation was playing out, the U.S. tilted more and more forcefully toward Iraq. The things that we know that are on the public record are the following:

The Reagan and Bush Administrations approved \$1.5 billion in export licenses for dual-use items, in other words, items that had military applications such as helicopters, not unlike the ones used to invade Kuwait, or equipment that could be used and could help the Iraqi nuclear program.

Two, muffled criticism of Saddam Hussein's gassing of the Kurds.

Three, hundreds of millions of dollars in EM-IM and agricultural loan guarantees.

And then in 1989, the Bush Administration opposed naming Iraq a terrorist state and when Congress did so, the President waived the restrictions on agriculture and EX-IM credits.

In this atmosphere of cozying up to Iraq and remaining fixated by the Soviet specter, Mr. Gates did not refocus sufficient intelligence resources on the emerging Iraqi threat. Specifically, after Iraq routed Iran unexpectedly in 1988, it clearly increased its military advantage over all its neighbors and intensified its pursuit of technology for strategic and nuclear weapons. Notwithstanding these danger signs, Mr. Gates did far too little to ensure that U.S. policy would be well informed of Iraqi strategic activities, including ballistic missiles and weapons of mass destruction—the development of both.

As a result, when Saddam Hussein began making more belligerent and specific threats against Kuwait in 1990, the Administration had no good alternative to the unreliable reassurances of Arab offi-

cials whose interests differed from ours. Fortunately, this failure of intelligence was not catastrophic for the United States, but only because Saddam Hussein had provoked the U.S. prematurely, before he had acquired an effective chemical or nuclear deterrents. Enemy stupidity is not a reliable substitute for astute guidance.

In addition to Mr. Gates' role in the Iran-Contra scandal and his role in failing to refocus U.S. intelligence resources to the emerging Iraqi threat, his involvement generally in U.S. ties with Iraq since 1985 also needs to be examined critically. These ties include not just direct official relationships between governments, but also connections that were the responsibility of the CIA to monitor and to maintain. Indeed, unless all his activities in this regard were authorized under law, I would seriously question his candor and commitment to upholding the law, and therefore his fitness to serve.

We have been pleasantly surprised by the early endings of the Cold War and the Persian Gulf War, but more diverse challenges to our security and new opportunities to support democratic change in the world lie on the horizon. The basic question is does Mr. Gates have the record, the vision and the independence needed to revamp our Intelligence Community to address these new questions? The floor will be Mr. Gates'; he will either answer those questions to the satisfaction of the Committee and the American public, or he won't.

Chairman BOREN. Thank you, Senator Bradley. Senator Danforth has been able to join us from responsibilities in another Committee. Senator Danforth, we would be glad to receive your opening statement or any opening comments you would like to make at this time.

Senator DANFORTH. Mr. Chairman, thank you very much. I am tempted to ask the witness what his position is on the Clarence Thomas nomination but I won't do so.

Mr. Gates, I join my colleagues in welcoming you to these confirmation hearings. You are very well known to this Committee and to many Members of the Senate as a man with an excellent record of service to our country.

Since your nomination by the President, most attention has been focused on your knowledge of and testimony about the Iran-Contra affair. That, of course is the threshold question which will be addressed by the Committee. But I hope that question does not obscure the more global concerns of where we are heading in a post Cold War era and the ability of our Intelligence Community to relate comprehensive analysis to policymakers in an objective manner.

One of the things for which you are well-known is your skeptical view of change and reform in the Soviet Union. You have been known to be the Administration's resident pessimist on the prospects of reforms over the past five years.

But even when minds don't readily change, times change, and times have never changed more rapidly than in the past two years.

For 45 years, America and its allies have been competing head to head with the Soviet Union. We believed that it was a competition of military might, pitting missile against missile, division against division. Military competition consumed our attention and our

budget. In the end, it turned out of be a contest not between armies, but between ideas.

A free political system was pitted against a totalitarian political system. A free market economic system was pitted against a centrally planned economic system. And our side won.

We should have seen the victory coming years ago. Germany was the great test case. One country defeated in war, divided in half and acting as two huge laboratories testing the theories of freedom and of Marxism.

The free world was not a judge in that contest. The judges came from Gdansk and Leipzig and Budapest and Prague. From Moscow and St. Petersburg. One after another, they pronounced their verdict. Communism was a failure. Communism did not work and could not be made to work. Communism had lost and freedom had won. All of this has happened in the past two years.

After World War II, America led the redevelopment of the free world. We did it initially through Marshall Plan growth, through international institutions like the World Bank and the IMF, by encouraging the free and open system of trade, and ultimately by becoming the most powerful engine of economic growth in history. We also did it by adopting a policy of containment, by creating NATO, and by creating a national security establishment with the Central Intelligence Agency at its center.

Some are now calling for the dissolution of the structures we built during the Cold War, particularly the CIA. Of course, we still face threats. Terrorism, the proliferation of nuclear weapons, and the breakup of an empire which still has 30,000 nuclear warheads. To be rid of one threat does not make the world safe. But with the collapse of the Soviet empire, the great threat we faced since 1945 is no longer real. So I am interested in Bob Gates' vision of the future, Bob Gates' view of the post-Soviet world. I am interested in what Bob Gates proposes to do with this extraordinary opportunity at the beginning of a new era.

The other principal issue I want to discuss has to do with the relationship between policy and intelligence analysis. For example, during the period leading up to the war in the Persian Gulf, did the Intelligence Community effectively communicate its analysis of whether sanctions would work?

At the time of the debate on the Gulf War vote, some claimed that Director of Central Intelligence Webster had changed his assessment of sanctions to conform with the President's policy. My personal conclusion was that Director Webster testified consistently that sanctions by themselves would have no chance of expelling Iraq from Kuwait. But others charged that Director Webster, under pressure from the President, had slanted his analysis to fit the President's policy goal. Some have said that Bob Gates, during his years at the CIA, slanted the Intelligence Community's assessment of the Soviet Union to support his own hard line views. So my first question is this, can the CIA be truly independent in its analysis?

Second, can the Intelligence Community be clear and direct in its assessments? I have attended too many briefings in which it seemed that the objective of the analysts was to cover themselves for any number of possibilities. We don't need the CIA simply to give us the news and the options, we have CNN for that. The issue

I would like to address is, how do you make intelligence analysis bold enough to be clear and independent enough to be forthright?

Mr. Gates, you have a wealth of experience to share with us on these matters, and I look forward to your testimony.

Chairman BOREN. Thank you very much, Senator Danforth.

I think that our guests today having had an opportunity to hear the views of the Members of this Committee will understand why I now say and have said very often that our Committee represents a broad spectrum of views and thoughtful positions. We have been able to listen to each other—often because of the nature of our work it has to be behind closed doors—with respect for each other.

As I have indicated in my opening statement, we have proceeded in a non-partisan fashion in the past. We have never had a party line vote. And most of our decisions have represented a broad consensus once they are reached.

But in the course of reaching those decisions, we have listened to various points of view. It's a healthy thing, especially on a Committee like this that a broad range of view points are represented because we are asked to do something that other Committees are not asked to do.

We are asked to not simply put forward our own views and our own positions, but to act as trustees for the American people because we have to sit in private, often in secret, and try to help the Intelligence Community of our government and others reach decisions that are very important and try to bring to bear the values and the principles of the American people, not only a concept of our national interests in doing so.

So I welcome the opportunity that we've had today to introduce to the American people the viewpoints of my colleagues on this Committee from both sides of the aisle, and to give the people a glimpse into the kind of deliberative process that we have tried to follow day in and day out in the Senate Select Committee on Intelligence.

A final opening statement will be made this morning before we turn to the introduction of our nominee by a former distinguished Vice Chairman of this Committee. Senator Moynihan of New York served long and ably as a Member of this Committee and has certainly strong conclusions of his own and judgments about the Intelligence Community and where it should go. We always value his counsel and his advice. We value the continuing relationship that we have had with him as Members of this Committee even as he has retired from full membership.

So we welcome you back, Senator Moynihan, and would welcome any opening comments that you would like to make before we turn to our nominee this morning.

Senator CHAFEE. Mr. Chairman?

Following Senator Moynihan's statement I have one request I'd like to make of you before we go on.

Chairman BOREN. We'd be glad to receive it.

Senator BRADLEY. Mr. Chairman? Also I don't know what Senator Moynihan is going to say but I'd like to ask him maybe one question?

Chairman BOREN. That will be fine.

Senator Moynihan?

Senator MOYNIHAN. Thank you, Mr. Chairman and Members of the Committee. I am back here as an alum, Mr. Gates.

I am sorry that Senator Danforth had to get back to the other hearings because I was going to say that in his very able remarks he spoke of the contest of ideas that was involved in the Cold War and he spoke specifically of the laboratory of Germany—East Germany and West Germany—and Gdansk and such.

And the point I would like to make is simply this: In 1986, the Central Intelligence Agency published data that showed that the per capita GNP in East Germany was higher than West Germany.

Now any taxi driver in Berlin could have told you that wasn't so. And yet a large institution not only thought it was so, but published it and didn't even see that there was something incongruous. Institutions get into problems like that. We all can think of those who have done. And I would like to speak briefly about that.

If this is a little abstract, may I say that the subject is intelligence and it is supposed to be brainy work. At the beginning of this Congress I introduced a bill called the End of the Cold War Act of 1991. It divides the Agency up as between the military intelligence and political, economic intelligence to go to the State Department. I have no brief for that particular proposal. It was meant to raise the subject. Are the present arrangements the ones that best serve us best? And it now begins to appear that as recently as 10 months ago you could talk of whether the Cold War was over. It was not yet agreed to in this city.

Just a little narrative. I came on the Committee in 1977. And by the late 70's it seemed to me that the evidence was pretty strong that the Soviet Union was about to break up. And in 1979 I wrote that the Soviet Union would break up in the 1980's. I said it on the floor, I said it here and there, and I argued it in our Committee, up in the Dome where we used to be.

And the proposition was two-fold, because the Marxist-Leninist system was based upon two predictions. The first was the superiority of socialist production over capitalist production. And the second was the disappearance of ethnicity, of nationality as they would say, of the attachments of religion, of language, of race, what you like. These were very fundamental predictions. New Soviet man would not have any of those latter things. And it was very clear to me that both those predictions were failing.

My first clue on the economy was in 1976, when Murray Feshbach over at the Bureau of the Census found that male life expectancy in the Soviet Union was dropping. Well, that meant that Khrushchev had got it wrong. They had not overtaken and surpassed us by 1970. You collect so much information in life expectancy data. Demography is destiny and that destiny looked back.

Simultaneously, ethnic attachments grew and grew. The Murkowskis did not think they were Russians yet, and they never were going to think they were Russians and there is nothing to do about that. And the Metzenbaums, they would just as soon leave the place. And so forth.

Now, when two central ideas like that fail, you are going to get a crisis of belief. Often that belief disappears just under the surface. People don't know they share what they now think, until suddenly someone says it and then everyone says it. A crisis of belief would

lead to the crisis of the regime which would lead to the break-up in the 1980's.

Now, in all this time you never would get any response out of the Agency. They didn't bother to say, you know, that's a good try but you got it wrong. They just didn't hear you. Today's youth would say, "they couldn't access that file." They just didn't hear you. Partly it was because their estimates of the size of the Soviet economy were so incredibly wrong. As late as the late 1970's the Agency had the Soviet economy at 62% of American GNP and rising. This was not something that just happened. It goes back to the 1950's. The Gaither Report. The algebra of the Gaither Report would have the Soviet GNP surpassing our's next year.

In 1959 Allen Dulles would testify that the Soviets were growing at 8 to 9% a year. That doubles every decade. They would be ahead of us by now. And the Agency could never break out of that. Nor could they ever bring into their calculations something abstract—some of the things you talked about in Paris—like ethnicity, and things like that. And so there was just no response.

And Presidents kept being told the Soviets are gaining. If the President of the United States was told, Mr. President, the economy of the Soviet Union is one-fifth that of the United States and dropping, I think the 1980's, the 1970's, the 1960's, would have been different. But instead they said it is two-thirds and closing.

Now, Admiral Turner has an article in the current issue of Foreign Affairs. I am not going to say much more but you know, cite authority when in doubt. He speaks of this. He says that the quality of intelligence and analysis has never met our expectations. He cites a remark by me that, "For a quarter of a century the CIA has been repeatedly wrong about the major political and economic questions entrusted to its analysis." Repeatedly wrong. He says, "Note that significantly the Senator cited on the political and economic analysis, not military." That is an important fact. We got military I think very well. We took pictures. But these other things we missed.

He asks, if you know their economy is weak and their military is rising, isn't that going to lead to a crisis? He says, "Neither I or the CIA analysts reached the conclusion that eventually something had to give." At a time we were arguing in this Committee that something was going to give. And something did give.

He said in the current issue of Foreign Affairs: "We should not gloss over the enormity of this failure to forecast the magnitude of the Soviet crisis. . . . Today we hear some revisionist rumblings that the CIA did in fact see the Soviet collapse." He says no, on this one "the corporate view missed by a mile."

And here is my very simple proposition: If the Agency can't confront this and live with it and say, well, all right, pencils have erasers, we really did miss it, then they, as an institution, are doomed. And I don't know the answer.

Last year, in July, we held a full day's hearings in the Foreign Relations Committee on estimating the size and growth of the Soviet economy. We asked the Soviet expert from the Agency. And he said, "In my statement I plan to review for you our methodology, and cite previous public testimony that I believe will show that

essentially we were right in our descriptions of the Soviet economy over time and in its prospects."

Now, Mr. Chairman, they weren't. And you know, it is not that they have to be that defensive because, I later received a letter from Dale Jorgenson who is professor of economics at the Kennedy School, and he wrote we all got it wrong. He said, and I quote, "It has to be one of the great failures of economics, right up there with the inability of economists to find a remedy for the Great Depression of the 1930's."

You can say you're wrong. But if you can't do that, you have ceased to be an intelligence organization. And I simply want to say where that will bring you. If you love that Agency—and I do although I couldn't even begin to do as you do, Mr. Gates—you don't want that to happen, sir.

What will happen is very simple. Three President's from now, a President is going to come along and say—Central Intelligence? Let's see, now, we've finished up the Small Business Administration. What's next? We're finding jobs for campaign workers. Okay. We've got SBA, what's this other one? CIA? Oh, yeah, they're the people who missed the Soviet Union's collapse completely, aren't they? Well, fine. Wasn't there a fellow who ran the campaign in Western Pennsylvania? We didn't carry Pennsylvania, but he did a good job; give it to him.

And that can happen, sir, but it need not. But an institutional renewal is not easy and it has to begin with acknowledgment of problems. And that is all I wish to say to you, sir.

Chairman BOREN. Thank you, Senator Moynihan.

Senator CHAFEE. Mr. Chairman, I had a question I wanted to ask at the proper time.

Chairman BOREN. Yes. Did Senator Bradley have a question of Senator Moynihan before Senator Moynihan departs. Let me entertain that question and then I will entertain the question from Senator Chafee.

Senator BRADLEY. Thank you, Mr. Chairman.

Senator Moynihan, thank you very much for your comments. I wonder if you would share with us your thoughts about the proposition that we would deny reality, as you are saying the Agency essentially did. There is a connection between denying that you actually did something when in fact you did, and denying reality. The Agency from time to time has denied that it has in fact done certain things. One instance which comes to mind, the mining of the Nicaraguan harbors, occurred during your tenure as Vice Chairman. As I recall, the Agency's denial of the mining was just as entrenched a denial as that which you have just described as the non-reality of the Soviet Union. Could you tell us what happened? Did they just deny it? And share with us, because I think it is very important that we understand the culture in addition to what the changes are substantively.

Senator MOYNIHAN. Well, that is not an easy thing to talk about, but I will. I never have in this or any such setting.

Among the things that I don't think should be forgiven is the effort to discredit Barry Goldwater by the Central Intelligence Agency. It should not be forgiven and it should be acknowledged. I

believe in forgiveness, but on condition of confession. They set out to destroy the reputation of Barry Goldwater.

It came very simply. I don't have the exact dates at hand but they are very easily brought up. Barry was Chairman, I was Vice Chairman. God, he loved that Agency. Only this side of TACAIR did he love that Agency. [General Laughter.]

Senator MOYNIHAN. And he would do anything for it. And he and I got along very well. We spent an awful lot of time, just the Chairman and the Vice Chairman, being briefed. A bipartisan Committee, just as you run, sir, and Mr. Murkowski runs.

We suddenly discovered that the CIA had been mining harbors in Nicaragua. And we knew immediately that we had not been told about this in advance. And it had to be a "significant anticipated activity," as the statute then read and we had been told of enough things that we knew when we were not told. We were told the trivial things and we got sometimes overwhelmed by that. And he couldn't believe it.

He wrote a letter to the then-Director Mr. Casey, saying this is a violation of international law. I can't understand what is going on. And frankly, I am expletive deleted-off. And that letter got into the papers a few days later.

There proceeded what in the tradecraft—and I have been an ambassador abroad, I have been involved in these things—is called disinformation. The words was put out, very simply, that Barry Goldwater, who on a slow day was faster than anybody else in our Committee and anybody else I know—had just missed this. They put it out that, well, of course he had been told, but you understand, he is getting old and he can't remember and maybe he wasn't paying attention.

Posters were put up all around Langley saying, of course he the Committee was told.

Bud McFarlane, the National Security Advisor, was sent to the Naval Academy—and that's consecrated ground, the Naval Academy, Senator Warner, Mr. Secretary. And he told the midshipmen that the Chairman and the Vice Chairman had been briefed. Lied to them. Mr. McFarlane later said under oath to Senator Sarbanes, yes, sir, I said it; yes, sir, it was not true. You don't lie to midshipmen. They did. About Barry Goldwater.

And he wouldn't take it. He knew damned well it wasn't true and he wouldn't take it. But the columns and the editorials kept saying, well, of course, he won't take it because he can't remember that he was briefed. Not true. Okay if you do it to a Pakistani politician you are mad at, but not to Barry Goldwater.

Well, the Director did, sir, come up to the Committee and in the secrecy of the Dome the DCI apologized. He said, I apologize.

But it needs to be part of the record so that it will never happen again. Never lie to Naval cadets. Never lie about Barry Goldwater.

Chairman BOREN. Thank you, Senator Moynihan. I appreciate your comments and appreciate you taking time with us. We are dedicated, as you know, to establish a relationship and a process between this Committee and the Agency that will assure the kind of candor in the future that should always be there, and we appreciate your comments very much.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Chairman BOREN. Thank you.

Senator Chafee, you had one question to direct before we—

Senator CHAFEE. Yes, a question of you, Mr. Chairman. It seems to be accepted in the statements here—and I am referring, if I had it correct, to the statement by Senator Metzenbaum, that Director Casey knew of the diversion of the funds to the Contras. No question about it, this is a given. Now, I have studied this record pretty clearly and the only evidence that I know of to date that Director Casey knew of the diversion of the funds came from Ollie North. And what I am asking you, Mr. Chairman, that if I am mistaken and if there is evidence, other evidence beside that of Ollie North—and Ollie North's evidence, as I understand it, was given after Casey died—if there is other evidence, I would appreciate if the Chairman or counsel could refer me to that evidence. I haven't found it and yet there seems to be a general thrust here in the presentations that the nominee was below somebody who knew and now there is a suggestion that those below him knew—namely George, and he's a rose between two thorns, however one wants to describe it, so clearly he should have known.

Now, if I am incorrect, I would like to have a correct to that.

Chairman BOREN. Senator Chafee, I, to the best of my memory, believe that you are correct. In terms of any statement in the record, any sworn testimony in the record of either this Committee or earlier the Iran-Contra Committee or other legal proceedings, I believe that the only direct testimony, sworn testimony in the record directly to the point as to whether Director Casey knew of the diversion was the testimony given by Colonel North. I don't know of any other testimony.

