

Arms for Hostages (1985-1986)

“President [Reagan] said he could answer charges of illegality but he couldn’t answer charge that ‘big strong President Reagan passed up chance to free hostages.’”

Record of meeting as recorded by
Defense Secretary Caspar Weinberger

What was the official U.S. policy toward Iran before 1984, and how was it quietly challenged?

Publicly, the Reagan administration practiced isolation: no negotiations with Tehran or kidnappers after the 1979 hostage crisis; Iran on the terrorism list; strict arms embargo; and a pro-Iraq “tilt” enforced via **Operation Staunch** to choke off third-party sales. An October 1984 State review concluded rapprochement was impossible while **Ayatollah Khomeini** remained. Privately, some officials feared total estrangement would forfeit influence in a post-Khomeini succession and risk Soviet inroads. By late 1984, tentative, deniable “outreach” concepts surfaced around intermediaries like **Manucher Ghorbanifar**, testing whether hostages might be traded for concessions—ideas senior policymakers initially resisted but did not fully extinguish.

What events in 1984 heightened pressure to reconsider Iran policy?

A cascade of shocks made the status quo feel untenable. In March 1984, **Hezbollah** kidnapped CIA station chief **William F. Buckley**; intelligence on his torture haunted Washington and created a visceral humanitarian imperative. September’s bombing of the U.S. Embassy annex in Beirut underlined Iranian proxy reach. Meanwhile, the **Iran–Iraq War** ground on, raising fears that more Americans might be seized and that Iran’s isolation could harden irreversibly. Covert rescue ideas faltered, yet the captive count grew into early 1985. Together, these pressures forced an internal reckoning: could rigid refusal to deal with Tehran’s channels still be defended if American lives might be saved?

What were the two opposing viewpoints in the U.S. policy debate in 1985?

One camp—**CIA Director William Casey** and **National Security Adviser Robert “Bud” McFarlane**—urged a strategic opening tied to hostage release, arguing Iran’s wartime desperation created leverage to empower “moderates,” pry Tehran from Moscow, and free Americans by using limited arms as inducements. The other—**Secretary of State George Shultz** and **Secretary of Defense Caspar Weinberger**—warned arms-for-hostages would reward terror, invite more kidnappings, violate U.S. law and embargo policy, and signal allies that Washington was breaking its own boycott. They doubted moderates existed, insisting any weapons would fuel the front against Iraq. Their prescription was to uphold the embargo and find non-ransom avenues.

4) How did President Reagan's turmoil and Israel's role shape the mid-1985 decision?

Torn between vows against ransom and anguish over hostages, **President Reagan** was intrigued by an Israeli-facilitated channel promising both leverage and releases. **Israel**, pursuing its own strategic calculus, relayed that Iranian intermediaries sought **TOW** missiles and “political discourse.” After a contentious **August 6, 1985** meeting, Reagan privately signaled he would not block modest Israeli shipments and would **replenish** stocks, despite Shultz and Weinberger’s objections. Israel sent 96 TOWs on August 30 and 408 more on September 14; **Reverend Benjamin Weir**’s release on September 15 appeared to validate the approach. Though incomplete, that payoff tilted Reagan toward continuing the initiative.

5) What happened at the December 7, 1985 meeting, and why did ambiguity persist?

At the White House residence, Reagan gathered principals to decide whether to continue arms-for-hostages after a botched **HAWK** shipment produced no releases. **Shultz** and **Weinberger** argued it was illegal, immoral, and counterproductive; Weinberger’s notes captured Reagan’s retort that he could “answer illegality” but not the charge he passed up a chance to save lives. The session ended without “marching orders.” Lacking an explicit stop, **Admiral John Poindexter** and the NSC staff read silence as leave to proceed, preserving the channel and the underlying ambiguity.

How did the initiative become an official covert operation in early 1986, and what was the Finding’s significance?

With **Poindexter** succeeding McFarlane, Reagan convened another meeting and decided to proceed, overruling Shultz and Weinberger. On **January 17, 1986**, he signed a classified **Presidential Finding**, authorizing a CIA-run covert action to transfer arms directly from U.S. stocks in exchange for hostages and “strategic dialogue.” The Finding retroactively blessed prior shipments, shifted responsibility from Israel to the United States, and—crucially—was not promptly briefed to Congress, skirting normal oversight. The decision formalized a small, compartmented operation under Poindexter, **Oliver North**, and Casey. Only one more hostage was freed; others were seized, deepening entanglement.

7) What was the “diversion,” and how did it link two covert operations?

The “diversion” secretly funneled profits from Iran arms sales to the **Contras** in **Nicaragua**, reuniting two otherwise separate covert campaigns. After Congress restricted Contra aid under the **Boland Amendment**, **Lt. Col. Oliver North** and **Poindexter** saw margins—enhanced by middlemen like **Ghorbanifar**—as a workaround to finance the insurgency. Though not openly debated in 1985 policy councils, the mechanism matured in 1986 as shipments continued. The scheme compounded legal risks: arms-for-hostages violated declared policy and potentially U.S. law; diverting proceeds evaded congressional appropriations. The financial pipeline became the scandal’s fulcrum, revealing a parallel foreign policy run outside statutory controls.

8) What did investigations conclude, and what lasting lessons emerged?

The **Tower Commission** and **Joint Congressional Committees** found the administration

pursued contradictory policies—public isolation of Iran versus secret engagement—and relied on secrecy, deception, and disdain for legal constraints. They concluded **President Reagan** ultimately authorized the arms initiative despite Shultz's and Weinberger's objections, while a tight NSC–CIA circle bypassed interagency process and congressional oversight. Legality was questioned under the **Arms Export Control Act** and **Boland**; several officials were indicted or convicted. Strategically, few hostages were freed and new ones appeared, validating warnings that ransom breeds more kidnappings. The affair stands as a cautionary tale on covert workarounds, process failure, and subordinating law to urgency.

Timeline

- **Early 1980s–Oct 1984:** U.S. policy = **isolate Iran** (Operation Staunch); **Oct 1984** State review says no rapprochement before **Khomeini's** departure.
- **Mar–Nov 1984:** **Buckley kidnapped** (Mar 16); **Beirut annex bombed** (Sept); **Nov 22** Shultz rejects **Ghorbanifar** ransom offer.
- **Late 1984–June 1985:** **Casey/McFarlane** seek an opening; **May 17, 1985** Fuller memo backs **limited arms-for-influence**; NSC drafts NSDD to resume **limited sales**.
- **July–Sept 1985:** Israeli channel begins: **July 3** Kimche–McFarlane meet; **Aug 30** 96 TOWs; **Sept 14** 408 more; **Sept 15** Rev. Weir released.
- **Nov–Dec 1985:** **HAWK** shipment fiasco (Nov); **Dec 7** White House showdown—**Shultz/Weinberger** warn illegality; policy left ambiguous; **McFarlane resigns**.
- **Jan 1986:** **Poindexter** (NSA) & **North** drive plan; **Jan 6/17** Reagan signs covert **Finding** authorizing CIA arms sales (Congress not notified); **Jan 7** meeting: Reagan backs **4,000 TOWs** deal.
- **Feb–July 1986:** **500 TOWs** shipped (Feb); **McFarlane's Tehran trip** with Bible/cake (May) fails; **Fr. Jenco released** (July). **Profits diverted to the Contras**; only **three** hostages freed as more are taken.
- **Nov 1986:** Lebanese weekly **Ash-Shiraa** exposes the operation.
- **Feb 1987:** **Tower Commission** details the process, objections by Shultz/Weinberger, and Reagan's approvals.
- **Nov 1987:** **Joint Congressional Report** condemns **secrecy, deception, and legal bypass**, including diversion of funds and continued arms despite unmet hostage releases.