I would have to say that of course it is possible in the course of these hearings there could be other testimony that might come forward. We certainly, as you know, will be hearing from Mr. Fiers. We have already taken the sworn testimony of the former Chief of the Latin American Division of the CIA. We are still requesting testimony from Mr. George, which to this point in time, there has been no agreement that he would give such testimony absent immunity, which the Committee cannot provide because of the actions of the Independent Counsel. Although it is clear at least from the response that Mr. George has made to the indictments returned against him that he has denied his own knowledge. So it would probably follow that he would deny, therefore, having imparted knowledge or known of knowledge on the part of others. We can only surmise what his testimony might be if he doesn't give it.

So I believe the Senator is correct, to the best of my knowledge he is correct and searching my memory back during the time that I was a Member of the Special Committee as well, that the only sworn testimony to the knowledge of Director Casey was that given after Director Casey's death by Colonel North.

Senator WARNER. On that note Mr. Chairman, we now have during the course of the proceedings here this morning, information that perhaps Colonel North's status before the Special Prosecutor has changed.

Chairman BOREN. There is an Associated Press report that the Special Prosecutor's office has said today that it has dropped its case against Oliver North on Iran-Contra.

Senator WARNER. Well that might give rise to the ability of this Committee then to receive his testimony directly on that crucial point. Would the Chairman and the counsel and the Vice Chairman entertain that—

Chairman BOREN. Well certainly. Let me take that under advisement. I have not had a chance to think, since this report was only handed to me a few minutes ago, what the implications might be. Something we would want to discuss with the Special Counsel as well because he has other matters ongoing that might be impacted. We have tried to cooperate in every way, but I'll certainly take that up.

Senator WARNER. I certainly thank the Chair, and I think it is one that should be explored.

Chairman BOREN. Let me just ask the General Counsel, Mr. Snider, as far as he knows is my statement correct as far as—
[Pause.]

Chairman BOREN. The General Counsel indicates that he believes my statement is correct, that in terms of the sworn testimony in the record, as to Director Casey's knowledge, that it is only that of Colonel North, given after Director Casey's death.

Senator METZENBAUM. I think it is an interesting suggestion that the Senator from Virginia makes and maybe the Committee ought to discuss that at a later point.

Chairman BOREN. I think it would be appropriate for us to have that discussion again after we have had some time to think about it.

Senator MURKOWSKI. Mr. Chairman, while it is not relevant to sworn testimony, the statement made by Mr. Casey at his death bed to the reporter may have some bearing, but certainly is not sworn testimony.

Chairman BOREN. It would not be sworn testimony.

Senator WARNER. Well I would enjoy getting that reporter up before this Committee, Mr. Chairman, that would be a—
[General Laughter.]

Chairman BOREN. I am going to proceed with the introduction of the nominee I think at this point. I would like to ask our colleagues from the home state of the nominee to please come forward and join the nominee at the witness table.

The nominee will be formally presented by the distinguished Minority Leader of the Senate, Senator Dole, and his colleague, Senator Kassebaum. As we all know Mr. Gates is a native of the state of Kansas. He will also be joined in that presentation by Senator Robb and Senator Warner of Virginia as Mr. Gates currently resides and has resided for some time in the state of Virginia.

Let me say that after that we will have the opening statement from the nominee and then we will have a recess. The questioning from the Committee will proceed in the afternoon and follow in order of seniority because of the responsibilities of Members in other Committees and on the Floor. So that will give Members of the Committee a notice of the order in which they will be called upon to ask their questions.

It is a pleasure to have our colleagues with us this morning and I would be happy to recognize first the distinguished Minority Leader, Senator Dole to present the nominee.

**STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE
STATE OF KANSAS**

Senator DOLE. Thank you, Mr. Chairman, I appreciate it very much. If anybody has a real time conflict, I will be happy to yield to any other person first.

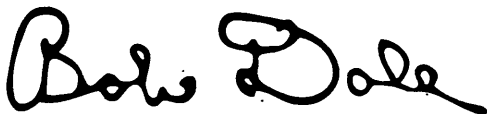
I consider this an honor and a privilege to be here this morning with my colleague from Kansas, Senator Kassebaum, with our two colleagues from Virginia, and our fellow Kansan, Bob Gates.

Bob, I talked to your brother Jim this morning, who wished you Good Luck. He said you had talked to him yesterday.

I'd ask consent that my entire statement be made a part of the record.

Chairman BOREN. Without objection.

[The statement of Senator Dole follows:]



NEWS
FROM:

U.S. SENATOR FOR KANSAS

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
SEPTEMBER 16, 1991

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DOLE INTRODUCES GATES

REMARKS OF SENATOR BOB DOLE INTRODUCING CIA DIRECTOR-DESIGNATE BOB GATES AT CONFIRMATION HEARINGS BEFORE SENATE INTELLIGENCE COMMITTEE

IT IS A GREAT PRIVILEGE FOR ME TO FORMALLY INTRODUCE BOB GATES TO THIS COMMITTEE.

A GREAT DEAL HAS BEEN WRITTEN AND REPORTED ABOUT THIS NOMINATION SINCE PRESIDENT BUSH ANNOUNCED IT A LITTLE OVER FOUR MONTHS AGO. UNFORTUNATELY, MOST OF THAT HAS BEEN BASED ON A WHISPERING CAMPAIGN OF RUMOR, INNUENDO, AND SPECULATION.

FOCUS ON FACTS, GATES RECORD

TODAY, AT LAST, THE COMMITTEE WILL START PUTTING THE FOCUS ON SOMETHING A LITTLE BIT DIFFERENT AND MORE IMPORTANT--THE FACTS. THAT'S WHERE THE FOCUS OUGHT TO BE. THE RECORD OF BOB GATES--HIS EXPERIENCE, HIS ACCOMPLISHMENTS, AND, YES, THOSE AREAS WHERE THE COMMITTEE, AND THE SENATE HAVE LEGITIMATE QUESTIONS.

MAKE NO MISTAKE ABOUT IT, BOB GATES IS READY TO ANSWER THOSE QUESTIONS.

THE BOTTOM LINE IS THAT NO PERSON IS MORE QUALIFIED TO SERVE AS CIA DIRECTOR IN THESE CHALLENGING TIMES THAN BOB GATES.

BEING BORN IN KANSAS, IN AND OF ITSELF, MAY NOT BE REASON ENOUGH FOR THIS COMMITTEE TO VOTE TO CONFIRM BOB, BUT IT IS CERTAINLY A GOOD START.

BOB ALSO EMBODIES THE VALUES AND BELIEFS OF KANSAS: VALUES OF HARD WORK AND SERVICE TO YOUR COUNTRY. AND A BELIEF THAT A MAN'S WORD IS HIS BOND.

BOB'S UNPARALLELED RECORD OF SERVICE TO HIS COUNTRY IS WELL KNOWN TO MEMBERS OF THIS COMMITTEE. BUT I DO WANT TO TAKE A FEW MINUTES TO SUMMARIZE SOME OF THE HIGHLIGHTS OF HIS REMARKABLE CAREER.

SERVICE TO AMERICA: EXPERIENCE, INTELLIGENCE, INTEGRITY

BOB'S FIRST TOUR OF DUTY AT THE CIA BEGAN IN 1965, WHERE HE FIRST SERVED AS AN INTELLIGENCE ANALYST, AND ONE OF TWO ASSISTANT NATIONAL INTELLIGENCE OFFICERS FOR STRATEGIC PROGRAMS. DURING THIS PERIOD, BOB FOUND TIME TO EARN A DOCTORATE IN RUSSIAN AND SOVIET HISTORY FROM GEORGETOWN UNIVERSITY.

IN 1974, BOB WAS ASSIGNED TO THE NATIONAL SECURITY COUNCIL, WHERE HE SERVED PRESIDENTS NIXON, FORD, AND CARTER.

BOB RETURNED TO THE CIA IN LATE 1979, AND HE WAS SUBSEQUENTLY APPOINTED TO A SERIES OF INCREASINGLY RESPONSIBLE MANAGEMENT POSITIONS, INCLUDING NATIONAL INTELLIGENCE OFFICER OF THE SOVIET UNION.

IN JANUARY OF 1982, PRESIDENT REAGAN APPOINTED BOB AS DEPUTY DIRECTOR FOR INTELLIGENCE, A POSITION IN WHICH HE SERVED FOR

NEARLY FOUR AND A HALF YEARS. FOR MUCH OF THIS TIME, BOB ALSO SERVED AS CHAIRMAN OF THE NATIONAL INTELLIGENCE COUNCIL, WHERE HE DIRECTED THE PREPARATION OF ALL NATIONAL INTELLIGENCE ESTIMATES. FOR FIVE MONTHS, BOB ALSO SERVED AS ACTING DIRECTOR OF THE CIA. I THINK HIS WORK IN DRAMATICALLY IMPROVING THE QUALITY OF THE AGENCY'S INTELLIGENCE REPORTING IS WELL KNOWN TO THE COMMITTEE.

IN AUGUST OF 1989, PRESIDENT BUSH APPOINTED BOB AS ASSISTANT TO THE PRESIDENT AND DEPUTY FOR NATIONAL SECURITY, WHERE HE HAS TEAMED WITH BRENT SCOWCROFT AND THE PRESIDENT ON VIRTUALLY EVERY CRITICAL NATIONAL SECURITY ISSUE AMERICA HAS FACED--MOST NOTABLY, THE GULF WAR.

DURING HIS CAREER BOB HAS TWICE RECEIVED THE CIA'S HIGHEST AWARD, THE DISTINGUISHED INTELLIGENCE MEDAL, AS WELL AS RECEIVING THE NATIONAL INTELLIGENCE DISTINGUISHED SERVICE MEDAL.

ALONG WITH WINNING AWARDS, BOB HAS ALSO WON THE CONFIDENCE AND RESPECT OF MEMBERS OF THE INTELLIGENCE AND DIPLOMATIC COMMUNITY AROUND THE GLOBE.

HE'S WON A REPUTATION AS ONE OF THE PREEMINENT ANALYSTS OF THE SOVIET UNION AND EASTERN EUROPE. AND PERHAPS MOST IMPORTANTLY, HE'S ALSO WON THE ABSOLUTE FAITH AND CONFIDENCE OF PRESIDENT BUSH, WHO BELIEVES, AS I DO, THAT NO ONE POSSESSES BOB GATES' BREADTH OF EXPERIENCE.

SIMPLY PUT, NO ONE HAS SO MUCH EXPERIENCE IN GATHERING, ANALYZING, AND RECEIVING INTELLIGENCE.

UNIQUELY QUALIFIED TO LEAD CIA

MR. CHAIRMAN AND COLLEAGUES, THAT'S THE RECORD. IT'S A RECORD OF ACCOMPLISHMENT...A RECORD OF INTELLIGENCE...A RECORD OF INTEGRITY.

IT'S A RECORD THAT HAS EARNED THIS NOMINEE A FAIR AND EXPEDITIOUS HEARING FROM THIS COMMITTEE. NO ONE IS SEEKING TO DENY MEMBERS OF THIS COMMITTEE AND MEMBERS OF THE SENATE FROM ASKING MR. GATES WHATEVER QUESTION THEY DEEM IMPORTANT. BUT ONCE THE QUESTIONS ARE ASKED, AND ANSWERS ARE GIVEN, THAT SHOULD BE THAT.

EITHER YOU BELIEVE BOB GATES HAS THE EXPERIENCE TO RUN THE CIA, AND THAT HIS TESTIMONY HIS TRUTHFUL, OR YOU DON'T. THIS NOMINATION, AND THE DIRECTION OF OUR INTELLIGENCE CAPABILITIES MUST NOT BE DELAYED OR ALLOWED TO TWIST IN THE WIND ANY LONGER.

AND WHEN ALL IS SAID AND DONE, MR. CHAIRMAN, I AM CONFIDENT THAT THIS COMMITTEE AND THE FULL SENATE WILL COME TO THE SAME CONCLUSION I HAVE: THAT BOB GATES IS UNIQUELY QUALIFIED BY EXPERIENCE, BY INTELLIGENCE, AND BY INTEGRITY, TO SERVE AS DIRECTOR OF THE CIA.

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Senator DOLE. A great deal has been written and reported about this nomination since President Bush announced it a little over 4 months ago. Unfortunately a lot of that has been based on a whispering campaign of rumor, innuendo, and speculation. But today, at last, the Committee will start putting a focus on something a little bit different, and more important. The facts. That is where the focus ought to be. The record of Bob Gates, his experience, his accomplishments, and yes, those areas where the Committee and the Senate have legitimate questions, which obviously should be addressed. And make no mistake about it, Bob Gates is ready to answer those questions.

The bottom line is that no person is more qualified to serve as CIA Director in these challenging times than Bob Gates. Being born in Kansas, in and of itself, may not be reason enough for this Committee to vote to confirm Bob Gates, but it is certainly a good start.

Chairman BOREN. It is as close to Oklahoma as you can get. [General Laughter.]

Senator DOLE. Right, Wichita is very close.

Bob Gates also embodies the values and beliefs of Kansans, that is, of hard work and service to your country, and a belief that a man's word is his bond—and that is very important in this Committee. I have listened to a number of Members and I am certain that that is going to be a very key issue.

His unparalleled record of service to his country is well known to Members of this Committee. But I want to emphasize it, and to summarize it, because I think it is important. It is a very remarkable career.

I have listened with great interest to all of the opening statements. Bob Gates cannot possibly know everything, now or in the past, or any other time. None of us could take that test either.

But Bob's first tour of duty in the CIA began in 1965, when he served as an intelligence analyst, and one of two Assistant National Intelligence Officers for Strategic Programs. And during this period, Bob found time to earn a doctorate in Russian and Soviet history from Georgetown University. In 1974 he was assigned to the National Security Council, where he served Presidents Nixon, Ford, and Carter. He returned to the CIA in late 1979 and was subsequently appointed to a series of increasingly responsible management positions, including National Intelligence Officer for the Soviet Union. In January of 1982, President Reagan appointed Bob Gates as Deputy Director of Intelligence, a position he held for nearly four and a half years.

For much of this time he also served as Chairman of the National Intelligence Council, where he directed the preparation of all National Intelligence Estimates. For five months, he also served as Acting Director of the CIA.

I believe his work in dramatically improving the quality of the Agency's intelligence reporting is well known to the Committee. In August of 1989, President Bush appointed Bob Gates as an Assistant to the President and Deputy for National Security where he is teamed with Brent Scowcroft and the President on virtually every critical national security issue America has faced, most notably the Gulf War. And the point I would make is he has been on both

sides. He has been an Intelligence Officer, and he has also been on the receiving side as Deputy to Brent Scowcroft.

He has twice received the CIA's highest award—the Distinguished Intelligence Medal—as well as receiving the National Intelligence Distinguished Service Medal. Along with winning awards, he has also won the confidence and respect of members of the intelligence and diplomatic community around the globe, and obviously of the Members of this Committee.

He has won a reputation as one of the pre-eminent analysts of the Soviet Union and in Eastern Europe. And perhaps most importantly, he also won the confidence and respect of President Bush, who believes as I do that no one possesses his breadth of experience. In sum, Bob Gates is well qualified for the job he has been nominated.

Simply put, no one has had more experience in gathering, analyzing and receiving intelligence. Mr. Chairman, my colleagues, that is the record. It is a record of accomplishment, a record of intelligence, and a record of integrity. It is a record that has earned this nominee a fair and expeditious hearing from this Committee.

No one will seek of course to deny Members of this Committee and Members of the Senate from asking Mr. Gates whatever questions they deem important. But once the questions are asked and answers are given, that should be that. Either you believe Bob Gates has the experience to run the CIA, that his testimony is truthful, or you don't.

This nomination and the direction of our intelligence capability must not be delayed or allowed to twist in the wind any longer. And when all is said and done Mr. Chairman, and Mr. Vice Chairman, I am confident that this Committee and the full Senate will come to the same conclusion that I have. That Bob Gates is uniquely qualified by experience and by intelligence and by integrity to serve as Director of the CIA.

Thank you Mr. Chairman and Members of the Committee for allowing me to appear this morning.

Chairman. BOREN. Thank you very much, Senator Dole.

Senator Kassebaum.

STATEMENT OF HON. NANCY KASSEBAUM, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator KASSEBAUM. Thank you, Mr. Chairman. I'll be quite brief, because there has been already much said. And I would just like to say why I believe Bob Gates will be a most successful Director of the Central Intelligence Agency.

There are two reasons. One, given the breadth of his experience in the Intelligence Community and also with the work that he has done in relating the Executive and Legislative branches to the Intelligence Community, this will stand him in good stead in the obvious need to bring great intelligence, competence, to the reorganization of the Intelligence Community.

Much has been said here in opening statements about the drama of changing times. And it will mean changing the Intelligence Community to fit the changing times, just as it will the defense

community and the foreign aid community, and everything else as we adjust our leadership to these dramatic changes.

Secondly, and I think perhaps in many ways most importantly—and Senator Dole touched on this—it's Bob Gates' relation to President Bush. President Bush has great confidence in Bob Gates. President Bush is a former Director himself of the Central Intelligence Agency and he knows what he expects in a Director and he has the highest confidence in Bob Gates.

I think in the trade that is called a valuable asset. Is it? And I certainly believe that indeed this is the most valuable asset. I have great confidence and I know that this will be confirmed to us all as Bob Gates gets to be able to testify and make his own case.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Kassebaum.

I will now call on the senior Senator from Virginia, Senator Warner.

STATEMENT OF HON. JOHN WARNER, A U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Senator WARNER. Well thank you, Mr. Chairman.

And I will just follow on Senator Kassebaum's statement in saying that by having that full confidence of the President, that gives you an enhanced stature as you deal with your counterparts throughout the world and other governments. Because therein is one of the most fertile sources of intelligence collection. And to have that full confidence of the President enables you to sit at the roundtable in the White House and bring CIA and the other elements of the Intelligence Community in as a full partner in dealing with the Secretaries of State, Defense, Energy and others who are constantly working on our security problem. That's invaluable.

Mr. Chairman and others, as this world is faced with the proliferation of weapons of mass destruction which know no borders now, the ramparts of defense become really intelligence which can provide the early warning such that we can utilize to the extent possible whatever we have to deter and defend against those weapons.

And lastly, Mr. Chairman, as I spoke earlier this morning, we, the United States, are being encircled by economic competition throughout the world. Unlike the sharing of intelligence on security and military matters, we have no friends and no sharing in this area. And we need a man who does have the confidence of the President, who does have the experience, who understands now as we reorganize the Central Intelligence Agency to shift those assets once devoted to the Soviet Union to the extent we can, to quickly pick up, and I emphasize quickly, the capabilities needed to defend this country economically. Our economic security is just as important as our military security. And for that reason, the President chose a man who needs no on the job training and can pick up that job tomorrow and do it.

Chairman BOREN. Thank you very much, Senator Warner.

It is a pleasure to welcome to the Committee Senator Robb of Virginia who is also joining in introducing the nominee today. Senator Robb, we are happy to have you.

**STATEMENT OF HON. CHARLES ROBB, A U.S. SENATOR FROM THE
COMMONWEALTH OF VIRGINIA**

Senator ROBB. Thank you, Mr. Chairman, Senator Murkowski, other Members of the Committee.

Introducing Bob Gates to the Intelligence Committee is probably as unnecessary as any particular act that can be done but as a representative of his adopted state, I am pleased to join at least in formally presenting him with my senior colleague and our two colleagues from Kansas.

We take great pride in the fact that the Central Intelligence Agency headquarters and many of those who serve professionally in that organization are in Virginia. I count it as a near neighbor. As a matter of fact, almost twenty years ago when we were completing our current house, we lived literally on the wire of the perimeter security for the Central Intelligence Agency.

I would also note that Mr. Gates had the good fortune of spending some of his most important informative years in higher education in one of the very fine institutions of higher learning in the Commonwealth of Virginia, the College of William and Mary.

Judging from the opening statements, it is clear that, Mr. Chairman, that you and the other Members of the Intelligence Committee are going to conduct a very thorough investigation. And I think given the sensitivity of the post and the secrecy under which it must operate for most of its existence, that this is entirely appropriate.