SUBJECT: Toward a Policy on Iran

MEMORANDUM FOR: Director of Central Intelligence; Deputy Director of Central Intelligence

FROM: Graham E. Fuller, National Intelligence Officer for NESA¹

DATE: May 17, 1985

CLASSIFICATION: SECRET

1. The US faces a grim situation in developing a new policy toward Iran. Events are moving largely against our interests and we have few palatable alternatives. In bluntest form, the Khomeini regime is faltering and may be moving toward a moment of truth; we will soon see a struggle for succession.² The US has almost no cards to play; the USSR has many.³ Iran has obviously concluded that whether they like Russia and Communism or not, the USSR is the country to come to terms with: the USSR can both *hurt* and *help* Iran more than the US can. Our urgent need is to develop a broad spectrum of policy moves designed to give us some leverage in the race for influence in Tehran.
 - The specter of the US and the USSR standing on the same side of a major international strategic conflict, like the Gulf war, is extraordinary.⁴ It is also an unstable situation and cannot persist for long. We are both on Iraq's side because we lack our preferred access to Iran. Whoever gets there first is in a strong position to work towards the exclusion of the other.
 - Our intelligence continues to monitor Soviet progress toward developing significant leverage in Tehran. We must monitor that progress—but we also already know where Moscow wants to go and that it will devote major resources to claiming this important prize.⁵ Even if Moscow's progress is uneven, we need to develop a strategy in response.
2. *The Twin Pillars of US Policy.* US policy at present comes down to two major pillars.
 - We will respond with force directly if Iran should undertake another terrorist outrage against the US.⁶
 - We seek to choke off all arms supplies to Tehran wherever possible.⁷
3. *Terrorist Attack.* We can and must have some policy against terrorism. We must also recognize that this cannot represent the bulk of our policy toward Iran. Furthermore, radical forces in Tehran may welcome a direct confrontation with the US—including US military retaliation—in the hopes of replaying its extraordinarily successful gambit against the US in the 1979 hostage crisis.⁸
 - During that crisis the radicals galvanized the Iranian atmosphere, polarized all views, rendered the moderates irrelevant, and proceeded to eliminate them in the supercharged

atmosphere of confrontation.

These radicals may seek to do so again in the expectation of doing away with any opportunity the conservatives may have to reach accommodation with the US. Furthermore, a strike against Iranian military facilities will serve to alienate the one source which might just still be sympathetic toward the US—the regular armed forces.⁹ While we cannot allow terrorism to go unchecked, we must balance the terrorist policy against the potential stake in Iran.

4. *Choking off Arms Supplies.* There are good reasons to seek to choke off Soviet arms supplies to Iran.¹⁰ It may be one way of bringing an end to the war which only Iran seeks to perpetuate. If the policy is successful, however, it could also have the effect of driving Iran into a corner where the Soviets will be the only option left.
 - We first raised (about 18 months ago) this theoretical possibility of Soviet opportunity stemming from the US arms embargo.¹¹ The possibility is no longer theoretical. Iran has, in fact, now begun moving toward some accommodation with the USSR. Meanwhile, the USSR can afford to play it cool and set its own terms, relatively confident that the US cannot steal a march on it.
5. These two pillars of US policy—both sensible while Iran was in a vacuum and Khomeini was strong—can no longer serve as the primary vehicle for US policy toward Iran. Both are entirely negative in nature and may now serve to facilitate *Soviet* interests more than our own. We must develop a more positive set of plans involving a much broader spectrum of considerations and actions.
 - It is easy to criticize our present position, and I do not mean to suggest that any easy answers exist. It is imperative, however, that we think in terms of a bolder—and perhaps slightly riskier—policy which will at least ensure greater US voice in the unfolding situation. Right now—unless we are very lucky indeed—we stand to gain nothing, and lose more, in the outcome of developments in Iran, which are all outside of our control.
6. *Some Broader Policy Considerations.* Nobody has any brilliant ideas about how to get us back into Tehran. Nearly all tentative proposals require uncomfortable choices and clear-cut downsides. Nonetheless we need to review a broad spectrum of ideas. I submit below a range of thoughts, carrots and sticks—all of which are flawed—but which might assist in sparking better and more refined positions to meet our needs.
 - a. *Work with Iraq to bring Tehran to its knees.* We could consider moving much closer to Iraq to bring the war to a quicker end—particularly by way of encouraging crippling attacks on Kharg Island and key Iranian economic facilities.¹² This would serve to put intolerable pressure upon the regime, perhaps damaging the hardliners, maybe even leading toward the collapse of the clerics. It would probably bring the war to a de facto

conclusion. *Disadvantage*: We have no knowledge about who would emerge victorious from such smashed politics; it could well be radical elements filled with hatred of the US. The radicals have most of the guns. It might ensure Tehran's rapid accommodation with Moscow.

b. *Open up Iran to friendly state influence*. We could tell all our European allies, as well as Israel, Turkey, Pakistan, China, Japan, Brazil and Argentina that Western influence must develop a paramount position during this critical period in Iran. We would remove all restrictions in sales—including military—to Iran. Our only proviso would be the request that truly strategic items which could immediately affect the conduct of the war be avoided. (In fact, in the short term, few items would really reverse the course of the war.) Such a step would effectively preclude Iran turning to or needing the USSR. Iran's diminished isolation might encourage the emergence of Iran's moderates into a greater policy role. *Disadvantage*: Possible encouragement for Iranian perpetuation of the war.¹³

c. *Go after Iran's radical allies*. While direct US assault against Iran could bring about the very thing we wish to avoid, i.e. Soviet domination of Iran, direct attack on Iran's radical allies, Syria and Libya, would probably sober Iran and weaken its support from those quarters.¹⁴ It would be a clear blow to the “radical entente.” Qadhafi in particular is a key figure.¹⁵ We have every reason in the world to want to see Qadhafi collapse. Bold US policies leading to his downfall would have chilling effect on Iran and shake its confidence that the correlation of radical forces was with them. (Pressure on Syria would have less effect and could ideally only come from Israel—which is hardly interested in a confrontation with Syria at this point.) This “indirect strategy” would demonstrate US resolve against radicalism without directly pushing Iran in the wrong direction. Unlike Iran, we have nothing to lose in Libya and everything to gain.

d. *Battening down the hatches in Turkey and Pakistan*. Assuming that we may be heading for a major Soviet gain in Iran, we may need to greatly step up our ties with Turkey and Pakistan. Turkey is at the heart of US ability to respond to any future Soviet military action against Iran.¹⁶ Both countries would be profoundly affected by an Iranian lurch in the Soviet direction. Turkey and Pakistan are the next two states high on the Soviet list for neutralization. Turkey is even more important than Pakistan because of its NATO ties, control of the Bosphorus, and contiguity with the Soviet Union. These states must be reassured that we are deeply committed to their support even if we cannot control a negative course of events in Iran. The relative importance of Turkey over Greece hardly needs mention.¹⁷

e. *Getting the message through to Tehran*. Most analysts believe that nearly all elements in Iran are convinced that the US is implacably hostile to the Iranian regime. In the ugly

atmosphere generated by Iranian terrorism and the war, the US has felt it inappropriate to address words of reconciliation to Iran in general. There is room for such broad, public statement on a regular basis to ensure Iranian moderates—and opportunists—that we are not dedicated to the overthrow of the Islamic Republic or the collapse of Iran. This in itself helps play against the barrage of propaganda from the top Iranian leadership which wishes to portray the US as the implacable enemy. The hostage crisis is far past and anti-American mob scenes are less exhilarating for the Iranian public than they were in the heady days of the new Republic.¹⁸

f. *Massive reassurance to Iran of US intentions.* Mere words may not be enough to change the tide of moderate opinion and belief in Iran about the US. We could reemphasize this issue strongly if coupled with demonstrations of goodwill through withdrawal of the Sixth Fleet from the vicinity of the Persian Gulf and placing the US military presence in the Gulf on very low profile.¹⁹ *Disadvantage:* We might persuade Iranian radicals that we had given up, or were paper tigers, or both. Our Arab allies might lose confidence. On the other hand, such gestures could be quickly revoked if Iran itself were not forthcoming or if the danger level rose. In any case, there are major benefits in making a series of positive gestures toward Iran indicating basic goodwill—even if not immediately reciprocated by Iran. The non-radicals will get the message.