I look forward to the completion of that process and I hope very much that Mr. Gates will be able to respond to those important questions that are raised in a way that will enable all of us to vote for him—to confirm him as Director of the Central Intelligence Agency. But I am very pleased to join my colleagues at this time in presenting him for a formal confirmation process, Mr. Robert Gates.

Chairman BOREN. Thank you very much, Senator Robb, Senator Dole and your colleagues.

Senator Dole and others, as you have said in your statements that your hope is our process will be thorough, that it will be fair and that it will render a decision as is the obligation of this Committee to render upon conclusion of hearing all of the evidence. That is exactly the way we intend to conduct ourselves and we appreciate you and other colleagues being here to present the nominee to us.

Senator Rudman has joined us but he has indicated to me to waive his opening statement. We will put your opening statement in the record. Any additional remark you would like to make?

Senator RUDMAN. Mr. Chairman. I appreciate that. I was delayed on a matter concerning New Hampshire this morning and I am informed that the opening statements are so thorough and so brilliant that there is nothing constructive that I could add, so I will waive it.

Chairman BOREN. I would appreciate that, and I am sure that the nominee and others present will appreciate that. Some have suggested that perhaps the most challenging job of any nominee is to be able to have the perseverance to sit through the opening

statements of the Members of the Committee. And we have put Mr. Gates to that daunting task today.

We now will turn to the opening comments of our nominee. And again, Mr. Gates, let me welcome you back to this Committee. As has already been indicated, we have a long relationship between the Members of this Committee and you in the various capacities in which you served the national security responsibilities of this country.

I would ask that you stand at this time and be sworn before you present testimony for the Committee.

Would you please raise your right hand.

Do you, Robert M. Gates, solemnly swear that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GATES. I do.

Chairman BOREN. Thank you. You may be seated.

Mr. Gates, we would welcome your opening comments at this time.

TESTIMONY OF ROBERT M. GATES, NOMINEE, TO BE DIRECTOR OF CENTRAL INTELLIGENCE

Mr. GATES. Thank you, Mr. Chairman.

Mr. Chairman, Members of the Committee, it is a great honor to appear here before you as President Bush's nominee to be Director of Central Intelligence.

I want to thank him for his confidence in me and for the honor of this nomination. I am humbled by it.

I welcome these confirmation hearings to address the many issues that I know you will raise. Mr. Chairman, here at the outset, I want to thank you and the Committee for the fair and professional treatment of my nomination. I also want to thank Senators Dole, Kassebaum, Robb, and Warner for their kind introductions.

I have been in public service for 25 years. I arrived in Washington 25 years ago this summer with everything I owned in the back of a 1965 Mustang and no money. The Mustang is long gone—sold before it became a collector's item—and I still have no money. But I am enriched by a wonderful and patient wife and two great kids.

I believe I still have the idealism that I brought with me from Kansas a quarter of a century ago. A deep conviction in the greatness of this country, in the uniqueness and wonder of its Constitution, and in its mission as a force for good in the world.

My decision to commit my life to national service springs from these beliefs. I also still have the values that I brought with me from Kansas. Family. Hard work. Candor and truthfulness. Integrity. Obeying the law. And a basic optimism about life.

During these 25 years, I have worked for six Presidents, Republicans and Democrats alike. I served four of them in the National Security Council. I have served eight Directors of the CIA. I have worked closely and harmoniously with this Committee and its House of Representatives counterpart for more than ten years as CIA's Deputy Director for Intelligence, Chairman of the National Intelligence Council, Deputy Director of Central Intelligence,

Acting Director of Central Intelligence, and Deputy National Security Advisor.

I have appeared before this Committee more than fifty times during that period. So we are not strangers to one another. In short, I do not come before this Committee as a new face but rather as a nominee with a long track record.

I anticipate that the Committee will want to examine both that record as well as my view of the future course of CIA and U.S. intelligence.

I think all of the opening statements point to that.

The Committee has appropriately been looking at the future of U.S. intelligence, its structure and mission, in the aftermath of the Cold War and now most recently, after the revolution in the Soviet Union. Who would have thought that just five years ago we would stand where we are today. Certainly not the intelligence analyst sitting before you. Talk about humbling experiences.

The old verities that guided this country's national security policy for forty-five years and thus its intelligence service have disappeared in an historical instant. Communism is dead or dying, a number of long-standing regional conflicts are coming to an end, the Cold War is over, the Communist Party lies mortally wounded in the Soviet Union, wounded by its own hands, and the forces of real reform are at last ascendant in the Soviet Union.

Still, as ever, there are challenges, concerns, and risks. 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 thirty thousand nuclear warheads, the most powerful of which are still aimed at us. We cannot yet divert attention from the Soviet Unions, but clearly our priorities and our concerns have changed.

Meanwhile, a growing number of nations have or are developing nuclear, chemical and biological weapons, together with the ballistic missile technologies to deliver them. Some of our allies in that long Cold War are now at times serious adversaries in that global marketplace. Political instability in the Third World spawns conflict, famine and chaos, challenging us politically, economically, sometimes militarily and always morally. International narcotics cartels not only feed growing global demand, they increasingly have the capability to buy governments and rule countries. Regional conflict and its terrorists stepchildren, as in the Middle East, remain a reality despite our best efforts.

I have been deeply engaged in dealing with all of these problems. I have been by the President's side when we prevented a coup attempt in the Philippines, liberated Panama, defeated Iraq's aggression against Kuwait, saw the Berlin Wall go down and led the effort to unify Germany in NATO, fostered the Polish Roundtable Agreement, completed the CFE and START agreements, and played a role in the success of the democratic forces during the recent Soviet coup attempt.

The President and the Congress know that 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.

We approach the close of the most violent century in man's history. Two world wars, a long and hostile peace punctuated by protracted and bloody regional wars, the destruction of ancient empires and defeat of two inhuman ideologies, Communism and Nazism, have set in motion vast political, social and economic forces long frozen by totalitarianism and its legacy. The path to a new and brighter day is finally apparent, but will still require American leadership, strength and vision, the willingness to act against those who would prey on the weak, and skillful navigation around the many obstacles that can thwart progress or send newly free but fragile democracies hurtling back into the darkness. The role of intelligence is to help the President, his senior advisors and Congress understand and deal with these changing realities.

The challenge, then, 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. For us in intelligence to adapt to such a changing world will require unprecedentedly close collaboration of the President and his advisors, the Intelligence Community and the Congress. If confirmed, I look forward to a close partnership with this Committee in this remarkably challenging and stimulating process.

Normally, a nominee would be circumspect about specific ideas for change. However, my nomination comes at a time when this Committee is deeply engaged in looking at the future of U.S. intelligence and has, as this morning's statements made apparent, considerable interest in my views about the future, and what I would do if confirmed to help guide CIA and its sister agencies toward the 21st Century. I believe Director Webster's emphasis on flexibility is central to being responsive in a time of radical change and unpredictability. What follows are my ideas on where we ought to go from here.

First, 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. This should not be done off the cuff. 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. The two Intelligence Committees should have the opportunity to participate even before these proposals come before the Congress.

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. Admiral Bob Inman as Deputy DCI managed a similar

process for the intelligence build-up during the first half of the 1980's. It is time to follow up that effort with an even bolder, much more far-reaching effort. This effort ought to be completed by the end of the year, in time to influence the next budget cycle.

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 independent 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 U.S. intelligence activities. President Kennedy once said that CIA's successes remain a secret while its failures are trumpeted. However, things have gotten out of hand when the most outrageous allegations against the Agency are taken seriously, when the honor and integrity of thousands of patriotic public servants are suspect merely by virtue of where they work. CIA and its people deserve better. But changing perceptions first requires greater openness by the Agency.

I can elaborate on these proposals I have just made and others that I have in mind, but my point is clear, CIA and U.S. intelligence must change, and be seen to change, or confront irrelevance and growing sentiment for their dismantlement. I look forward to tackling this challenge with you.

Contrary to popular perceptions of an adversary relationship, Congress has long been a strong supporter of a vital and effective U.S. intelligence service. It was the congressional Intelligence Committees that launched the rebuilding of U.S. intelligence capabilities in 1979, and their support helped sustained that rebuilding in following years. This congressional support, not surprisingly, is valued in the Intelligence Community. But the Community also recognizes and values the role of Congress in making intelligence accountable and in assuring that it operates within the law and in a manner consistent with American values. Access to our assessments by Congress—Republicans, Democrats, liberals, conservatives, and moderates—helps assure our objectivity and independence.

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 uncomfort-

able with secrecy. And therein lies the value of congressional oversight: the reassurance to Americans that the laws are being 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.

For more than ten years, I have had a strong and positive relationship with this Committee. I understand and respect its role, and that of its House counterpart, as surrogates for both the rest of the Congress and the American people. Consequently, a relationship of trust and confidence between the Intelligence Community and the two Intelligence Committees is of vital interest and importance. Accordingly, 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.

Mr. Chairman, that completes my formally prepared statement.

Because of the great interest that this Committee has and the centrality of Iran-Contra to these proceedings, I wanted to add some additional personal thoughts on the subject at the end that I wrote down last night.

I have just referred to a commitment about trust and confidence. I don't make that commitment lightly. It is a direct outgrowth of watching the constant crises, primarily over covert action, in CIA-Congressional relations between 1981 and 1986, culminating in Iran-Contra.

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 that I made and the lessons I learned.

First, in retrospect, I should have taken more seriously after the 1st of October, 1986, 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 done more. Instead, I contented myself with taking the information I had received to Casey and Poindexter, as well as to 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.

Third, I should have pressed harder for reversing the provision in the January Finding prohibiting informing the Congress.

At the same time, I believe that the actions I did take were well intentioned and honest. While differences naturally exist in recalling the details of conversations and meetings that are removed over a distance of months or sometimes even years, the record is clear that I opposed the Iran initiative, I urged the notification of Congress, I acted to ensure CIA's compliance with the law, and when, for the first time, problems were brought to me, I informed

Director Casey, consulted CIA's General Counsel, and followed the Counsel's recommendations. Even before the Iran initiative became public, I urged full public disclosure. After it became public, I pressed for full disclosure to the Congress. I ensured full CIA cooperation with multiple investigations, and I began trying to rebuild that relationship of trust and confidence between CIA and the Congress.

Clearly, if I could relive October 1986, perhaps part of November, I would do certain things differently and I believe better. And indeed my actions as Acting Director for more than five months and as Director Webster's Deputy for nearly two years demonstrate that I learned the lessons of Iran-Contra. During that period, from December 15th 1986 to Spring of 1989, there was not a single crisis of confidence between CIA and the Congress, in stark contrast to the preceding six years. Nor will there be such a crisis under my stewardship if I am confirmed. 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.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Mr. Gates, for your opening comments to the Committee and the very candid way in which you have shared your thoughts on some very sensitive issues which the Committee will confront.

It's my plan now to have the Committee stand in recess until 2:00 o'clock. We will resume at that time and begin the questioning by Members of the Committee in the order of seniority throughout the balance of the afternoon. We'll stand in recess until 2:00 o'clock.

Senator CHAFEE. Mr. Chairman, could you give us a brief outline on how you envision time-wise the hearings going. For example, today we start—I think you said, what, at 2:00—and would go roughly until what time?

Chairman BOREN. I would think that we will try to go until about 6:00 o'clock tonight. The Vice Chairman and I will have some institutional questions that will need to be asked. We'll then go to Members of the Committee in order for approximately half an hour each. At the end of that process, there will undoubtedly be some more Members of the Committee that would like to have additional time to ask questions. So I would like to be able to complete the questioning of the nominee by the Members of the Committee by close of business tomorrow. So, it would be my plan to go until about 6:00 tonight. We'll see how our progress is and that will determine how long we would go tomorrow.

Senator CHAFEE. And start tomorrow at what, 9:30?

Chairman BOREN. 9:30 in the morning as well.

Senator WARNER. Mr. Chairman, I wonder if you could make available as soon as possible a transcript of these most significant remarks made by the nominee here in these closing statements. It could well be that they could guide us in our questioning, and I respect and commend the nominee for his statement.

Chairman BOREN. To the Senator from Virginia, I would say that we will. I noted the nominee was reading from notes. Obviously, he has prepared just handwritten notes very, very recently. I'm sure

he'd make those available to us to make a transcript so that we can release the full text of those remarks.

Senator METZENBAUM. How late does the Chair expect to go tomorrow evening?

Chairman BOREN. It's hard to predict. I would like to go tomorrow until we complete the questioning of the nominee by Members of the Committee. Of course, because of Yom Kippur, we will not be in session on Wednesday. On Thursday, we do plan to start with our other witnesses—Mr. Fiers, Mr. McMahon, Admiral Inman and others who will be testifying. So, we will push ahead to try to complete the questioning of the nominee. Obviously, either on request of the Members of the Committee or the nominee himself, there will be another opportunity to have questions addressed by the nominee later in the process after we've heard the outside witnesses as well.

Senator METZENBAUM. Well, Mr. Chairman, I'd like to point out that I'm certain that several of us on the Committee will take longer than a half hour for questions.

Chairman BOREN. I understand that, and we'll obviously continue to go back to a second round. As I've told the Senator from Ohio, as long as there are questions that Members of the Committee sincerely feel need to be addressed, that they wish to put to the nominee, they're certainly going to have that opportunity. That's the reason I do want to leave open the possibility that we might go somewhat longer depending on our progress today. We might go well into the evening tomorrow if it becomes necessary.

Senator METZENBAUM. I want to point out to the Senator that that is a holiday for some Members of this Committee. The holiday starts at tomorrow evening. Most of us will probably leave the area of the Senate around 5:00 o'clock.

Chairman BOREN. If there are problems, I would be happy to work with the Senator to arrange a time for his questioning so we can make sure that he has every opportunity to ask any questions that he wants to ask.

Thank you very much. We'll stand in recess until 2:00 o'clock.

[Whereupon, at 12:38 o'clock p.m., the Committee stood in recess, to reconvene at 2:00 o'clock p.m. that same day.]

AFTERNOON SESSION

Chairman BOREN. The hearings will come back to order.

We will resume at this point.

Let me say, and I have not yet had a chance to discuss this with the nominee, some Senators have indicated that they may have a little longer questioning period than we originally anticipated. Senator Metzenbaum has spoken to me about this. And of course, we will recess at 5:00 tomorrow afternoon, as I have indicated, because of Yom Kippur.

We will have a better sense after we begin to go through the questioning. But it might be advisable for us to think about taking a break and continuing tonight for a couple of hours.

Would that create a problem for members of the Committee or for the nominee? I have not had a chance to bring this up. I know that he would love to spend his evenings with us, his mornings

with us, and the next several days with us. Would that create a problem?

Mr. GATES. I am at your disposal, Mr. Chairman.

Senator HOLLINGS. Mr. Chairman?

Chairman BOREN. Senator Hollings and Senator Rudman?

Senator HOLLINGS. Mr. Chairman, with relations to our distinguished colleague from Ohio, Senator Metzenbaum, maybe I can ease that problem by yielding my first half-hour to Senator Metzenbaum. And then on the second go-round, late tonight or late tomorrow night, I am available and give it to him.

Now that does not in any way indicate that I agree necessarily with his question on Iran-Contra. I happen to be for the Contras. And if I could send some aid down there today, Mr. Gates, I would.

So do not misunderstand where I am coming from. But I think Senator Metzenbaum is jumping between Judiciary and the Clarence Thomas hearings and up here at the Gates' hearings. And if we could ease that pressure a little bit and give him a full hour when he does come, I would yield my first half-hour and get my time during the second go-round.

Chairman BOREN. I appreciate that. And let me say to staff of Senator Metzenbaum, please notify him that Senator Hollings would yield him his 30 minutes which would be the fifth person to ask questions today. And then we will have a little better judgment as times goes on whether we need to go into the evening hours. Senator Rudman, who is seeking recognition, has indicated to me there are some other Committee meetings, Ethics Committee responsibilities.

Senator RUDMAN. Yes, Mr. Chairman, at the risk of breaching confidential information, and the press is all smiling broadly, the Ethics Committee is going to be meeting starting this evening at 6:00—and it may be every night—to deliberate an important matter now pending before it.

I deem these nomination hearings extraordinarily important and I would hope to miss very little of the questioning of this witness.

But I did want to put that in the record. I will do what I can. I understand the Chairman's need to accommodate the schedule. I agree with the Chairman's desire. But I wanted the Chairman to know my scheduling problem and make it a matter of record.

Chairman BOREN. I understand and I appreciate that. And let me say we will endeavor not to go into the evening hours tonight but it may be necessary. We will have a little better idea when we see how the questioning proceeds.

And we will commit to 9:00 in the morning instead of 9:30 in order to, again, move the process along as best we can because we will recess at 5:00 tomorrow afternoon for the observance of Yom Kippur and not be in session on Wednesday at all. We will just monitor the schedule as we go along.

There are a couple of items that I want to mention. There was a question raised about Colonel North this morning. Whether in light of the dismissal of the current pending charges by the Special Counsel against Colonel North, would it be appropriate for us to call Colonel North as a witness.

During the noon recess, I had an opportunity to have personal conversation with both the Special Counsel, Judge Walsh and also

with counsel for Mr. North, Mr. Brendan Sullivan during the noon recess. I am told by Mr. Brendan Sullivan that Mr. North would not appear voluntarily before the Committee, would not agree to voluntarily testify without immunity and without immunity would decline to answer our questions.

I was also told by the Special Counsel that he believes that it could interfere with his ongoing investigation for us to attempt to call Mr. North, certainly if we got into any question of granting immunity to Mr. North.

So I would just simply say to my colleagues, having had both of those discussions, it seems to me very difficult and literally impossible for us to try to proceed along that line. I would, however, point out and I have had the staff research this matter, that there was testimony by Colonel North in the criminal case 88-80, docket number CR 88-80, April 12, 1989 in the United States District Court for the District of Columbia.

I simply want to read into the record at this point to make it a part of the record because I think it does relate to the question of Colonel North's relevancy to these hearings the following question and answer given by Colonel North in the course of that trial.

I read this into the record at this point.

"Question: Referring to an earlier statement by the witness, when you say Director Casey was, of course, aware of that, you mean the use of the Iranian arm sales money for the Contras?"

"Answer by Colonel North: Yes, sir."

This relates back to the exact testimony that Senator Chafee was asking about this morning.

Colonel North answered, "Yes, sir."

"Question: Is that something you had told him?"

"Answer by Colonel North: It would have been back in probably January or very early February of 1986 before the first transaction of that kind occurred.

"Question: Had you told the same thing to Deputy Director of Central Intelligence Agency Gates, that Iranian arms sales money were being used for the Contras?"

"Answer by Colonel 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."

Let me repeat that.

"Answer by Colonel North: I do not specifically recall telling Mr. Gates that"—meaning about the diversion—"at any point at any time in the whole process up through the end of the operation."

So I read that into the record. There has been testimony in the court proceedings by Colonel North in relationship to what he might have told or might not have told the nominee in regard to the diversion.

Because I have been asked questions by Members and others as to whether or not we would expect Colonel North to be a witness, I would just simply indicate we would not expect him to be a witness in light of the conversations that I have had with both the Special Counsel, Judge Walsh, and also with Mr. Brendan Sullivan, his counsel.

At this point we will proceed with the questioning of the nominee.

And again, Mr. Gates, let me remind you that you remain under oath. I am sure you understand that.

Mr. GATES. Yes, sir.

Chairman BOREN. We appreciated your comments this morning.

In listening especially to those remarks that you made at the conclusion of your prepared text, I was struck by the sincerity of them, by the openness and candor of those remarks.

You indicated in the course of those comments and the comments that you made to us this morning, that you had worked very hard to restore what you viewed as the broken trust that had occurred between the Intelligence Oversight Committees and the Agency, both during the time that you served as Acting Director and during the time that you served as Deputy to Judge Webster, let me say that I had full and adequate opportunity as Chairman of this Committee to observe your efforts in that regard.

I would concur with what you said. There is not a doubt in my mind that you worked very hard to restore that relationship of trust. As one Senator, I appreciate the fact that you made such an effort and I think it is an effort that has helped to renew the relationship of trust between this Committee and the Agency.