g. *Bargaining with the USSR.* We have little leverage here. However, the USSR in its public statements constantly stress that the US is bent on placing Pershing missiles in Israel, Pakistan and Turkey.²⁰ In theory these are bargaining chips which could be “given away” at no cost in exchange for some “understanding” over Iran. The main problem is that we can hardly warn the Soviets against establishing better ties with Tehran, or even supplying arms to Tehran. These are not belligerent acts in and of themselves and our major problem in Iran is not Soviet invasion itself but rather support to radical forces who might move the country closer to Moscow.

7. On reflection I believe that the option most constructively oriented is that of inserting Western allies and friends into Tehran quickly through the arms door.²¹ It would need broad support by all and then less “positive” follow-up. Arabs will be less happy—especially Iraq. But Arabs would not be as threatened by Western presence as they would be with Soviet presence. Arabs would not object to better Western ties in Tehran if it leads to moderation.
 - The risk of perpetuating the war is there. But the Western card is easily undertaken and can be coupled with other US positive gestures discussed above. We need not rule out sticks—especially those against Iranian allies like Qadhafi. Diminished political, economic, and military isolation could have much positive effect on a shaky Tehran regime—especially if some quid pro quo was sought from Iran by our allies in moving into Iran in a big way.

8. Our tilt to Iraq was timely when Iraq was against the ropes and the Islamic revolution was on a roll.²² The time may now have come to tilt back—at least via our allies—to ensure the Soviets lose both attraction and potential access to the clergy.

(Signed)

Graham E. Fuller

Notes

1. **NESA / author role.** The National Intelligence Officer for Near East and South Asia (NESA) supported the National Intelligence Council, providing strategic analysis to senior policymakers across the intelligence community.
2. **Succession anxiety (1985).** By mid-1985 Ayatollah Khomeini was in his mid-80s; uncertainties over succession (eventually Khamenei as Supreme Leader and Rafsanjani as President in 1989) loomed over wartime Iran.
3. **Soviet “many cards.”** The USSR bordered Iran, had a history of influence (e.g., Tudeh links), and could offer arms, trade, and Afghanistan de-escalation quid pro quos; conversely, the U.S. had no diplomatic ties and limited leverage.
4. **“Gulf war” usage.** In 1985 the term referred to the Iran–Iraq War (1980–88), not the 1990–91 Kuwait crisis. U.S. and USSR both broadly tilted toward Iraq to check revolutionary Iran.
5. **Soviet strategy.** Moscow sought to blunt Iranian Islamist anti-Soviet ideology while preventing U.S. re-entry; tools included party-to-party ties, arms via third countries, and selective bilateral openings.
6. **Counter-terror pillar.** After the 1983 Beirut bombings and subsequent attacks, Washington emphasized retaliation/deterrence against Iranian-linked terror, especially through IRGC/proxy networks.
7. **Arms embargo pillar.** The U.S. worked to deny advanced arms to Tehran; in practice, Iran sourced from China, North Korea, Libya, Syria, and the black market; limited Western spares reached Iran covertly.
8. **Hostage-crisis precedent.** The 1979–81 hostage crisis empowered Iranian radicals, marginalized pragmatists, and cemented anti-U.S. narratives—a dynamic Fuller fears could recur if crisis confrontation resumes.
9. **Regular forces calculus.** The Artesh (regular military), distinct from the IRGC, retained some institutional caution toward the U.S.; punitive U.S. strikes risked alienating this potential counterweight to radicals.
10. **Soviet arms to Iran.** Although the USSR largely armed Iraq, it had pathways—direct or indirect—to influence Iran’s military resupply; a total chokepoint risked pushing Tehran deeper toward Moscow for relief.

11. **Embargo side-effects.** U.S. denial policies could inadvertently **concentrate leverage** in Soviet hands if Tehran's alternatives narrowed to **Moscow or its clients**.
12. **Kharg Island.** Iran's main **oil export terminal**; sustained attacks (which Iraq intensified in 1986–87) threatened Iran's revenue lifeline; Fuller notes the coercive appeal but warns of unpredictable post-crisis politics.
13. **"Open up" option.** Inviting **Western/Japanese** commercial-military engagement might dilute **Soviet inroads** and empower **moderates**, but could also **prolong** Iran's war capacity—an explicit trade-off.
14. **Indirect pressure on allies.** Targeting **Libya** or pressuring **Syria** aimed to weaken Iran's **radical network** without direct war with Iran; each carried escalation risks and alliance complications.
15. **Qadhafi focus.** Muammar Qadhafi was a principal **state sponsor of terrorism** in the 1980s (e.g., support to a range of militant groups), making Libya a tempting but risky pressure point.
16. **Turkey/Pakistan buffers.** Turkey (NATO, Straits) and Pakistan (Afghan jihad frontline) were critical **containment** states should Iran tilt toward Moscow; both required reassurance and enhanced cooperation.
17. **Turkey vs. Greece.** Fuller's prioritization reflects **NATO southern flank** logic; Ankara's geography and basing outweighed Athens' role for Iran-contingency planning.
18. **Public signaling to Tehran.** Carefully framed **non-hostile** messaging could undercut hard-liner propaganda and signal to **pragmatists** that Washington seeks accommodation, not regime collapse.
19. **Sixth Fleet / Gulf optics.** The **Sixth Fleet** operates in the **Mediterranean**; U.S. Persian Gulf presence in 1985 was limited (pre-“Earnest Will”), but reducing visible deployments could **lower tensions**—at the cost of **deterrence** and **ally confidence**.
20. **“Pershing in Israel/Pakistan/Turkey.”** A **Soviet propaganda trope**; Pershing II deployment was in **West Germany**, not the Near East. Fuller notes the lack of real U.S. “bargaining chips” beyond dispelling such charges.
21. **Western arms “door.”** The least escalatory, most **reversible** lever: encourage **allied sales/engagement** (short of war-changing systems) to **preempt Soviet dominance** while pairing with U.S. **gestures and sticks**.
22. **Tilt to Iraq.** The U.S. “tilt” included **intelligence sharing**, **credit facilitation**, and relaxed **export controls** to Baghdad (mid-1980s), intended to **balance** Iran; Fuller suggests **rebalancing** via allies to constrain Moscow's appeal in Tehran.

SUBJECT: U.S. Policy Toward Iran

June 17, 1985

SECRET/WITH
TOP SECRET ATTACHMENT⁽¹⁾

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

The Director of Central Intelligence has just distributed an SNIE on "Iran: Prospects for Near-Term Instability," which I hope you have received.⁽²⁾ This SNIE makes clear that instability in Iran is accelerating, with potentially momentous consequences for U.S. strategic interests. It seems sensible to ask whether our current policy toward Iran is adequate to achieve our interests. My staff has prepared a draft NSDD (Tab A) which can serve to stimulate our thinking on U.S. policy toward Iran.⁽³⁾ I would appreciate your reviewing the draft on an eyes-only basis and providing me with your comments and suggestions. I am concerned about the possibility of leakage should we decide not to pursue this change in policy with the President. If you feel that we should consider this change, then I would refer the paper to the SIG(FP) in preparation for an NSPG meeting with the President.⁽⁴⁾

[signed]
Robert C. McFarlane⁽⁵⁾

Draft
NATIONAL SECURITY DECISION DIRECTIVE⁽³⁾

U.S. Policy Toward Iran

Dynamic political evolution is taking place inside Iran. Instability caused by the pressures of the Iraq-Iran war, economic deterioration and regime infighting create the potential for major changes in Iran.⁽⁶⁾ The Soviet Union is better positioned than the U.S. to exploit and benefit from any power struggle that results in changes in the Iranian regime, as well as increasing socio-political pressures. In this environment, the emergence of a regime more compatible with American and Western interests is unlikely. Soviet success in taking advantage of the emerging power struggle to insinuate itself in Iran would change the strategic balance in the area. Turkey, Pakistan and Saudi Arabia would adjust their policies accordingly, most likely to the detriment of U.S. interests.⁽⁷⁾ While we pursue a number of broad, long-term goals, our primary near-term

challenge must be to block Moscow's efforts to increase its influence (now and after the death of Khomeini).⁽⁸⁾ This will require an active and sustained program to build both our leverage and our understanding of the internal situation so as to enable us to exert a greater and more constructive influence over Iranian politics. We must improve our ability to protect our interests during the struggle for succession.⁽⁸⁾