From my own experience, I would simply say that during the time you served as Acting Director and then as Deputy Director under Judge Webster, there was never a time in which I felt you were not forthcoming in terms of providing information we requested or beyond that, bringing information to us that you thought we perhaps should know even if we did not have the foresight to ask the specific question or to ask for the specific information.

So I do think there was a policy of going beyond what merely was required. And I saw a lot of evidence that not only did you do that, but you were advising Judge Webster as Director to follow the same policy.

So I appreciate that.

I want to follow up on several questions that have been raised by Members this morning in the course of the hearing. And I think these are matters that is important for us to have in the record so that we can have a full understanding of exactly what you knew and when you knew it.

But before I get into the questions that I had planned to ask you, let me turn to what you said in your remarks at the end of your statement this morning.

You said, 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.

When you look back on it, could you identify for us those areas where you think you should have been more skeptical and what additional questions do you think that you should have asked that you did not ask?

TESTIMONY OF ROBERT M. GATES—Resumed

Mr. GATES. Mr. Chairman, I think of two examples that I had in mind when I wrote that portion of those remarks.

The first was following the lunch on October 9, 1986 which Director Casey had with Colonel North and which I joined. I've testified before that at the very end of that lunch, and at the end of the discussion of the Hasenfus aircraft, I had sought assurance that, although I had already gotten it from our Directorate of Operations, I double-checked with Colonel North just to try to cross every T and dot every I that he wasn't aware through his contacts with the private benefactors of any CIA connection with anything that they might be up to.

And in connection with that discussion, at the very end of the luncheon as I was getting up to leave, Colonel North made, as I've referred to before, a comment with respect to, a cryptic remark about Swiss bank accounts and the Contras. I walked on out of the room, and a few minutes later went back into Mr. Casey's office and said, you know, that just puzzled me and I wonder if there's something that we should be concerned about there, is there some problem or something we should pursue.

And Mr. Casey basically said, well, I didn't pick up on what he said or I didn't catch it and there's nothing to it, don't worry about it. And I let it go. And 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.

The second example is after the Director and I met with Admiral Poindexter and gave him Mr. Allen's memorandum of 14 October 1986. We met with him on the 15th and gave him that memorandum. And during that meeting Mr. Casey had advised him to have the White House counsel review the entire Iran initiative and make sure everything was okay, much as I had asked our CIA counsel to review it, and also to think about making it public, that it ought to be made public.

And I should have at that point 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.

Similarly, and it's really part of the same second example, when we met with Admiral Poindexter on the 6th of November and—

Chairman BOREN. We, being?

Mr. GATES. Mr. Casey and I at our regular weekly meeting with Admiral Poindexter, Casey again recommended to Admiral Poindexter that he have White House counsel review it. And Admiral Poindexter, as I recall, said: "I don't trust Wallison to keep his mouth shut." And I think he may have said, "I'll have my own counsel or somebody look at it."

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.

So those are really, I guess, three examples that I had in mind when I wrote my added remarks over the weekend where I think in retrospect as I've thought about it over the last several years where I wish I had pressed harder.

Chairman BOREN. Thank you for making that clear.

Again, I know those were not easy comments for you to make and clearly reflecting upon them, you feel that confronted with situations like this in the future you would follow a much more aggressive course in trying to get to the bottom of what was going on.

Is that your basic viewpoint in terms of what you've learned from this experience?

Mr. GATES. Yes, sir. And I think that one example I might cite on the other side of the ledger to illustrate that that lesson was not only learned, but fairly quickly learned, was after I became Acting Director on the 15th of December 1986.

Two days later the head of another intelligence agency called me with some information that he was concerned about that involved potentially the involvement of some U.S. Government officials, including potentially a couple of people from CIA in the sale of weapons to the Contras.

And upon learning this information I told him that I thought that that information should be shared with the—I consulted with our counsel. And the general view at the Agency was that it was just pretty much hearsay and nothing to take too seriously. It might even be disinformation.

Nevertheless, with the memories of October, November 1986 fairly vivid in my mind, I called the head of this agency and I told him to convey what he had learned to the Attorney General, to tell the Secretaries of State and Defense, to tell the acting National Security Advisor, and also to inform the Chairmen of the two Intelligence Committees. And that was done.

Chairman BOREN. Let me go back over some questions I have in regard to your knowledge of the diversion of funds from the arms sale to the Contras. And I think it is important that we look into these questions thoroughly. It is not my desire to try to go over unnecessary ground but I think it is our responsibility to look back very specifically at some of the questions that have already been asked of you and that you answered to follow up on them.

The most important development in the unraveling of the Iran-Contra affair, of course, came at the news conference of the Attorney General on November 25, 1986 when he explained that a document had been found which showed that the proceeds from the U.S. arms sales to Iran had indeed been used to assist the Nicaraguan resistance.

This occurred during a period of time when U.S. assistance to the Contras, other than intelligence sharing and communications assistance, was prohibited by law.

This is what we have been referring to as the diversion and it became the focal point of the Iran-Contra inquiry. And of necessity, as we have already indicated, it must be one of the focuses of our hearings in this confirmation process.

I want to go back over some of this same ground so we can all determine on this Committee during what time you did learn about the diversion, what you were told about it, and what actions you did take.

Mr. Gates, you testified that the first time you recall hearing about a possible diversion of funds from the Iranian arms sales to the Nicaraguan Contras was on October 1, 1986 when Mr. Charles

Allen, the National Intelligence Officer for Counterterrorism brought his concerns to you. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. You testified about this matter at your DCI confirmation hearing in February 1987. The Iran-Contra investigation was just getting underway.

Now we have the result of that investigation. One thing that has emerged from that investigation was an interview with the CIA Deputy Director for Intelligence, Mr. Richard Kerr. Mr. Kerr is now the Acting Director of the Agency. We will be hearing from him in the course of these hearings.

He did not testify under oath in 1987. But we received his sworn testimony in closed session last Wednesday. Mr. Kerr testified in late August of 1986 that Charlie Allen came to him with his concerns about a possible diversion. And he testified that he, Mr. Kerr, then discussed these concerns with you.

This could have been at least a month, he said, before Mr. Allen brought his concerns to you on October 1, 1986.

Do you have any recollection of Mr. Kerr discussing the diversion with you prior to your meeting with Charlie Allen when he discussed it with you on October 1, 1986?

Mr. GATES. No, sir. I do not. 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. Now that's the extent of my personal recollection. I will say that I have read not only the transcript of what Mr. Kerr has said, but also earlier interviews with Mr. Kerr by the CIA Inspector General, which took place 9 or 10 months prior to that in early December, 1986.

I think it is important in placing this in context, and again I am reconstructing at this point 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, and I had certainly supported his promotion to that position when I became Deputy Director of Central 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 that 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 the 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.

Chairman BOREN. So again, not only do you not recall the conversation, you cannot think of any other time in which Mr. Kerr returned to you with any additional information in the sense of reporting back to you about these concerns.

Mr. GATES. That is correct.

Chairman BOREN. Mr. Allen also testified that he took his concerns about a possible diversion to Mr. Kerr in August. And Mr. Kerr's top assistant, John Helgersen, has submitted a sworn state-

ment that he attended Charlie Allen's meeting with Mr. Kerr where the diversion was discussed. Mr. Helgersen says that Mr. Kerr told him later that he, Mr. Kerr, had discussed this matter with you. How do you interpret this testimony?

Mr. GATES. Mr. Chairman, 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. Helgersen's recollection as adding weight to the fact that Mr. Kerr did in fact come to me.

Chairman BOREN. But if Mr. Kerr did indeed have some conversation with you about it, either for the way in which the conversation occurred, whether it included several other subjects or the circumstances in which it occurred, it did not register with you that this serious accusation was being made?

Mr. GATES. No, sir, and to the degree that I was concerned, as I say, Mr. Kerr has said I asked him to keep me informed.

Chairman BOREN. In the sworn testimony last week, Mr. Kerr stated that when he told you of the concerns about a possible diversion of funds from the Iran arms sales to the Contras, you replied that you had already heard rumors to that effect. In other words, according to Mr. Kerr, his meeting with you was not the first time you had heard something about a possible diversion, or at least that was his implication.

Does this refresh your recollection in any way and can you recall any circumstances that might have led you to comment about rumors, shed any light on what you might have meant by using the term "rumors", if indeed you did use that term?

Mr. GATES. 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 the private benefactors and so on. So I had heard rumors about Contra funding, and that is the only context that I can place on what he said.

I would note from his testimony, though, that it appears he was fairly uncertain about exactly what I had said. In fact, when he was interviewed by the CIA Inspector General in December of 1986, he did not have any recollection of that kind at that time.

Chairman BOREN. So if indeed you had made any comments to Mr. Kerr about rumors, comments that you do not now recall making, the rumors that you would have referred to may not have been a direct reference to rumors of a diversion directly from arms sales to Iran to the Contras?

Mr. GATES. Absolutely not, Mr. Chairman.

Chairman BOREN. Let me rephrase the question.

Mr. GATES. I am sorry.

Chairman BOREN. Did you hear any rumor, or did you become aware of any rumor prior to Mr. Allen's conversation with you on October 1, about the diversion of arms sales to the Contras?

Mr. GATES. My memory of this from the very beginning is that the first I heard was from Mr. Allen.

Chairman BOREN. Including even hearing rumors to that effect.

Mr. GATES. That is correct.

Chairman BOREN. Your first recollection then of hearing concerns about a possible diversion were——

Senator CHAFEE. Mr. Chairman, I am mixed up here. Can I just ask one question in the flow? I thought that the witness testified that he had heard—the question you are directing to him is in August of 1986, and I thought that the witness said that he had heard prior thereto a series of rumors kicking around that there was funding going to the Contras, whether it was from private donations or from some place. Am I mistaken in that?

Chairman BOREN. Yes, that's correct, Senator Chafee. What I asked the witness was earlier he described the rumors he had heard as having to do with the Contras getting money from some place. What I asked the witness was had he heard a rumor specifically that there was a diversion of funds of the arms sales to Iran to give the Contras money. And my understanding, let me restate it to Mr. Gates.

My understanding is he is saying he had not heard a specific rumor to the effect that arms sales proceeds were going to the Contras prior to his conversation with Mr. Allen on the first of October. Have I stated that correctly?

Mr. GATES. Yes, sir. And that is my recollection.

Senator CHAFEE. Thank you.

Chairman BOREN. Your first recollection then was in hearing about it from Charlie Allen. It now appears, however, that at least one other senior CIA official, Alan Fiers, the head of the Central American Task Force, had direct knowledge of the diversion before October 1, 1986. According to his plea, Mr. Fiers was told by Oliver North by late summer of 1986 that proceeds from U.S. arms sales to Iran had been used to support the Contras. And Mr. Fiers conveyed this information personally, according to Mr. Fiers plea, to his two immediate superiors in the CIA, Clair George, the Deputy Director for Operations, and the then Chief of the Latin American Division, by late August of 1986.

So I am quoting what Mr. Fiers says in his plea. He told Clair George and the Chief of the Latin American Division by sometime late August 1986. Did Mr. Fiers ever tell you that North had made this statement about the diversion?

Mr. GATES. He did not.

Chairman BOREN. Did the Chief of Latin American Division at that time ever tell you that North or anyone else had made this kind of statement about a diversion?

Mr. GATES. He did not tell me what Fiers is alleging he told the Division Chief.

Chairman BOREN. Well, let me put it this way, did the Chief of the Latin American Division during this period of time, prior to October 1, 1986 or prior to the public disclosure of the diversion, did the Chief of the Latin American Division ever come to you and tell you about the diversion?

Mr. GATES. He did not.

Chairman BOREN. Did Mr. Clair George ever tell you about the diversion of funds to the Contras?

Mr. GATES. He did not.

Chairman BOREN. Prior to it's being made public?

Mr. GATES. He did not.

Chairman BOREN. Did Mr. Clair George ever tell you that North had made a statement to him about the diversion?

Mr. GATES. He did not.

Chairman BOREN. After Charlie Allen brought you his concerns about a diversion to the Contras, did you ever ask the CIA officials who were responsible for Nicaraguan operations whether they had any information that might confirm Mr. Allen's concerns?

Mr. GATES. No, sir, I did not.

Chairman BOREN. Specifically, did you ask Mr. Fiers as Chief of the Central American Task Force, or did you ask the Latin American Division Chief if they might have any information that would relate to Mr. Allen's suspicions?

Mr. GATES. No, sir, I did not. After I told Mr. Allen to see the Director and to convey his concerns to the Director, he did that on the 7th of October and we asked him to put his concerns in writing. He did that and gave us that paper on the 14th of October. At that point, I asked Mr. Casey for permission to share with the General Counsel the information that Mr. Allen had conveyed in his memorandum. And to the best of my recollection, the General Counsel is the first person that I shared that information with.

Chairman BOREN. So your action was to say to Mr. Allen, I am going to take this to Mr. Casey, put it in writing. And you also took these charges to General Counsel. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. Since we have Mr. Fiers as the head of the Central American Task Force, and we had the Head of the Latin American Division obviously dealing with Latin American programs, why did you not in addition raise questions to them about Mr. Allen's concerns?

Mr. GATES. Quite frankly, Mr. Chairman, I think that this is one of those areas during that first 2 weeks in October where I could have and probably should have acted more aggressively in involving more people. I had come in the middle of the Iran initiative. When I became Deputy Director, it had already been underway for several months. It was an area that Mr. Casey had handled primarily. And it seemed to me that when Allen came to me with his speculation, and he has variously described his own presentation to me as an analytical conclusion and as sheer speculation, I certainly took it as speculation.

It seemed to me that the appropriate thing was to take it to Mr. Casey. It was then—I cannot remember whether it was my idea or the General Counsel's to share Mr. Allen's memorandum with Admiral Poindexter and have the White House Counsel look at it, but certainly that was the recommendation of the General Counsel.

Chairman BOREN. Last week the Committee heard sworn testimony in closed session from the former Latin American Division Chief who held that position after April 1986, he will be referred to in my question as Latin American Division Chief number two. The Latin American Division Chief two did not recall any mention of a diversion, but he recalled one occasion when Mr. Fiers came to him and asked what to do if he learned something very sensitive about an operation.

And I am now going to quote what the LA Division Chief number two said, "Alan came to me and said a very conjectural

kind of thing. He said, what if I were to know something very, either sensitive or important or scandalous, about this whole program we are involved in, who should I talk to about it. Something like that. And I cannot remember what it was, but it was very conjectural, and what if I, and I cannot remember the wording he used." He is talking here about Alan Fiers. "But it was clear to me that the conversation had nothing to do with the Agency. And I do not remember that I told him back, but I think I would have told him something like if it is something is illegal, you better tell the lawyers. Or if it is something that is politically a hot potato, I would take it to the seventh floor," meaning the management floor, the administrative floor of the Agency. I asked the witness if he remembered directing Mr. Fiers to pass the information on to Clair George immediately. And the Latin American Division Chief number two replied, "Well, I think I would have said the seventh floor. Whether I said Clair George would mean the next one up, or whether I said Casey, I just cannot recall."

This testimony suggests the possibility that the rumors recalls you mentioning in August might have been the result of Mr. Fiers reporting Oliver North's statement about the diversion to someone on the seventh floor. Do you think that is a possibility?

Mr. GATES. I just do not know the answer, Mr. Chairman, to that. It could be. I just do not know.

Chairman BOREN. But had you ever heard anything from anybody else on the seventh floor about Alan Fiers coming to talk with them about the possibility of a diversion of funds?

Mr. GATES. No, sir, certainly not. I do not have any recollection of it and certainly not before Charlie Allen came to me. I do not have any specific knowledge of it.

Chairman BOREN. As Deputy Director for Operations, Clair George was aware of both the Iran arms sales and the Central American program. They were both Operations programs so obviously he was aware of both. He was in charge of all of the Agency's clandestine operations. After Charlie Allen explained his concerns about the diversion on October 1, did you ever ask Clair George what he might know about it?

Mr. GATES. I do not believe so, no, sir.

Chairman BOREN. Again, the reason is that you felt it was more appropriate to take it to Mr. Casey and higher authority. Is that the reason?

Mr. GATES. That is correct.

Chairman BOREN. The public record of the Iran-Contra investigation shows that Clair George as Head of the Directorate of Operations, assigned a senior Near East Division case officer to work with Ollie North and Charlie Allen on the Iran arms sale and that the Chief of the Near East Division, Tom Twetten, was monitoring the Iran operation closely. Given the direct involvement of the Operations Directorate with the Iran Arms sale, why did you not ask Clair George why he or any of his people might know something about it? Or why did you not ask Tom Twetten if he knew anything about Charlie Allen saying something about a diversion?

Mr. GATES. Well again, Mr. Chairman, 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 con-

tent, as I indicated in my statement at the opening, to pass the information that I had on to Mr. Casey. I might just say, just to provide a little context, Mr. Chairman, that during that 2 weeks in October, there were a lot of other things going on. I took this action and I acknowledge that I should have done more, but I think I was not just sitting around contemplating this matter. There were many other things going on at the time.

It was the time of the Reykjavik summit. We had a coup attempt in the Philippines, false Soviet withdrawal from Afghanistan. We had a break in relations between Britain and Syria over a terrorist incident. There were a number of other things going on, and, in addition, I was getting ready to make my first ever trip as an Intelligence Official to the Middle East, leaving in mid month. So I was preoccupied with these other matters, and as I have looked back on it in retrospect, I think that frankly, I just did not pay close enough attention to it, and I felt that I had discharged my responsibility by passing the information I had heard on to Mr. Casey.

Chairman BOREN. It is obvious from your statement to us this morning that for a long time you have given some thought about the question of how much Director Casey might have known about the diversion, not only just since the Fiers plea, but obviously before that. You have wondered how much Mr. Casey knew about the diversion and when he may have known it. He is not here for us to ask him directly.

Oliver North told Alan Fiers about the diversion as he now admits and Colonel North has testified that he had told Mr. Casey about the diversion. If you now believe that Director Casey may have known about the diversion and you say in your statement this morning you should have been less satisfied with answers you received, especially from Director Casey, why do you think that he did not tell you about the diversion?

Mr. GATES. Well, with the caveat that at least I don't know and I don't think anyone does, I think that he must have—he would have done it in order to shield CIA as an institution from the activity.

There was a lot of testimony during the Iran-Contra hearings during the summer of 1987 about cutting CIA out, about misrepresentations to CIA by various people involved, protecting the institutions and so on.

If the presumption of the question is correct, then it seems to me that is as good an answer as I can come up with as to his motive.

Chairman BOREN. If indeed he did know about the diversion and you clearly indicated that he never told you, is that correct?

Mr. GATES. That is correct.

Chairman BOREN. It is a painful thing for you to contemplate, the possibility that he did withhold this information from you?

Mr. GATES. Yes.

Chairman BOREN. I now want to turn to your role in the preparation of Director Casey's initial testimony on the Iran operation which you delivered to both Intelligence Committees on November 21, 1986.

You were questioned at some length about this at your previous confirmation hearings and, frankly, some Members I think came away with an impression that we had not really gotten all the details about that period of preparation.

So I want to go back over it. I think it is important. It is a matter about which some concerns have been expressed, and Members have said this morning, it is important we clear the air on any unresolved matters. So I ask it in that spirit.

Indeed, the prepared statement that Mr. Casey delivered that day, omitted significant details about the Iran operation which the documentary evidence showed that you and others at the CIA might have been aware of or might have been exposed to during the previous year.

There was no mention, for example of the speculation that you and Director Casey had heard from Charles Allen about the so-called diversion. That was no mentioned in the statement.

There was no mention that the CIA might have known that the November 1985 flight from Tel Aviv to Teheran was carrying Hawk missiles.

There was no mention of the Finding the CIA drafted to retroactively authorize the assistance that CIA had provided the November flight.

There was no mention of the roles that Mr. Secord or Mr. Hakim might have played. No mention of Colonel North or Poindexter by name.

You testified then and have testified since that you regret that the Casey statement had not been more complete. It was the best that could have been done, you said, under the circumstances, and you have strongly denied that there was any deliberate attempt by you to conceal relevant information from the Committee.