U.S. Interests and Goals

The most immediate U.S. interests include:

- (1) Preventing the disintegration of Iran and preserving it as an independent strategic buffer which separates the Soviet Union from the Persian Gulf;⁽⁹⁾
- (2) Limiting the scope and opportunity for Soviet actions in Iran, while positioning ourselves to cope with the changing Iranian internal situation;⁽¹⁰⁾
- (3) Maintaining access to Persian Gulf oil and ensuring unimpeded transit of the Strait of Hormuz;⁽¹¹⁾ and
- (4) An end to the Iranian government's sponsorship of terrorism, and its attempts to destabilize the governments of other regional states.⁽¹²⁾

We also seek other broad and important, if less immediately urgent, goals.

- (1) Iran's resumption of a moderate and constructive role as a member respectively of the non-communist political community, of its region, and of the world petroleum economy;⁽¹³⁾
- (2) continued Iranian resistance to the expansion of Soviet power in general, and to the Soviet occupation of Afghanistan in particular;⁽¹⁴⁾
- (3) an early end to the Iran-Iraq war which is not mediated by the Soviet Union and which does not fundamentally alter the balance of power in the region;⁽¹⁵⁾
- (4) elimination of Iran's flagrant abuses of human rights;⁽¹⁶⁾
- (5) movement toward eventual normalization of U.S.-Iranian diplomatic, consular and cultural relations, and bilateral trade/commercial activities;⁽¹⁷⁾
- (6) resolution of American legal and financial claims through the Hague Tribunal;⁽¹⁸⁾ and

(7) Iranian moderation on OPEC pricing policy.⁽¹⁹⁾

Many of our interests will be difficult to achieve. But given the rapidity with which events are moving, and the magnitude of the stakes, it is clear that urgent new efforts are required. In moving forward, we must be especially careful to balance our evolving relationship with Iraq in a manner that does not damage the longer term prospects for Iran.⁽²⁰⁾

Present Iranian Political Environment

The Iranian leadership faces its most difficult challenges since 1981. The regime's popularity has declined significantly in the past six months, primarily because of intensified disillusionment with a seemingly unending war, the continued imposition of Islamic social policies on a population increasingly reluctant to accept such harsh measures, and a faltering economy brought on primarily by declining oil revenues. The impact of these problems is intensified by the realization that Ayatollah Khomeini's mental and physical health is fragile, which in turn casts a pall of uncertainty over the daily decision-making process.⁽⁸⁾

Unless the acceleration of adverse military, political and economic developments is reversed, the Khomeini regime will face serious instability (i.e. repeated anti-regime demonstrations, strikes, assassination attempts, sabotage and other destabilizing activities throughout, increasingly involving the lower classes). This condition will sap officials' energies and government resources, intensifying differences among Iranian leaders as the government tries to avoid mistakes that would provoke popular upheaval and threaten continued control.

While it is impossible to predict the course of the emerging power struggle, it is possible to discern several trends which must be accounted for by U.S. policy. As domestic pressures mount, decision-making is likely to be monopolized by individuals representing the same unstable mix of radical, conservative and ultra-conservative factions that now control the Iranian government. The longer Khomeini lingers in power, the more likely the power struggle will intensify, and the greater the number of potential leaders who might affect the outcome of the struggle.