In preparation for these hearings, the Committee has made an extensive effort to reconstruct the events surrounding the preparation of this testimony, and to provide some context for my questions, I would first like to provide a short synopsis of the events of that week as we understand them.

I ask for any comment you may have in terms of its accuracy and then move on to your recollections with respect to several specific points.

So let me first begin with a summary and if at any point I misstate the facts or the sequence as you understand them, please don't hesitate to interrupt me.

Casey's testimony was to be delivered to both Intelligence Committees on Friday, November 21, 1986. Casey left on Sunday, November 16th on a trip to Central America, leaving you with instructions to take charge of the efforts to draft the testimony which was intended to describe the CIA's role in the arms sales to Iran. Is that correct so far?

Mr. GATES. Yes, sir. My recollection is that that memorandum basically simply laid out a number of things that he wanted gathered for him in preparation, various documents, briefings on terrorism. He wanted some refreshment on some other ideas.

I don't specifically recall whether it tasked me to prepare the testimony, but it asked me to take care of getting these things for him.

Chairman BOREN. So in essence, he left on Sunday, November 16th. He was to testify on Friday, November 21st, and he said to you in essence, get some information together for me that I am going to need for my testimony?

Mr. GATES. Yes.

Chairman BOREN. On Monday, November 17th, you spoke by secure telephone with Casey and obtained his consent for the general approach the statement would take. It would be limited to the CIA's role in the Iran operation, but not attempt to defend or explain the Administration's policy. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. Casey would deal with that, the policy questions during the question period if necessary.

Mr. GATES. Yes, sir.

Chairman BOREN. You passed this guidance on to the CIA staff at a meeting you chaired at the CIA on Monday afternoon and urged them to pull together the relevant facts. Is that correct?

Mr. GATES. Yes, sir.

Chairman BOREN. On Tuesday, November 18th, you spoke again with Director Casey in Central America and relayed a request from Admiral Poindexter urging him to return sooner than planned from Central America so that he could join a meeting that Poindexter was arranging at the White House for Thursday afternoon to review the upcoming Casey testimony. Is that correct?

Mr. GATES. Yes, sir.

Chairman BOREN. The same day, Clair George and members of his staff briefed the staff of the two Intelligence Committees on CIA's role in implementing the Finding of January 17, 1986, but did not cover events prior to the Finding. Is that correct to the best of your knowledge?

Mr. GATES. That is my understanding, yes.

Chairman BOREN. The first draft of Casey's prepared testimony was completed based largely upon information included in the staff briefings. The first rough draft of the Casey testimony would have been on Tuesday, November 18th.

Mr. GATES. I think, Mr. Chairman, as we have been able to reconstruct it, and I admit that this has been one of the—reconstructing these drafts and so on has been one of the most elusive things we have dealt with in trying to put together what actually happened that week.

The best picture that I have been able to put together from the testimony and the statements from a variety of other people is that first of all, we were unable to pull together a draft statement in time to be sent down to Mr. Casey. He had hoped that one of the, one of our officers could bring down a draft statement to him in Central America that Wednesday, that he could then work on it on his way home.

We had a great deal of difficulty, and you will probably get to this in your chronology, but as of Wednesday afternoon we were having a great deal of difficulty, the Directorate of Operations officers, in pulling together an accurate picture of what in fact exactly had happened, particularly in November of 1985.

A lot of the principal characters, Mr. McMahon, Mr. Juchiewicz, Stanley Sporkin, had all gone on to other jobs and were no longer with the Agency. So we were unable to get a draft to Mr. Casey on Wednesday.

We think that the first full draft of what, of the testimony that Mr. Casey was to deliver is the draft that is dated 1200 hours on

Thursday, the 20th. Prior to that, people were basically working from chronologies as best as we have been able to reconstruct it.

Chairman BOREN. All right. So as you understand it, there was no formal first draft on Tuesday. There were still various documents and various chronologies and other documents in various stages of preparation.

Mr. GATES. That's my understanding, yes, sir.

Chairman BOREN. And that at least you didn't have anything completed in time to send it to Mr. Casey on Wednesday?

Mr. GATES. That's correct.

Chairman BOREN. Now, again, we have tried to go through this very same process here at the Committee staff trying to reconstruct this chronology. According to our best efforts, on Wednesday afternoon you chaired another meeting with the CIA staff involved in the drafting effort. Do you recall doing that?

Mr. GATES. Yes, sir.

Chairman BOREN. At this meeting it became apparent that with respect to the period prior to the January 17th, 1986 Finding, the staff has conflicting information about it. Apparently, the people you were dealing with had some conflicting information about what went on in the Agency or what went on in general prior to the Finding being issued on January 17th.

Mr. GATES. Yes, sir. In fact, the reason that the meeting, that I called the meeting was that the General Counsel had begun coming across information that indicated a great deal of uncertainty on an important point, which was, who in CIA had known in November 1985 what was on the aircraft that flew to Iran?

The original premise of those who had put together the chronology and were doing the basic work, most of whom and perhaps all whom had not been involved at that time, so they were working on the basis of other peoples' recollections, their original premise had been that no one in CIA had known what was on that airplane in November 1985 contemporaneously.

But Mr. Doherty came to me and said that in fact it was beginning to look like that wasn't the case, that perhaps one of our chiefs of station in Europe had known, that certainly it appeared that the pilot of the proprietary aircraft had known.

So the facts, as we got closer to the testimony, ironically, the facts began dissolving before our eyes, rather than becoming firmer, and it was at that meeting that Mr. Doherty suggested that we postpone the hearing.

And I told him that I didn't think that that was politically possible in light of the fire storm that was going on, and so I insisted, in talking with him, that we be sure and include in the testimony a caveat to the effect that we were still trying to gather facts.

Chairman BOREN. When you said you didn't think it was politically possible in this meeting on Wednesday afternoon; saying maybe we ought to wait, not testify before the Committees, you were saying you didn't think the Committees would agree to wait? They were—

Mr. GATES. That is exactly correct.

Chairman BOREN. They were demanding that someone appear and testify?

Mr. GATES. Yes, sir.

Chairman BOREN. Later the same afternoon, this is again on Wednesday, you, Mr. George and his assistant attended a meeting at the White House with Mr. Poindexter and Colonel North to review what Clair George had briefed to the Intelligence Committee's staffs the day before, is that correct?

Mr. GATES. Yes, sir, that is my recollection.

Chairman BOREN. And Mr. Casey then returned very late that evening from Central America with a—we have here that he returned with a copy of his draft testimony which had been couriered the day before. But you are indicating that you are not sure whether there was a draft prepared sufficiently to have been sent to him or not.

Mr. GATES. We have not been able to find such a draft, Mr. Chairman.

Chairman BOREN. So you are uncertain of that?

Mr. GATES. Yes, sir.

Chairman BOREN. But he did return that evening from Central America?

Mr. GATES. Yes, sir.

Chairman BOREN. And on Thursday morning, according to our best information, Casey had a meeting in his office which you attended along with the CIA officers most knowledgeable of the Iran arms sales operation to discuss their recollections. Is that correct?

Mr. GATES. I had lost track of that meeting, but—

Chairman BOREN. The next morning after he got back.

Mr. GATES. Yes, sir.

Chairman BOREN. He convened a meeting—does that sound right to you, that he convened a meeting of several people to discuss their recollections.

Mr. GATES. Probably, yes, sir.

Chairman BOREN. And then a new version or perhaps the first complete version of a statement then was prepared?

Mr. GATES. Yes, sir.

Chairman BOREN. According to our records, at 1:30 Thursday afternoon, you and Director Casey attended a meeting at the White House with Poindexter, North, Attorney General Meese, Assistant Attorney General Charles Cooper and others, we are not sure what others, to discuss Casey's prepared testimony or the testimony he was to give.

Mr. GATES. When I went to the meeting, Mr. Chairman, I thought that the sole purpose of our attendance was to correct something in the record where there had been a difference between the CIA recollection and the NSC staff's specifically, Colonel North.

And I think it came out of a meeting the preceding afternoon between the fellow doing some of the work for the Agency on the chronologies and Colonel North in which there was a difference over who had asked for the use of the proprietary aircraft in November 1985.

Our staff was saying that it was in fact Colonel North, Colonel North was suggesting that the Israelis had asked for it. So my sole purpose in going to this meeting, and frankly, I had thought that it was the primary purpose of our going, was simply to clarify this

and basically say that we had a couple of officers who were prepared to swear that our account was an accurate one.

And that change was sort of automatically accepted. There was no dispute or issue over it at all. I might add that the meeting was in progress involving Admiral Poindexter and the Attorney General and Mr. Cooper when we arrived, and they were still meeting when we left.

Chairman BOREN. Would you repeat the last sentence.

Mr. GATES. Just that Admiral Poindexter had been meeting with the Attorney General and with Mr. Cooper when we arrived and they were still meeting when we left.

Chairman BOREN. So really you resolved this one issue pretty rapidly and that was your major focus?

Mr. GATES. Yes, sir.

Chairman BOREN. I understand that Poindexter was to be meeting with the Chairman and Vice Chairman of the Intelligence Committees on the same subject prior to, that was your understanding, that he would be meeting with them prior to Mr. Casey appearing. Is that correct or do you know?

Mr. GATES. I may have been told that he was going to have that meeting, Mr. Chairman, but I forgot the specifics of it.

Chairman BOREN. Right after the meeting at the White House you and Casey returned to the CIA, according to our records, for another meeting with the staff to review another amended version of the testimony or the latest version of the testimony.

Mr. GATES. Yes, sir.

Chairman BOREN. Not everyone had the same draft at the meeting. There were different documents floating around, is that correct?

Mr. GATES. The meeting was fairly chaotic, Mr. Chairman.

Chairman BOREN. Mr Casey made changes in the text but participants were not sure what he was doing. Is that a correct statement?

Mr. GATES. Mr. Chairman, it may be worth setting the stage. 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.

Chairman BOREN. So you weren't clear yourself exactly what changes Mr. Casey was making in the text?

Mr. GATES. That is correct.

Chairman BOREN. I have to say, having been on the Committee when we had special ear pieces fixed on our hearing room so that we could hear Mr. Casey more clearly and try to understand what he was saying to the Committee at all times, I can understand that.

Our attempts technologically to improve the clarity of what he was saying were unsuccessful, during that period of time on the Committee.

It is clear however that differing recollections of the period prior to January 1986 were offered, what was going on, what had gone on, there were various competing views at this meeting?

Mr. GATES. Yes, sir. There was a lot of debate, particularly over, I think, most of the dispute was over the period prior to the January 1986 Finding.

Chairman BOREN. As far as you are personally concerned, was this your last involvement in the statement per se?

Mr. GATES. Yes, sir. The last full typed draft that I saw before Mr. Casey testified or that I read was the one that was dated 1200 hours on the 20th.

And I might add, Mr. Chairman, that it had a number of facts in it, information that during the course of the day—what resulted from that meeting that afternoon and then further changes overnight—were 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 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.

Chairman BOREN. These are things that were in the statement when you last saw it?

Mr. GATES. Yes, sir. It included the fact that the Iranians had agreed to provide a portion of the TOWs to the mujahadeen, as part of the deal. It included meetings that had taken place between Mr. North and Rafsanjani's nephew, and between, I think Mr. Cave, and a relative of Khomeini's.

It did not have a lot of the detail in it that was later added in terms of the dates and the numbers of the arms shipments that were added later in the afternoon and so on. But there was a fair amount of detail in there that had not been in before, and I think it is the recollection of at least one or two of the people who were involved in putting the testimony together, that the only reason that there was mention of the November 1985 flight at all in the testimony was because I insisted.

Most of the others, presumably because of the uncertainties, had argued against mentioning the November flight but I insisted on putting it in.

Chairman BOREN. So there were substantial differences between the last version of the statement, both additions and deletions, as you saw it when you left for the day and the time it was presented to the Committee?

Mr. GATES. Yes, sir.

Chairman BOREN. And as I understand it, Mr. Casey and his assistant took over responsibility for making further revisions after you had left for the day. Is that correct?

Mr. GATES. Yes, sir. I think there is another draft dated 8:00 that evening. And then there may have been another couple of drafts the next morning.

Chairman BOREN. Mr. Casey appeared before the House Intelligence Committee the next morning at 9:00 a.m., and before this Committee at 11:15 a.m. He returned to the House Committee at 1:30 to complete his testimony.

Did you attend these hearings yourself?

Mr. GATES. I did not.

Chairman BOREN. Let me turn now to questions about one or two very specific areas, and then I will turn over the questioning to the Vice Chairman. I think that sequentially this might just be helpful, for later questioning by the Members, to get one or two of these points concluded before I cease my questioning at this point. Because other questions may want to build on it.

The December 5, 1985 Finding, according to the statement of former CIA General Counsel, David Doherty, in the course of preparing the Casey testimony, an attorney in his office, Bernard Makowka found an unsigned copy of the December 5, 1985 retroactive Finding which he gave to you at a meeting at CIA which, as best we can determine, is the meeting which took place with the staff on November the 19th in the early afternoon. This is one of these meetings you were having with the staff.

Mr. GATES. Yes, sir.

Chairman BOREN. He says he brought this to your attention and you said you would look at it. The Committee has a copy of this document which we will show you now.

Do we have a copy here? It is a document purported to be the retroactive Finding, unsigned, dated December 5. Do you recall General Counsel Doherty providing this to you?

Mr. GATES. I have no direct recollection of it, Mr. Chairman. But I have certainly no reason to quarrel with it.

Chairman BOREN. Are you not sure whether it was given to you in this meeting or not?

Mr. GATES. I assume that it was.

Chairman BOREN. You assume that it was?

Mr. GATES. Yes, sir.

Chairman BOREN. But you have no direct, personal recollection of it?

Mr. GATES. That's correct.

Chairman BOREN. Did you relate it to anything you had known about earlier, for example, the meeting in John McMahon's office?

Mr. GATES. No, sir. 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 meeting 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. But there was a great deal of uncertainty about it.

Chairman BOREN. Did you take any action with respect to any unsigned copy of a Finding that Mr. Doherty recalls giving to you at this meeting or showing to you at this meeting?

Mr. GATES. No, sir, only to see that some of these matters were tracked down. I know that at one point somebody told me that Mr. McMahon or Mr. Junchiewicz might have some information, and that it may have been in relation to this Finding. And I directed them to telephone them and find out.

Senator CRANSTON. Mr. Chairman, may I ask a question at this point?

Chairman BOREN. Yes, sir.

Senator CRANSTON. I am a little baffled by the uncertainty about the existence of the Finding. Are there not any records kept or files kept that clearly indicate whether a Finding has been made or not made?

Mr. GATES. Yes sir, there are, Senator Cranston. And this is one of the things that I found fairly strange about this entire affair.

Nobody had seen—that I was aware of—had even seen this Finding. There was uncertainty whether it had even been signed. I think most people were aware that there was a January 17 Finding. But we didn't even have a copy of that. And we didn't get a copy of that Finding until I urged Mr. Casey to ask for it in October of 1986.

So it was one of the—I'll be honest with you—one of the several aspects of the whole Iran-Contra affair that from the standpoint of CIA was incredibly irregular, the idea that we had such uncertainty. Now I think that it did not trouble people so much at that time because there had been no operational activity between the November 1985 flight and the signing of the January 1986 Finding. So that there was no sense of concern on anybody's part that operational activities had taken place subsequent to that November flight that would have required a Finding.

So I think that people were, I suppose, less concerned about their uncertainty for that reason.

Senator CRANSTON. Thank you.

Chairman BOREN. Mr. Makowka discovered the Finding—and I apologize for going on a little longer on this point. But again, I relate it to the preparation of testimony. And I want to try to nail this down.

Mr. Makowka, who discovered the Finding, also recalls that Dougherty had told him that you had raised the matter of this Finding at a meeting with North and Poindexter. And that either or both had told you—I am talking about North and Poindexter—had told you the Finding does not exist.

Makowka says he then relayed this to Charlie Allen, whom he discovered was aware of the existence of the Finding, which you refer to as the mini-Finding. Allen confirms this account and recalls subsequently phoning North about the matter, and being told bluntly, the Finding does not exist.

Allen then called Makowka back and told him that if the CIA raises this, it will be our word against theirs.

Did you, in fact, ever raise the matter of the unsigned, retroactive Finding, the so-called December 5th Finding, with North or Poindexter?

Mr. GATES. I don't remember doing so, no, sir.

Chairman BOREN. So you would not recall if they had any response because you do not recall raising it?

Mr. GATES. No, sir.

Chairman BOREN. Looking at this strictly from CIA's point of view, if the White House insisted the Finding did not exist, it would mean that CIA had provided assistance to the November 1985 sales without proper authority, would it not?

Mr. GATES. Well, sir, we had a long discussion about this in 1987. And I think that where the General Counsel's office came out—and again, I'm having to defer to the various attorneys involved in this, and frankly it sounds to me like they're splitting some fairly fine hairs here. But I think their argument was that the decision of those in 1985 who allowed the proprietary, or who allowed the proprietary to make this mission, acted properly based on the limited information that they had at the time they made the decision.

The reason that Mr. McMahon became upset, when he learned about it early the following week—the next Monday, I think, this happened over a weekend—was that McMahon had been told that there might be further such flights and he realized that any kind of continuing effort like this would require a Finding. And I gather that as—again, trying to piece it together in retrospect—that that was the view of the General Counsel at the time, Mr. Sporkin. And further, that Mr. Sporkin wanted to try and write the Finding in order to cover the November flight itself, as sort of the beginning point of that.

There's no question in my mind, from a policy standpoint, that there should have been a Finding at that time.

Chairman BOREN. Right.

Well, Charles Allen has also told the Committee that he attended a meeting on the morning of Thursday, November 20, 1986, with Mr. Casey, where he raised the matter of the earlier Finding—which he described as a mini-Finding—and that Clair George told him quite firmly the Finding did not exist and he should drop the subject.

Now Director Casey's calendar for that day shows you were at attendance at this morning meeting. Do you recall Mr. Allen having raised the matter of the retroactive Finding at the meeting with Casey and being told it be kept quiet by Mr. George?

Mr. GATES. No, I don't. I don't know why there would have been any embarrassment or reluctance to include mention in the testimony about the Finding. If it existed, it would have, I think, strengthened CIA's position, not made it look worse.

Chairman BOREN. Well, just to refresh your recollection of what was going on at the time, the President held a news conference on November 19, the same day you were meeting with Poindexter and North, where he said basically that it was not arms for hostages. The wording of the December 5, 1985 unsigned, so-called retroactive Finding flatly contradicted that.

We now know that Admiral Poindexter ripped up the only signed copy of this Finding on the afternoon of November 21, the day of Casey's testimony, to prevent political embarrassment to the President.

Were you ever told by Poindexter, North, or Casey, that you should not raise the retroactive Finding because it would be politically embarrassing to the President?

Mr. GATES. Absolutely not. And I must tell you, Mr. Chairman, that as somebody who has sat in the bureaucracy and also sat in the White House for a long time, when there is a politically-controversial event, or a foreign policy catastrophe which was what people believed we were confronting that week, the general instinct

of most bureaucracies is a very real willingness to throw the President overboard at the first chance.

Chairman BOREN. I have indicated, and earlier in our summaries I have gone through it, that Casey's prepared testimony failed to mention the speculation concerning the diversion of arms sales funds to the Contras. And while you said at different times that there were just bits and pieces about this—including what Charlie Allen had told you, and what you had passed on to Director Casey—the fact is, if they were true, they would arguably constitute a violation of the law in effect at that time which prohibited U.S. assistance to the Contras.

Did it occur to you at this time that that would have been a violation of the law, and would it have made a difference in terms of your calculation not to put even some speculation of the diversion into the Casey testimony at that time?

Mr. GATES. No, sir.

After we had given Mr. Allen's memorandum to Admiral Poindexter on the 15th, I then left on a trip for the Middle East for some 2 weeks, and it broke my continuity with this, with this entire business.

I think that the thing that we were focusing on, and I think it may help explain why I sent Mr. Allen to Mr. Casey, but also I think helped shape our approach in November, was that what Mr. Allen talked about in his memorandum, and in the various conversations about operational security, really meant we were on the verge of a foreign policy catastrophe. What Mr. Allen was basically saying in his memorandum, and the speculation about a diversion has taken on great significance, in retrospect—as it properly should—but at the time the focus was on the fact that we were on the verge, or the very great likelihood of the revelation of, in fact, an arms-for-hostages policy that would not only have tremendous repercussions here at home, but also overseas.

And that clearly was what was shaping our thinking at the time in November. So it was this operational security, this foreign policy aspect of it that I think was preoccupying most people. And frankly, having not heard any new information about a possible diversion, it was—it just didn't occur to me to put it in the testimony.

Chairman BOREN. One other matter on the testimony—the November 1985 flight—obviously we have had discussion going on about what the cargo was. The CIA had been told by North that it was oil drilling equipment. The CIA lawyers recall being briefed that it was missiles or some types of arms.

An early draft of Casey's statement stated that no one in the U.S. Government had learned that the cargo was missiles until mid-January 1986. And subsequently, this was changed to read no one at the CIA had known what the plane had carried until mid-January.

And in the end, the sentence was taken out of the Director's statement all together on the basis of former General Counsel Sporkin's clear recollection that he had known a few days after the flight that the cargo had been arms. I guess that was during a discussion about whether there should be a Finding or not, as well as conversations Casey had with Poindexter and others.

The prepared statement Casey actually delivered said only that "The Agency was asked to recommend a reliable airline that could transport a bulky cargo to an unspecified location in the Middle East. When the plane got to Tel Aviv, the pilots were told the cargo was spare parts for the oil fields, and it was to go to Tabriz." There was no mention that Sporkin or anyone at the CIA recall learning within days of the flight that missiles, or arms, or munitions of some kind had been aboard. There was no mention of that. But some people in the Agency had been told that.

When Director Casey was asked by Senator Leahy, later in the questioning, when the CIA had learned that the November 1985 flight had carried missiles, Casey reverted to the sentence in the statement that had been deleted the night before and said the Agency did not know until the Iranians told them some time in January of 1986 by way of complaining about the inadequacy of whatever was delivered.

While it may be understandable the Director was in no position to provide a definitive answer in terms of what CIA as an institution understood had been on this November 1985 flight, or when CIA officially learned this, why was there no mention that some present or former employees at CIA, particularly the former General Counsel, recall being contemporaneously aware that the flight carried missiles or arms? Why would that have been, and why would not the oversight committees have been advised of that possibility?

Mr. GATES. Mr. Chairman, that part of the testimony was completed after I had gone home. And frankly, in all of the disputes and telephone calls of that Thursday evening, and on in—late into the night, I guess I was considered sufficiently on the periphery. No one ever called me about it at all.

Trying to figure out what happened with this sentence about who knew what, when, has been one of the most difficult aspects of this testimony. As best as we have been able to reconstruct, the sentence that no one in the U.S. Government knew about the flight—knew what was on the airplane, never appeared in one of the drafts of Casey's testimony.

I think what happened, and again, I have to be a little tentative because of the nature of all of this—I think what happened was that when Casey and I went down to Poindexter's office on the afternoon of the 20th, we took with us a one-page chronology of CIA's involvement in the Iran affair.

On that chronology was an entry that said no one in CIA knew what was on the plane. This had not been changed to reflect the discussion that I had had with Mr. Doherty the preceding afternoon, indicating that there was growing doubt about who in CIA had known what was actually on the plane.

In any event, during that discussion either Colonel North, or Admiral Poindexter—and I have not remembered which—said, well no one in the U.S. Government knew what was on that plane. And Mr. Casey wrote that on that one-page chronology.

I think that that is what then gave rise to Mr. Cooper's concerns that then involved, through the course of the evening, Judge Sofaer and a variety of other people. But in none of the drafts of Mr. Casey's testimony that the Agency has been able to locate does

that sentence appear in his testimony. And I think the reason that there is no reference to it is that late that night, there was this long argument between Mr. McCullough—Mr. McCullough was the Staff Officer handling the final drafts of the testimony with Mr. Casey—and Mr. Doherty, the General Counsel; debating between them and perhaps others about exactly how accurately they could say what had happened. And they finally gave up in despair that they could not figure it out, and struck the sentence—or Mr. Casey struck the sentence—because he could not be sure what the facts were.

I think that the slow progress of our investigation was reflected a couple of weeks later when Mr. Casey testified—I think the sentence ended up back in—to the effect that no one in senior management at CIA knew, at the time, what was on the plane.

But I think it was the basis of—I think it was this confusion and uncertainty that night that led them finally just to strike it altogether because they couldn't be sure what was accurate. But that was all after I had left the scene.

Chairman BOREN. A couple of other quick, final questions on the subject of the testimony.

We now know there were efforts by Colonel North to construct false chronologies to conceal the role of the United States in the November 1985 flight. Are you aware, or were you aware of any other attempt by North, Poindexter, or Casey, to deliberately conceal U.S. or CIA knowledge of the November 1985 flight from the Intelligence Committees?

Mr. GATES. No.

Chairman BOREN. In this regard, Poindexter later testified that when he spoke to Director Casey in his home, later in the evening of November 20, this would be after you had already left, that he told him that they would have to be cautious in terms of what they told the Committees about the November 1985 flight. Did Casey ever report this conversation to you?

Mr. GATES. No, sir, I don't think so. I might mention, Mr. Chairman, that one of the ways that Judge Sofaer and the others got involved was that I had authorized Mr. Doherty late that afternoon, to make copies of the next draft of the testimony available to both the Secretaries of State and Defense. He then asked me if we could make it available to their General Counsels as well. And I said I didn't have any problem with that, but it was up to the Secretaries. So I was trying to get the information around in a way that people who could double-check the testimony had access to it.

Chairman BOREN. After Mr. Casey gave his testimony on the Hill, did you seek to find out what he had said to the Committees?

Mr. GATES. No, sir. He spent a good part of the day on the Hill, certainly all morning and into the early afternoon. And then I was leaving for California that weekend. So I don't think—I don't recall any discussion with him about it.

Normally, when people come back from testifying on the Hill and you say, "How did it go," they always say, "It went fine. It just went really great." I don't think anybody ever lost a point in testimony on the Hill by their own accounting.

Chairman BOREN. The DCI's calendar says that he saw you twice on Friday, the 21st. This would have been after the hearings, and

that you had another meeting with him the next morning concerning Iran, I guess before you left on the trip for the weekend.

Did you use any of those meetings as an opportunity to ask him any more details about his testimony, or to discuss his testimony any further with him—this would have been, again, after he had given the testimony?

Mr. GATES. I am fairly sure I didn't. I'm sure I asked him how it had gone, and just a general statement of that kind. But I don't recall any further discussion than that.

Chairman BOREN. Why did you not follow up more to find out what he had actually said since you had been asked to work so hard on helping draw a lot of this together?

Mr. GATES. Well, sir, one of the reasons why I think I had not been involved late on the evening of that Thursday and so on, is that I really was sort of a tag-along that week. I tagged along with him to Poindexter's office where we had that meeting. And I tagged along in—with Mr. George when he went down to de-brief Mr. Poindexter on his meetings with the staff.

Part of the problem was that these—certainly the most controversial aspects of all of this—affected a period when I had been Deputy Director for Intelligence and had not direct, and in many instances even indirect, knowledge of the facts that had taken place. And, in fact, I think that it's the—that a number of the people who have been involved in the—and been interviewed by this Committee in connection with the preparation of that testimony have said, at one time or another, that it was clear that I didn't know what the facts were, or that I was not very well informed—although I was trying to get everybody to put as much into the testimony as we could.

Chairman BOREN. Thank you, Mr. Gates.

There are some other items that I want to ask you about in regard to the Iran-Contra Affair. But these seem to be the two most important, in terms of the diversion and the preparation of the testimony, items that we should cover to lay down a predicate for additional questions that will be raised in the hearings.

I obviously am anxious to question you also about your ideas about the future of intelligence, and the re-designing of the Intelligence Community; the appropriate role of education to improve intelligence analysis; how we might use intelligence to effectively deal with international environmental problems and challenges; and a lot of other issues.

But perhaps we will have an opportunity to return to those. I wanted to turn to those items that I felt were most important for us to examine in the very beginning in terms of your part actions, get those into the record, and hear your further explanation since we have had an opportunity to question to you about these matters before any additional statements that would shed light in answering these questions.

I appreciate your directness in the answers that you have given.

I am now going to yield to the Vice Chairman for his questioning. And let me say to my colleagues, immediately after the questioning of the Vice Chairman, we will take about a 5 minutes recess. We will then return for a round of questions beginning with Senator Nunn, followed by Senator Warner—and then Senator

Hollings has yielded his order, at this time, to Senator Metz-enbaum. So Senator Metzenbaum would follow Senator Nunn and Senator Warner in the order of questioning.

I might ask those Members that are present, and the staffs of those that are not present, if they could, to please let our Staff Director know the approximate amount of time that they think that they will want in terms of asking questions. Again, that will just help me somewhat in scheduling, and determine whether or not we need to go into the evening.

Senator DeCONCINI. Mr. Chairman, if I could interrupt you—as you know, Senator Metzenbaum and I also have the Thomas hearings. I can probably come when my time is up, when I am notified here. So if the staff could let me know, that would be helpful too. I could tell them how much time I want. But I need to have a little advance notice, if that would be possible?

Chairman BOREN. Fine, exactly. We will notify you 15 or 20 minutes before, or a little earlier than that.

Senator DeCONCINI. Yes, sir, if possible. Because there are some witnesses—as a matter of fact, some from my State of Arizona. I obviously would like to be there at the Thomas hearings when they come. It will not be until Thursday, probably.

Chairman BOREN. Well, let us do this. Let us notify you when the person before you starts speaking. If you cannot come, then we will try to switch an order with you and someone else.

Senator DeCONCINI. Thank you, Mr. Chairman. I appreciate that.

Senator WARNER. Mr. Chairman, just as an observation—the subject of Ollie North was raised this morning by myself and others, with the hopes that—and you responded to my request—that you act promptly to determine whether or not there is any feasibility. My understanding now, and I am pleased with it, is that this issue is now over and done with. And he will not appear as a witness before this Committee. There was no business for any request that we continue or delay the hearings, or anything like that?

Chairman BOREN. No, I would say, Senator Warner, that I see no reason to do that. As I say, Mr. North's relevance would be on the essential point of whether or not he had discussions with the nominee on this matter.

Senator WARNER. I thank the Chair and I thank the Vice Chairman.

Chairman BOREN. The Special Counsel and the counsel for Mr. North have indicated that it is not going to be possible for us to go through that process.

Senator METZENBAUM. Was the Senator from Virginia here when the Chairman read the testimony of Oliver North concerning Mr. Casey's knowledge?

Senator WARNER. Right, he was.

Senator METZENBAUM. Thank you.

Chairman BOREN. I will turn now to the Vice Chairman. And following the questioning of the Vice Chairman—and I apologize to my colleagues—I did feel it important to finish that particular subject. We will then have a 5 minute recess after the questioning by the Vice Chairman. And then we will return to the others, as I have indicated.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I feel that I am being held as a hostage for the recess. But I would like to compliment the Chairman. I think the extensive questioning certainly signifies the tremendous research that has been done by our staffs. And I assume, in the tradition of this body, that when we leave Mr. Gates and finally wind up this hearing, there will be few unspoken questions left by our colleagues, which is as it should be.

Mr. Gates, in the concluding remarks of your testimony, you lamented that you should have asked more questions; should have been less satisfied with the answers you received—especially from Director Casey.

I would like to go into a line of questioning relative to just what that relationship was, recognizing that there was a formal structure within the agency, and in order to understand why certain persons in the Agency would have knowledge about the diversion, or the alleged diversion of money to the Contras, and certain people did not.

And, of course, it is important that we understand how the CIA operated under William Casey. I have before me a kind of an organizational chart, that lists Director Casey as the Director, of course, and you, the Deputy Director of Central Intelligence. And then you were also Chairman of the National Intelligence Council. And you had dual positions.

Can you explain why you had dual positions under Mr. Casey's Directorate?

Mr. GATES. I was appointed Deputy Director for Intelligence in January 1982. When Harry Rowan resigned as Chairman of the National Intelligence Council in September 1983, Mr. Casey asked me to take on that responsibility as well. And so I held both positions through the time when I—until I became Deputy Director of Central Intelligence. I think he felt that perhaps I could bring some of the changes to the estimates that I had in the CIA's analytical product.

Senator MURKOWSKI. Now, there was also an Executive Director under the organizational chart. I believe it may have been a Mr. Taylor at that time?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And Mr. Taylor, according to the organizational chart, was under you. There was a Director, then the Deputy Director, then the Executive Director.

Mr. GATES. That's correct.

Senator MURKOWSKI. In a normal organization, you would assume that the reporting went up from the Executive Director, to the Deputy Director, to the Director—or down, as the case may be.

What was Mr. Taylor's function?

Mr. GATES. Mr. Taylor was in some respects the day-to-day manager of CIA. He took care of budget matters, a lot of personnel matters, a number of administrative kinds of tasks. Once I became Deputy Director I reconstituted a review group to review covert actions periodically, and ensure that they were being administered properly, and that the management was satisfactory, and that they were accomplishing their objective. And Mr. Taylor chaired that group. So he had a number of responsibilities along those lines.

Senator MURKOWSKI. But he was not, from the information that I recall, named or any way apparently involved in any of the alleged Iran-Contra information or testimony given. Was that by structure, as opposed to the organizational chart, or was there some other reason that basically the third-top person was apparently not in the loop, so to speak?

Mr. GATES. He basically had had no involvement at all in any of those things. And I don't know that he was sort of consciously excluded. But he just did not have a part.

Senator MURKOWSKI. Well, I would like to address Mr. Casey's management style as the Director of Central Intelligence. Because I think it is appropriate.

This organizational chart implies a chain of command, which you would assume would be the case in any corporate structure, where the second or third in line would have some idea of what the president or CEO was responsible for. And therefore, if the CEO was absent, #2 or #3 could basically take over and operate with some continuity.

Can you explain for me just basically how the Agency operated under the Director, Mr. Casey, as opposed to the organizational chart which clearly shows a structure that one would assume would be a normal reporting structure?

Mr. GATES. Yes, sir.

Let me address your point in two respects: first of all, Mr. Casey's personal style, and then the way the Agency operated and particularly, in so far as it affected the clandestine service.

I think that the first thing, in terms of Mr. Casey's personal style, was that this was a man who had begun his intelligence career as an OSS officer in Europe. It was a time when, needless to say, there was no oversight. And even management, I think historians would agree, was fairly slack.

He then made his career, essentially as an operator, as a lawyer, operating on his own, and as an author. In essence, he never worked—or he did not work through much of his career in a bureaucratic structure, although he had several senior government positions in the State Department and the SEC. But his basic inclination was to operate pretty much on his own.

And so Mr. Casey, when he first arrived at the Agency—and actually for the first several years—it was something of an adventure to work for him. Because he would pick up the phone and punch a button without much concern for who was at the other end of the line, and start shouting instructions. And after I became DDI, John Stein, the DDO, and I would occasionally have to straighten things out because Mr. Casey would call Stein, thinking he was in charge of analysis, or giving him an analytical assignment. And occasionally he would call me and think he was talking to Stein, and give me some kind of operational guidance. I would have to go straighten it out with Stein.

He also would fail to change the buttons when he'd call again. So he'd call, and then about 30 seconds later, he'd call again. And you'd say yes, and he'd say who's this? And you'd say well, this is Bob, and you just talked to me. And he'd say oh, I didn't want you. And then he'd hang up. And sometimes that would happen two or three times.

So he was very—shall we say—unbureaucratic. I don't think he would have recognized the CIA organization chart the first several years he was there, if his life depended on it.

So his own personal style was very anti-bureaucratic. He had a tendency to go after an individual, or a job that he wanted done. And he didn't pay much attention to the structure in getting that done.

Now, let me say a word about Mr. Casey's relationship with the clandestine service. Because I think it's applicable here. And let me begin by saying that contrary to what a lot of people think, it's been my experience in government—and leaving aside Mr. Casey—that deputies usually are not in the chain of command to the principal in a department or an agency in this respect. You do not need to go through the deputy to get access to the Director or to the Secretary in most of the departments and agencies that I'm familiar with. You do not need to go ask Larry Eagleburger, if you want to go see Secretary Baker, or the same thing in Defense.

Similarly, the deputy and the principal tend not to work entirely on the same issues. There is just too much work to do. And so often you will have a deputy who is working on a different set of issues than the principal, and the overlap on what they know is usually far short of complete. So that if you want to talk to a deputy about something that the principal has been concerned about, he usually will have to go get briefed. This even happens in a little shop like ours at the NSC between Scowcroft and myself.

Now let me talk about Mr. Casey and the clandestine service. First of all, the CIA has always had a certain mystique and uniqueness, I think primarily due to the clandestine service. And as a result, the Director and the clandestine service have usually had a very special relationship. It's been my observation when I was in the agency that DO division chiefs, for example, had far readier access to the Director than their counterparts in any of the other Directorates. I tried to encourage Mr. Casey to see the DI office directors more frequently. But he would not react to them in the same way that he did to the clandestine service.

And, in fact, I remember early-on when I was his Chief of Staff, every now and then he'd meet with a division chief, and the division chief would come out of the meeting. And I would say, don't you think you ought to fill in the Deputy Director for Operations? And he would say, oh, he doesn't need to know any of that.

So DO division chiefs, at least in my experience, were far more powerful than their counterparts elsewhere in the agency.

I believe that 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. And, frankly, I think it is one reason why he appointed Mr. Hugel as Deputy Director for Operations at one point, because he basically wanted to be in charge of the show himself.

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. And, in fact, in an Inspector General report in

the fall of 1986, they were very critical of the fact that, as an example, the 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.

So I've gone on at some length. But I wanted to try and describe both his personal style, which was very task oriented and very un-bureaucratic, and also his relationship with the clandestine service that accentuated some aspects of that style.

Senator MURKOWSKI. Well, you certainly, I think, highlighted the fact that Mr. Casey was not exactly a team player. But I am curious to know how, such as in the Central American matters, Mr. Casey could reach down and come up with a confidant, and then initiate some action or another.

How did he get to know these people at this lower level, and their degree of competency? Did they play poker together, or did he have a social dialogue with them? It seems that an agency this large, one at the level of Mr. Casey would have few opportunities to get to know people at a lower level who had the capability of carrying out various activities, without some long-term association motivated by contacts, social or otherwise?

Mr. GATES. I don't think he had much social contact. I can't be certain of that. But I think most of them he met through briefings and meetings where he would be getting briefed on various things, and he would find somebody that he liked, or their name would be on a piece of paper and he would just reach to them directly.

Senator MURKOWSKI. When you appeared before us in 1986 for confirmation as Deputy Director of Central Intelligence, Bill Casey was the Director at that time. And you noted that you and Casey had agreed—and I think that this was to be recalled by my colleagues—agreed to establishing a division of labor, and that he would keep you fully informed on all covert action matters. And, of course, later when the Iran-Contra matter became public, it appeared that you were not in the loop.

Can you explain to us how you reacted when it became clearly obvious that you were not in the loop, that you were being left out of certain things? Did you meet with Casey again after this effort to try and put together this division of labor and communicate your displeasure?

Mr. GATES. Senator, when I was being confirmed for Deputy Director, Mr. Casey and I did talk. And we generally agreed that there were no areas from which I would be excluded, such as clandestine operations or something like that, that I wouldn't be confined just to the Intelligence Community, or technical issues, or analysis or something like that.

In the event, I think what happened was that first of all, 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—the Intelligence Community, its structure. I spent a couple of—the first couple, 3 months after I became Deputy Director trying to bring about a change in the structure of the Intelligence Community Staff; the amount of time that I would be involved on the Hill;

the amount of time in administration, and budget. And I must admit that I continued to spend a lot of time on analysis.

Toward the end of the summer of 1986, I decided to try and become more involved in operational activities, and began getting briefings on three particular covert actions that I thought were particularly important. 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.

Also, Casey's relation—Mr. Casey's relationships with the DO had been pretty well set by that time. He had been Director for 5 years. 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.

Now, at the time, it seemed to me that just because there was a lot of work to do, the fact that I was on the periphery of certain things and didn't know much about some things didn't bother me very much. It seemed to me that that was just an outgrowth of the amount of work that had to be done and my focus on some other areas.

And frankly, it was only after he became ill, and all the investigations started and so on that I began to consider that it hadn't just been the way the division of labor had worked out, but that I might have been consciously cut out of something.

Senator MURKOWSKI. Well, it appeared that the concept of a division of labor had more meaning in its symbolism than it did in actuality. And I assume that when the concept was raised—I assume by you—that you had high hopes that this would be an understanding where you could expect to be in the loop, so to speak. Who initiated this so-called division of labor? Was it Mr. Casey, or was it suggested by yourself?

Mr. GATES. I don't think it was ever that formal.

Senator MURKOWSKI. It was not that formal.

Mr. GATES. It—I think it just happened. I became immediately involved in the Intelligence Community Staff restructuring. And there was a lot to do with the budget, and so on. And I basically just took that on.

Senator MURKOWSKI. Well, it would appear to have had some significance from the standpoint of those of us on this side of the desk because of the symbolism associated with what would normally be construed to be an understanding. But an understanding implies that if both sides are not happy with it, one brings up their unhappiness with the other. But I gather that in this understanding about the division of labor, the fact that you were obviously not in all the loops did not distress you enough to go back and cite your concern to Mr. Casey.

Mr. GATES. No, sir, because I thought it was just an outgrowth of the amount of work that had to be done.

Senator MURKOWSKI. Could you give us a little description of the relationship of Mr. Casey and Mr. Clair George, who at that time was the Director of Operations, and also Mr. Alan Fiers, who was

head of the Central American Task Force, and, I think at that time, was at least four or five levels removed from Mr. Casey. And how did Mr. Casey work with them, and how did you work with them in relationship to your responsibilities in the senior position as Deputy to Mr. Casey? When you observed this direct communication, how did you feel about that? What were your thoughts when you learned that he was going directly to these two, and obviously several others as well?

Mr. GATES. Well, as I indicated earlier, first of all, it's a common practice in the Agency for the four Deputy Directors to deal directly with the DCI. That was not unusual with Mr. Casey at all. They had ready access to him, basically walk-in privileges. And I know that—or had the sense that Mr. Casey thought highly of Mr. George as an operations officer, and as an imaginative person who was responsive in trying to make some of the changes that Mr. Casey was interested in improving the clandestine service, increasing the number of officers overseas and so on. I had no reason to think that Mr. Casey had anything other than a very positive opinion of Mr. George.

In terms of Mr. Fiers, I think that Mr. Casey saw him as a very capable officer, with a lot of promise; somebody who had the potential of becoming a very senior officer in the clandestine service, very effective in his position. I think he liked Mr. Fiers. Beyond that, I don't have much insight.

Senator MURKOWSKI. Well, it isn't consistent with the organization chart for Casey to have that kind of direct relationship four or five levels down with Alan Fiers. But I would like the record to note that—although you mentioned it, Mr. Gates, regarding the Central American Task Force, the CIA's Inspector General's report in the fall of 1986 stated that the chain of command was by-passed, and ran directly from Alan Fiers to Casey.

And you would just acknowledge that?

Mr. GATES. Yes, sir.

Senator CRANSTON. May I ask one question that relates to your questions?

Senator MURKOWSKI. Please proceed.

Senator CRANSTON. It occurs to me that Mr. Casey knew about the Iran-Contra transactions, but shared the information with others but not with you, that he may have done that because he thought you might strongly object to the transactions?

Mr. GATES. I think that's a very real possibility. I have been told—and it's nothing other than secondhand—that there were some feelings in the clandestine service that I had too close a relationship with the Congress, as well as the suspicion of my having come from the analytical side. Also, frankly, on Central America, the Director of Intelligence had been fairly critical of the prospects for the Contras. And I'm sure that had a certain spill-over effect as well.

Senator MURKOWSKI. If I may, I wonder, Mr. Gates, did you ever express your opinion to Mr. Casey about selling arms to Iran?

Mr. GATES. Yes, sir, I did. The only occasion that I can remember specifically was not until September, in which I told him that I

thought it was a bad idea. I do remember that in January of 1986, when I was first briefed on the Finding, and was told that by Mr. McMahon that we were going to have to provide intelligence to the Iranians, that I was bitterly opposed to that. And I think perhaps in that context, I told him that I thought that the whole idea was a bad one. And he shared with me the fact that in early December, at a meeting at the White House, he too had opposed it at that time. He sent a memorandum, in January, I should say, sent a cable to Mr. Casey saying that we were opposed to this, but had been directed to do it by Admiral Poindexter. And that unless we heard differently from Mr. Casey we would proceed.

Senator MURKOWSKI. That was the extent of it?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And you never heard any more from Admiral Poindexter?

Mr. GATES. No, sir.

Senator MURKOWSKI. And how inclusive was that discussion concerning the possibility of arm sales to Iran? Did it go any further, or was it just a question of arms sales? There was no discussion of diversion—

Mr. GATES. No, sir. The conversation, as I recall it, that I had with Mr. McMahon was focused strictly on the arms sales, and the context of trying to get some hostages out. But also trying to arrange an opening to Iran—there was that element to it. But I remember Mr. McMahon, perhaps in that same conversation, telling me that both Secretary Shultz and Secretary Weinberger also were very much opposed to the initiative.

Senator MURKOWSKI. Could you clarify for the record, so that we do not draw a conclusion that there may have been a compromise in the discussions that came up in September, concerning the potential sale of arms to Iran, and your first acknowledgement of the so-called diversion which was, I believe, October 1st?

Mr. GATES. That's correct. The meeting in September, where I recall this, and actually I was reminded of it after my testimony in 1987 by Mr. Allen, was a meeting that was held after three more—I think three more American hostages were seized by the hostage-holders in Lebanon. And Mr. Allen reminded me, sometime in the spring of 1987 that at that meeting in September, I had told Mr. Casey that the whole thing was a bad deal and should be stopped. That we would never be through with it. And all of that still pertaining to simply the sale of weapons to Iran.

Senator MURKOWSKI. That was the extent of it. The sale of weapons?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. Returning, just a moment, to Director Casey. Tell us a little bit about his relationship with Dick Kerr. You have indicated the relationship with Clair George, and Alan Fiers. But Mr. Kerr was DDI, and, I gather, had the responsibility of the analysis side.

Mr. GATES. Yes, sir.

I think the thing to recall about Mr. Casey—and it was true of me, and I think it was true of the others as well—however close we may have been professionally, there was really, despite some of the

things that have been written, a certain distance in a personal relationship, 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. My wife and I did not ever go to the Casey's for dinner when we weren't in the company of other people; never visited their homes in Florida or Long Island or any place. I'm not saying anything negative about it, I'm just saying that the relationship was essentially a professional one.

And Mr. Casey had a good opinion of Mr. Kerr. He dealt with him in connection with the aspect of the job. But beyond that, there really was not much, not much reaching out. It was not the kind of thing where Mr. Casey would ever ask me about my family or anything like that. It was a very professional kind of relationship.

Senator MURKOWSKI. With your contacts with Mr. Kerr, did you work from a formal agenda, or were you very, very informal?

Mr. GATES. It was exceptionally informal.

Senator MURKOWSKI. Exceptionally informal. So you just passed on whatever thoughts you had?

Mr. GATES. Exactly.

Senator MURKOWSKI. Regarding Mr. Kerr's recollection, did he mention the diversion to you in August of 1986? Let me be a bit direct. Are you denying that he mentioned it, or are you saying that you simply do not have a memory of it?

Mr. GATES. I do not have a memory of it.

Senator MURKOWSKI. That question will probably be asked again and again.

Returning to Mr. Casey's relationship with various persons, did he always keep you informed of the details of his conversations with John Poindexter?

Mr. GATES. No. 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 only do memoranda for the record if an action needed to be taken, as I recall, but he would go to NSC meetings and other kinds of meetings, particularly if he had private discussions with the President or something like that. It was exceedingly rare to get any kind of feedback from him.

Senator MURKOWSKI. Let me read to you an excerpt from John Poindexter's sworn testimony before the Iran-Contra Committee on July 16, 1987. The testimony relates to a meeting Poindexter had with Casey that included you, Ed Meese, and Assistant Attorney General Cooper on November 20th, 1986—this is the day before Casey testified before our Committee on the Iran arms deal. I read from page 112 of the transcript:

Poindexter: "In hindsight, what I should have done is adjourn the meeting and met separately with Ed Meese and Bill Casey so that we could hash through the issue.

Question—and this was Arthur Liman's question—"Were you uncomfortable with the fact that Mr. Meese had brought his Assistant Attorney General, Mr. Cooper, and that Casey had brought his deputy, Mr. Gates?"

Poindexter said, "Yes, I was."

Mr. Liman: "And as a result you did not express your point of view at that meeting? You stayed silent?"

Poindexter: "That is correct."

I wonder if you can comment on this testimony in general terms of how you felt about clearly the significance of this dialogue?

Mr. GATES. Well, I certainly remember Admiral Poindexter testifying to that in 1987, and it just seemed to me that—I'm not quite sure how to respond, except that it helped explain the speed with which the change, the correction that I had wanted to make, was agreed to, and I do recall Admiral Poindexter being fairly silent in the course of the meeting, but beyond that—

Senator MURKOWSKI. Well, could you elaborate about your interpretation of Admiral Poindexter's acknowledgment that he was upset over the fact that Mr. Meese had brought the Assistant Attorney General, Mr. Cooper, and that Casey had brought his deputy, namely you—I mean, clearly Mr. Poindexter was not happy with that.

Mr. GATES. He did not indicate that at the time. I guess my first reaction on hearing it was that he hadn't trusted me, and that was the first indication that I had heard that.

Senator MURKOWSKI. That he had not trusted—

Mr. GATES. Hadn't trusted me, and I guess in the context of the circumstances I wasn't unhappy with that.

Senator MURKOWSKI. I wonder if you would care to comment about a Monday, March 24 meeting that allegedly took place at 6:30, when Don Regan came to see Casey and told him of Attorney General Meese's discovery of the diversion?

Testimony from a sworn witness indicates "he went home pale and bothered, and Bill was never the same again, and everything went downhill physically." Did you observe that change in Mr. Casey as a consequence of that meeting, or what occurred about that time?

Mr. GATES. I think based on the testimony of a number of people, Senator, that I may have been one of the last people to notice a physical change in Mr. Casey. I did not notice a real change in him until toward the—let's see. It would have been around the 10th or 11th of December, and someone came in to tell me about—I had originally been scheduled to give a speech—I think my memory of this is correct—there was a memorial service or a memorial to be held at La Salle University in honor of Bob Ames, who was one of our officers who was killed in Beirut, and there were a lot of ceremonies associated with it, and I think it was late in that week around the 10th or 11th of December, and Mr. Casey decided to go up and deliver those remarks. I can't remember whether I was originally scheduled to, or urged him to do it instead, or whatever, to honor Bob Ames.

I was told by a couple of people who had been on the plane with him that on the flight back from La Salle that night he had been holding a drink—a cocktail—and tipped it sideways, and didn't even realize that he was spilling the drink, and someone reached over and just righted his hand.

Then that next morning he had an interview—I think, a Friday morning—he had an interview with Time Magazine and just went totally blank at one point for some period of time.

Sometime in there, one or another of the security people who accompanied Mr. Casey told me that he had been falling down at home, and so we urged him to go up to his place on Long Island over that weekend and rest, and he did that. I don't remember whether he left on Friday or a Saturday, but he just seemed tired to me, and it had been a very stressful period, obviously, but he just seemed tired. When he came in—I'm sorry.

.. Senator MURKOWSKI. Go ahead.

Mr. GATES. When he came into my office, I think the next Monday morning, he came through the door and was sort of moving—

Senator MURKOWSKI. What date might that have been?

Mr. GATES. I think it was the 15th.

Senator MURKOWSKI. Of?

Mr. GATES. December 1986, and he was moving sort of from piece of furniture to piece of furniture, and he did look terrible, and we talked for a couple of minutes and then he went back into his office and collapsed shortly thereafter.

He had been saying to me that he thought it was his blood pressure medicine, or something like that, that just wasn't agreeing with him, but I didn't notice any real physical change in Mr. Casey until that preceding week. Others said that they noticed it much earlier, in keeping with the interview that you just quoted.

Senator MURKOWSKI. Did you have an opportunity to meet with Mr. Casey around November 24th or the 25th, which I believe was the day that Attorney General Meese made the announcement?

Mr. GATES. No, sir. I was in California during that period.

Senator MURKOWSKI. What were your dates for California? When did you leave?

Mr. GATES. I think I left over the weekend, maybe on Sunday, and came back Tuesday or Wednesday.

Senator MURKOWSKI. So you were gone the day before?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. Let me follow with some rather brief questions, continuing with regard to some places and events. You became DDCI—the number 2 person at the CIA in April of 1986. Give us a brief outline of what your priorities were then and on up to October of 1986 when you learned of the diversion.

Mr. GATES. My first priority was to change the structure of the Intelligence Community Staff to create in it an evaluation capability that would give us, as we went into a period of what I expected to be declining rates of growth, or declining budgets, a basis for making judgments about how best to invest the resources that we had available, some capability to gauge one collection system against another in terms of the amount of return that we would get in terms of intelligence product and what kind of system would affect the greatest number of requirements that we had.

I had two problems. One was bringing about the change itself and the second was finding somebody to do that job. I went through several candidates—it was fairly time consuming—and fi-

nally with Mr. Casey's approval selected Douglas George to head that function. So I spent the first while that I was deputy director on that. I also had a major trip to the Philippines in June and spent a fair amount of time preparing for that.

Senator MURKOWSKI. Tell us how well-received your efforts were to re-evaluate staff and so forth and so on. Were you bull in the china closet, or were you graciously received? Did you make enemies, did you make friends?

Mr. GATES. The idea of an evaluation staff was not particularly welcomed, either on the Intelligence Community Staff or elsewhere, because if it really worked it had the potential to change in some significant ways the way we did business. I wouldn't say that there was overt resistance from most places, but it was a difficult change to bring about bureaucratically.

Senator MURKOWSKI. Was part of it because of your relatively rapid ascension in responsibility and title within the Agency where perhaps you had moved ahead of some who had been senior to you?

Mr. GATES. Well, there may have been some of that. I thought it seemed to be more of just bureaucratic protectionism.

Senator MURKOWSKI. Sometimes that is very sacred to the bureaucracy.

Before becoming Deputy DCI in April of '86, had you ever supervised clandestine activities or covert actions in the Agency?

Mr. GATES. No, I had not.

Senator MURKOWSKI. Your qualifications to do that, recognizing that this goes with the job, are based on what, in your own mind?

Mr. GATES. Well, I had had—I had a pretty good understanding, I think, of what the intelligence business was about, but I would have to admit that I had very little experience with the clandestine service, other than serving in the same organization over a period of time.

The relationship between the Directorates of Intelligence and Operations was a very awkward one for a long time. In fact, when I first joined the Agency there were armed guards and barriers between the two Directorates, ironically, I think, put there by the analysts.

Senator MURKOWSKI. Well, they do the best they can, I guess.

Mr. GATES. When I was a young analyst we were given the name of one junior reports officer in the Soviet Division, and that was the only person we were allowed to talk to, so I think that gives you a measure of the cultural gulf that existed in the agency.

Now, I think that had begun to change over time, and there had been more cooperation. I think that it—I won't say it stalled, but it slowed significantly when Mr. Casey came on the scene.

I considered it a considerable achievement when I was Deputy Director for Intelligence when I was able to recruit Bob Ames out of the clandestine service to become the head of our Near East Analyst Office, and one of the great tragic ironies was that after a lifetime in clandestine service it was as an analytical supervisor that he was killed in Beirut.

But all my efforts to try and get that road to run two ways and to get some senior DI people appointed into the DO and to increase

the number of contacts, it was very difficult, and we didn't make much headway.

So while there has been progress in recent years, and there had been some progress before, the gulf between those two directorates is very real. I was struck—I heard about someone who had talked to this committee saying, in describing why someone had not told me about something, or whatever, said, "Well, he's from another world."

Senator MURKOWSKI. Let's move from analysis to allegations. I'd like to just take a few minutes, Mr. Chairman, to wind this up as my portion of the questions.

There have been a number of allegations made concerning your activities related to an alleged covert CIA program to ship arms to Iraq. You are aware of that. Some have even linked it to the so-called October Surprise meetings alleged to have taken place between the Reagan-Bush campaign officials and Iranian officials.

These allegations have been chiefly made up by two individuals, Ari Ben-Menashe, I gather a former civilian translator for the Israeli Military Intelligence, who was reportedly in Australia to avoid Israeli authorities and prosecution, and Richard H. Babayan, a self-professed arms merchant and former member of the Iranian Intelligence Service who is currently in a Florida jail awaiting trial on security fraud charges.

Now, for months we have watched while these allegations of these men have been heralded on ABC's Nightline, or Public Broadcasting System's Frontline, and a host of other news outlets. Our committee staff has also been investigating these allegations, and when our resources were limited we asked the FBI to help us out, and they have. We have also asked the CIA Inspector General to independently investigate the allegations.

Now, after months of investigation the allegations of Mr. Ben-Menashe and Mr. Babayan have been found to be without merit. After reviewing travel records, your official calendars, conducting numerous interviews and referencing Agency records, neither the FBI nor the CIA Inspector General has been able to place you at the meeting or the places that these individuals have alleged you to be.

You have had to silently endure these allegations for some months. I know it has been exceedingly frustrating for you and your family. Therefore, I would like to give you the opportunity to respond to them publicly on the record and under oath. I am going to ask a series of questions laying these allegations out and I would like also to know what you think the motivation for these allegations might be.

First, Ari Ben-Menashe claims that he participated in a meeting with you in Santiago, Chile, in 1986, along with Mr. Carlos Cardoen, who allegedly brokered millions of dollars in weapons to Iraq. My first question is, did you ever attend such a meeting?

Mr. GATES. No, sir.

Senator MURKOWSKI. Have you ever met Mr. Carlos Cardoen?

Mr. GATES. No, sir.

Senator MURKOWSKI. Did you ever encourage Mr. Cardoen or the Government of Chile to supply Saddam Hussein with weapons?

Mr. GATES. No, sir.

Senator MURKOWSKI. Dr. Gates, the ABC news program, Nightline, on July 12, 1991, claimed that a former "CIA operative" had personal knowledge of at least one meeting in 1986 in Florida between yourself and Carlos Cardoen. Did you meet with Carlos Cardoen in Florida in 1986?

Mr. GATES. No, sir.

Senator MURKOWSKI. Have you ever met with him?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. It may interest you to know that Cardoen says he never met with you, either.

Mr. GATES. I understand he was very disturbed at being put in my company. [General laughter.]

Senator MURKOWSKI. I have a July 16, 1991 letter from Carlos Cardoen to our Ambassador in Santiago, Chile. I believe that letter is in the record, Mr. Chairman, but if it is not, I would like it to be.

Chairman BOREN. If not, we will receive it for the record.

[The information referred to follows:]

DEPARTMENT OF STATE
OFFICE OF LANGUAGE SERVICES

Translating Division

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Office of the President

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July 16, 1991

Mr. Charles A. Gillespie, Jr.
Ambassador of the United States
Santiago

Mr. Ambassador:

As you know, for almost one year my firms and I personally have been victims of various investigations conducted by departments or agencies of the U.S. Government. In view of this situation, it is a public fact that I have furnished all the background material available to me, in order to set forth the truth and defend myself against what I consider a veritable persecution which, in short, they intend to deflect the potential responsibility borne by other interests for strengthening Iraq militarily and restricting the creation and development of a defense industry in a Third World country like Chile.

Your Embassy, through various officials, knows or has known in detail about all my activities. I have offered, permanently and voluntarily, every type of information concerning my industrial and commercial activities, and I have been concerned about making this information actually available.

Yesterday, with stupefaction and indignation, I received the transcript of a television program on the ABC network. In this program I am accused, among other things, of having been the link through which Mr. Robert Gates and the CIA delivered arms covertly to Iraq. In like manner, the program indicated that there had been one or more meetings between Mr. Gates and myself. As you will understand, Mr. Ambassador, these charges are causing me serious and irreparable damage, not only because of their total and absolute falsity, but also because they are one more stage in the campaign spearheaded against me by the U.S. Government. The outcome of this campaign has been that presently in the United States any lie can be uttered publicly against me as a consequence of the systematic manner in which I have been slandered.

-3-

Mr. Ambassador, I formally protest the incidents described in this letter and reserve the right to take any legal action in order to defend the integrity and transparency of my activities and the honor of my name.

Yours truly .

[Signature]

Dr. Carlos Cardoen Cornejo

Senator MURKOWSKI. I will quote from the letter: "Yesterday with stupefaction"—I believe that's what it says here—"and indignation I received the transcript of a television program on the ABC Network. In this program, I'm accused, among other things, of having been the link through which Mr. Robert Gates and the CIA delivered arms covertly to Iraq.

"In like manner, the program indicated that there had been one more meetings between Mr. Gates and myself. As you will understand, Mr. Ambassador, these charges are causing me serious and irrefutable damage not only because of their total and absolute falsity but also because they are one more stage in the campaign spearheaded against me by the U.S. Government.

"Now, the outcome of this campaign has been that presently in the United States any lie can be uttered publicly against me as a consequence of the systematic manner in which I have been slandered.

"Mr. Ambassador, I formally protest the incidents described in this letter and reserve the right to take any legal action in order to defend the integrity and transparency of my activities and the honor of my name. Yours truly, Carlos Cardoen."

Doctor Gates, according to Ari Ben-Menashe, in mid-October of 1980, you were present at the site of a meeting at the Ritz Hotel in Paris, France, attended by a group of Iranians. Vice-presidential candidate, George Bush, and William Casey, who was then manager of the Reagan-Bush campaign, was there as well.

Do you have any knowledge of such an event in Paris?

Mr. GATES. No, sir.

Senator MURKOWSKI. Were you in Paris at any time during October of 1980 for any reason?

Mr. GATES. No, sir.

Senator MURKOWSKI. Do you have any knowledge of whether any persons associated with the Reagan-Bush campaign of 1980 sought to delay the release of hostages held by Iran until after the election in November of 1980?

Mr. GATES. No, sir.

Senator MURKOWSKI. Did you personally ever suggest to any representative of the Reagan-Bush campaign, or to the candidates themselves, that negotiations should take place with Iran to delay the release of American hostages?

No, sir.

Senator MURKOWSKI. Mr. Ben-Menashe has also said that you attended two additional meetings with representatives of Iran between January and October of 1980 in Madrid, Spain. Do you have any knowledge of such meetings?

Mr. GATES. No sir.

Senator MURKOWSKI. Did you ever attend such meetings?

Mr. GATES. No, sir.

Senator MURKOWSKI. Were you ever in Madrid, Spain at the time, at any time during 1980 for any reason, bullfights or anything?

Mr. GATES. No, sir.

Senator MURKOWSKI. Ben-Menashe also says that you attended these meetings as George Bush's personal representative. Did you

ever, in 1980, serve as George Bush's personal representative in any matter?

Mr. GATES. No, sir.

Senator MURKOWSKI. According to Mr. Ben-Menashe, you met him at the Miami Airport, accompanied by U.S. Customs Officials some time between January 1 and January 20, 1981, to assist him in gaining entry to the United States with a large sum of money in cash. He said he flew to Miami from Guatemala City, en route to Phoenix, Arizona. He also says that you accompanied him on that flight to Phoenix, Arizona. He further says that he was carrying \$16 million in \$100 bills in cash.

Now you would remember whether you were in Miami in January of 1981 to meet Mr. Ben-Menashe, would you not?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And your memory is?

Mr. GATES. No, sir.

Senator MURKOWSKI. You say that you were not. Did you ever accompany him on a flight to Phoenix, Arizona?

Mr. GATES. No, sir.

Senator MURKOWSKI. Did you assist Mr. Ben-Menashe in transporting or counting the \$16 million in \$100 bills?

Mr. GATES. No, sir.

Senator MURKOWSKI. Ben-Menashe also says that on July 3 and 4th, 1987, in Kansas City, you met with Iranian Defense Minister and Mr. Ben-Menashe. Do you know anything about such a meeting?

Mr. GATES. No, sir.

Senator MURKOWSKI. And finally, according to Mr. Ben-Menashe, on April 20, 1989 you met with him in a private home in Paramus, New Jersey, regarding the subject of arms sales to Iraq. Did this happen?

Mr. GATES. No, sir.

Senator MURKOWSKI. Now, I would like to turn to some of the allegations made by Richard Babayan, the self-professed arms dealer, now awaiting trial for securities charges in a Florida jail. Have you ever met Richard Babayan?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. Babayan claims that he first met with you and a Mr. M.K. Moss in Geneva, in June of 1984. Is that true?

Mr. GATES. No, sir.

Senator MURKOWSKI. Babayan claimed that you, working with M.K. Moss ran a covert CIA operation to supply arms to Iraq. Dr. Gates, have you ever been aware of any CIA or U.S. Government covert operation to supply arms to Iraq?

Mr. GATES. No, sir.

Senator MURKOWSKI. Babayan claims that you were a very good friend of Carlos Cardoen. And that one of your pet projects was to transfer cluster bomb technology to Carlos Cardoen. Doctor Gates, were you ever involved in a operation to transfer cluster bomb technology to Carlos Cardoen?

Mr. GATES. No, sir.

Senator MURKOWSKI. Now, Doctor Gates, I will ask you a few questions about the weapons that were allegedly transferred to Iraq via South Africa by a company in Lancaster, Pennsylvania,

called International Signal Control, or ISC, before the CIA was informed by the FBI in 1986 that ISC was under criminal investigation, were you aware of possible illegal activities on the part of ISC?

Mr. GATES. No, sir.

Senator MURKOWSKI. A story in the Financial Times alleged that you may have gone to visit ISC in Lancaster, Pennsylvania. Have you ever met with officials of ISC?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. Have you ever been to Lancaster, Pennsylvania?

Mr. GATES. No, sir.

Senator MURKOWSKI. I wonder if you would give a short synopsis—and that will conclude my questions, Mr. Chairman—of what the motivation might be for these seemingly outlandish and far-fetched efforts to associate with your good name?

Mr. GATES. First of all, Senator, I'd like to thank you for making that public. As you have suggested, putting up with this all through these months, and these various television shows and so on has not been easy. And even some of my neighbors began to look a little askance at me, wondering if while I was a Soviet analyst I was running guns to Iraq and selling cluster bombs to Carlos Cardoen.

I don't know what these people's motivation is. I think it's an illustration, though, that the more specific that you make the allegation and the lie, the easier it is for some people to believe it. I'm just grateful to have it straightened out and cleared up. And I'm afraid that my views on their motives and of them are probably not appropriate for this forum.

Senator MURKOWSKI. It would probably be appropriate to question why the press would give it such wide notoriety without checking it out. But I will save that for the Chairman. [General laughter.]

Chairman BOREN. Well, I certainly appreciate the Vice Chairman for that.

Senator MURKOWSKI. Thank you, Mr. Chairman. [General laughter.]

Chairman BOREN. We will not pursue the rest of these questions, since we are part of the family television viewing hour, in terms of whatever the nominee might think about some of this.

We are going to, in just a moment, take a brief recess. I want to welcome our former Vice Chairman, Senator Cohen, who has joined us. He has certainly made an immense contribution to the work of this Committee in the past. Senator Cohen, we are happy to have you sit in with us today.

Let me say, that I have been totaling up the time that Members have told me that they intend to potentially take. So I do think, unfortunately, that it will be necessary for us to come back. The Senate is expected to be in session tonight, anyway. So we will come back, of course, in about 5 minutes. But then we will probably recess around 6:00. We will begin with Senator Nunn when we come back, and then Senator Warner. And Senator Metzenbaum will occupy Senator Hollings' originally-scheduled time slot for 30

minutes. Then we will recess again, and probably return approximately at 7:30. So we will take a 5-minute recess at this time.

Senator METZENBAUM. Mr. Chairman, may I just inquire of you what is the reason that the Chair feels that it is imperative to work through the night on several different nights? This matter has not moved that rapidly. And I do not know whether the Chair—how fast the Chair intends to move it. But I get the feeling there is a sense of urgency. And yet, the matter has been sitting here for a good many months.

Chairman BOREN. Senator Metzenbaum, there is no sense of urgency about it. But I would say, as you point out, the matter has been sitting here for several weeks. The nomination—I have forgotten the exact date, I cite it in my opening statement, on which the nomination was submitted to the Committee. I believe it was on June the 24th and it is now well into September. And, of course, there have been a lot of reasons why we have taken time. We wanted to get everything we could get from the Special Counsel. We do have several witnesses on Thursday—seven witnesses, in fact—several of whom have indicated to us for some time that because of their travel plans, that they are available to us on Thursday but not on Friday. Some of them are not going to be available for 2 or 3 weeks because they have plans to be out of the country.

I do not want to lose the opportunity to get the testimony of those witnesses. Several of them are witnesses that Members of this Committee have requested. Simply, my hope is that once we have heard all of the witnesses, if either Members of the Committee, or if the nominee, or both, wish to have additional testimony, we will have that opportunity.

But my hope was since we will be recessing at 5:00 tomorrow because of Yom Kippur and not in session on Wednesday, I was simply hopeful that we might be able to finish, for the sake of continuity, the initial questioning of the nominee before we break for these other witnesses that we have scheduled on Thursday. Then, there will, of course, be an opportunity to come back to that.

We have, also, the questions on intelligence we have to have in closed session on Friday. I have already said it looks unavoidable to me that we will be back the following Tuesday of next week, the next Wednesday, next Thursday, to take up some matters of intelligence sharing and some other issues related to Iraq and other countries.

So that is the reason. As I have said, we will go on as long as we need to go on to do our job properly. But I just felt that in terms of the initial questioning of the nominee, it might be helpful to keep our train of thought going and not to have the continuity of it interrupted. And Thursday, we really do have to interrupt for these other witnesses.

Senator METZENBAUM. I understand the Thursday situation. But I do have the feeling, Mr. Chairman, that it is going to be difficult to conclude the hearings by tomorrow night at 5:00—that is, the inquiry.

Chairman BOREN. The initial inquiry of Mr. Gates?

Senator METZENBAUM. I think so. I expect to have several hours of inquiry.

Chairman BOREN. I had understood that you might have 2 or 3 hours. And I have had one or two other Members of the Committee say they would have more than $\frac{1}{2}$ hour. Most of the Members of the Committee apparently will have $\frac{1}{2}$ hour. So it is possible, if we go on another 2 hours tonight we would finish the rounds of 30 minute questions by approximately noon tomorrow, which would leave another probably 4 hour time block before 5:00 tomorrow afternoon.

Now, if we do not finish at that time, we just do not finish. And we obviously will come back. As I have indicated all along, every Member of this Committee—and that certainly includes my friend from Ohio as he well knows—will have every opportunity to ask any questions that they want to ask. These hearings are not going to be completed until all of the Members of this Committee have a chance to ask not only this witness but others all the questions they want to ask.

Senator METZENBAUM. Is it the plan that each Member will take $\frac{1}{2}$ hour in the first round? Is that the Chair's—

Chairman BOREN. That would be the plan, and then we would come back. If we, for example, were to finish up most of the questioning by the other Members of the Committee, say by noon tomorrow, and there were one, or two, or three Members of the Committee that wanted to go on for, say, an hour or 2 hours or whatever time period, we would then just go into that questioning at that time and see when it is that we complete.

But on Thursday, we really do—we have Mr. Polgar, we have Mr. Fiers, we have Mr. McMahon—

Senator METZENBAUM. I understand the Thursday situation.

Chairman BOREN [continuing]. Mr. Inman and all of these others that have been scheduled. And several of them have told me that they are going to be out of pocket, some of them, for some time. So that is the only reason I was hoping to keep our train of thought going while we are making progress here.

Senator CHAFEE. Well, Mr. Chairman, there is a thought brooding on this side which is that we will give up our time tonight to let the Senator from Ohio just keep going straight, keep going his 2, 3, 4 hours that he wants to question.

Senator METZENBAUM. I have no problem with that.

Senator CHAFEE. Now, I am not sure the rest of us will all be here to hear the answers.

Senator METZENBAUM. But I will stay to hear the line of inquiry. I would want him to be present so that I might enlighten him.

Chairman BOREN. I would feel lonely if the Senator from Rhode Island were not here with the Chair.

Senator CHAFEE. Well, do not count on it. Seriously, I mean if the Senator from Ohio says he has 2 or 3 hours of questioning—

Chairman BOREN. Let me ask this. The Senator from New Jersey has indicated to me that he will probably have a somewhat more prolonged questioning as well. I do not know if it is more like an hour or how much. But we could proceed with that in the morning, and then we could proceed with the other rounds.

Senator RUDMAN. Mr. Chairman, I was just going to inquire as to what the Chairman had found out from the various Committee

Members. How much questioning do we have, exclusive of what we know the Senator from Ohio wishes to question?

Chairman BOREN. We have, I would say, approximately 30 minutes from all the other Members of the Committee who have not yet asked questions. I have about 30 minutes of additional questions that from a Committee's institutional responsibility point of view, need to be asked on one or two of the other Iran-Contra issues.

So that the record is clear, we have the Senator from Ohio who estimates may be——

Senator METZENBAUM. Mr. Chairman, let me make this clear. I think there is probably no more important nominee that is going to come before the Senate than Mr. Gates this year. We are hearing a Supreme Court nominee. I think that is extremely important. But I do not think that it is any more important than this one. And I am not talking about 2 or 3 hours because I want to drag it out. There is no purpose in doing that. The thrust of my inquiry to the Chair is that I think we ought not to be under any pressure. I think we ought to be able to explore fully. I think that Mr. Gates' comments this morning as to his sense of responsibility about some things that had happened certainly places a little bit different light on some matters.

But it is as if the Senator from Ohio had some——

Chairman BOREN. No, no——

Senator METZENBAUM [continuing]. Insidious purpose in wanting to ask questions. I know what it is to filibuster on the Floor, and I have no intent to filibuster, or anything. I just think there is a responsibility——

Chairman BOREN. I understand and I want to make it clear that I, for one, and I do not think the other Members of this Committee would either, for a minute, question the motivation of the Senator from Ohio in wanting to ask these questions, other than just his determination to be thorough, and doing his job.

As I said in the beginning, these hearings are going to have two attributes, I hope, and that is fairness and thoroughness. And as far as I am concerned, we have not done our job and completed our work as long as there are Members of this Committee who sincerely have questions that they feel should be answered.

This Senator certainly did not hurry himself in the opening questions that I asked. I think it would have been wrong for me to have done so. So I want to make it clear that there will be no one cut off from an opportunity on this Committee nor will anyone's motives be questioned. We all take this very seriously. This is a critical post in the Government. I think the nominee understands our responsibilities as well. But I would suggest that if the other Members would be agreeable, it might be helpful, when the Senator from Ohio begins his questioning, that we allow him to go ahead and continue as he wishes rather than, say, making him do 30 minutes, come back and begin a line of questioning again.

Senator METZENBAUM. I will do whatever the Chair wants to do.

Chairman BOREN. Would that be agreeable after we have Senator Nunn and Senator Warner?

Senator CHAFEE. That is agreeable to me. He can have my ½ hour.

Senator RUDMAN. I want to assure the Senator from Ohio that he is not going to be questioning to an empty hall. Because I intend to stay here for every minute of his questioning. I am interested to hear what he has to ask. And I am particularly interested in the factual predicates he lays on the Iran-Contra matter.

So I think it is an excellent suggestion. And I think it accommodates the Senator from Ohio, and it accommodates the Committee, and it accommodates the future witnesses. I think it is a splendid suggestion.

Senator MURKOWSKI. I want to add, Mr. Chairman, that Senator D'Amato has agreed to relinquish his time as well to the Senator from Ohio.

Chairman BOREN. I would say to this side of the aisle, after we return we will have Senator Nunn's round of questioning, then Senator Warner. Then we will commence Senator Metzenbaum's round of questioning. We will come back at approximately 7:30. We will see what time we take a break or we might even take the break and then come back and let you begin at that point and move through. Then we can judge how far along we are.

I certainly do not intend to stay until midnight or anything like that. We are not going to stay until an unreasonable hour.

Senator WARNER. There are votes, Mr. Chairman.

Chairman BOREN. There are votes at 6:30.

Senator WARNER. I think therefore, it is a wise thing, after the line-up you announced, that we return at 7:30.

Chairman BOREN. I think that is what we will plan to do.

Senator WARNER. Many of us want to be here for Senator Metzenbaum's and, indeed, Senator Bradley and others.

Chairman BOREN. It is going to be about 6:00 by the time we complete. Why do I not suggest that we have the questioning by Senator Nunn and Senator Warner. And then we will recess until 7:30 at which time we will commence with Senator Metzenbaum.

Now, following Senator Metzenbaum would be normally Senator D'Amato, would it not?

Senator MURKOWSKI. Senator D'Amato has indicated his willingness to give his time to Senator Metzenbaum.

Chairman BOREN. Well, we might want to let Senator D'Amato know that if Senator Metzenbaum does complete tonight with still time for Senator D'Amato, he would either start tonight or in the morning. And then he would be followed by Senator Bradley.

Senator GORTON. Why do you not just make that in the morning?

Chairman BOREN. We will see where we are at that point.

Senator CRANSTON. Mr. Chairman, Members, if they are not aware, should be aware that I believe a vote is scheduled for 6:30 on the Floor.

Chairman BOREN. Yes, I think we have three back-to-back votes at 6:30. We will start at about 7:30, maybe 7:45 if the votes go long on the Floor.

We will take a 5 minute recess and come back for the questioning of Senators Nunn and Warner.

[A brief recess was taken.]

Chairman BOREN. We will resume. Again, I would call to the nominee's attention the fact that his testimony is still under oath in terms of his answers to the additional questions which will be

asked by the Members of the Committee. At this time I will turn to my colleague from the State of Georgia, Senator Nunn, who will begin his questioning. He will then be followed by Senator Warner after which time we will recess until we begin with Senator Metzenbaum's questioning at 7:30.

- Senator Nunn.

Senator NUNN. Thank you, Mr. Chairman.

Mr. Gates, I want to shift your thinking a little bit from the past to the future, particularly relating to your statement in your prepared statement where you cite the need for a remedy to the gap between the 21st century collection systems and the 19th Century system for informing policymakers. I found that to be not only intriguing, but I think very important when we look to the future.

As I understand it, as Director for Intelligence for several years, you were in charge of intelligence assessments, and intelligence assessments are the primary vehicle through which policymakers are informed. So you have a unique perspective on this.

What is it that is lacking now in informing policymakers and what it is you would do to improve that because after all, intelligence is to no avail if policymakers do not have access to it and understand it in a timely fashion.

Mr. GATES. Senator, what I had in mind in my statement this morning is that we have spent a great deal of money, billions and billions of dollars on collection systems, particularly technical collection systems that can deliver information to us in real-time or near real-time.

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, other than in crisis situations, 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.

It seems to me that this is an area where in the new age we need to be more supportive of the policymaker and his needs throughout the day. And what I have in mind is a proposal that I made, and that failed, in the mid-1980's 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 all around the world, and where it would be integrated so there could be maps and photographs and so on. So that it is provided not just when it is convenient to the agency or the intelligence organizations, having been developed overnight or the preceding day, the policymaker at his convenience during the course of the day could receive continually updated information.

I think that we have not, frankly, taken sufficiently into account in the intelligence business the implications of the arrival on the scene 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.