The ultimate strength of various clerical groups and the power of various opposition groups—inside Iran and abroad—are not evident, especially the lack of a leader with sufficient stature to rival Khomeini and his ideas. The most likely faction in a power struggle to shift Iranian policy in directions more acceptable to the West—should their influence increase—are conservatives working from within the government against the radicals. Radicals within the regime, and the leftist opposition, are the groups most likely to influence the course of events in ways inimical to Western interests.

The Iranian regular armed forces (Artesh) represent a potential source of both power and inclination to move Iran back into a more pro-Western position. Representatives of every faction

inside and outside the regime recognize the potential importance of the military and are cultivating contacts with these forces. However, as long as the Army remains committed in the war with Iraq it will not be in a position to intervene in Tehran. The other instrument of state power, the Revolutionary Guard (IRGC), is becoming increasingly fractured. It will probably come apart following Khomeini's death, and might even engage in a major power struggle before then. In any scenario, the Guard will be at the center of the power struggle.⁽²¹⁾

The Soviets are well aware of the evolving developments in Iran. They will continue to apply carrot-and-stick incentives to Iran in the hope of bringing Tehran to Moscow's terms for an improved bilateral relationship that could serve as a basis for major growth in Soviet influence in Iran. Moscow will clearly resist any trend toward the restoration of a pro-Western Iranian government.⁽¹⁰⁾

Despite strong clerical antipathy to Moscow and communism, Tehran's leadership seems to have concluded that improvement of relations with the Soviet Union is now essential to Iranian interests. They do not seem interested in improving ties with us. This Iranian assessment is probably based on Tehran's view of what Moscow can do for—and against—Iran rather than on an ideological preference to conduct relations with Moscow. The USSR already has much leverage over Tehran—in stark contrast to the U.S.⁽¹⁰⁾

Moscow views Iran as a key area of opportunity. The Soviets have pushed Iran to halt attacks on the USSR in the Iranian media, to cease aid to Afghan rebels, to permit the replacement of Soviet diplomats expelled in May 1983, and to end the persecution of the Tudeh Party.⁽²²⁾ In return, Moscow is certain to offer economic and technical assistance, and possibly even military equipment. While they have heretofore balked at providing major weapon systems, the Soviets might relax their embargo if the right political opportunities presented themselves. While Moscow would probably not act in a manner that severely disrupts its relations with Baghdad, given Iraq's dependency on the USSR for ground-force equipment, Moscow possesses considerable room for maneuver in the sense of major openings in Tehran for the establishment of a position of significant influence.

Moscow may also pursue a strategy based on support of separatist movements. The Soviet Union has had ample opportunity to cultivate the ethnic groups that cut across the Soviet-Iranian border. Most ethnic groups are unlikely to challenge the central government in Tehran as long as they fear severe reprisals. But in the areas of Iran adjacent to the Soviet border, the Soviets can provide a security umbrella to protect rebellious ethnic groups from reprisals.⁽²³⁾

The U.S. position in Tehran is unlikely to improve without a major change in U.S. policy. The challenge to the U.S. in the post-Khomeini period will be severe. Any successor regime will probably seize power in the name of Islam and the revolution and can be expected to have a built-in anti-American bias. A more conservative regime, still Islamic, might lessen the emphasis

on revolution and terrorism and could move cautiously toward a more correct relationship with the U.S. On the other hand, radical forces will try to exacerbate anti-American feelings to strengthen their own positions at the expense of the conservatives.

Our leverage with Iran is sharply reduced by the current degree of hostility that springs from the ideology of the radical clergy, especially as it serves their foreign-policy goals. Moreover, the moderate and conservative elements of the clergy may also share the radicals' belief that we are inveterately hostile to the Islamic government, making accommodation with the U.S. impossible. The clerical regime continues to believe that the U.S. has not accepted the revolution and intends to reverse the course of events and install a puppet government. This perception has been reinforced by our restoration of diplomatic relations with Iraq (1984),⁽²⁴⁾ efforts to cut the flow of arms to Iran, and direct threats of military action in retaliation for Iranian-inspired anti-U.S. terrorism.⁽¹²⁾

U.S. Policy

The dynamic political situation in Iran and the consequences for U.S. interests of growing Soviet and radical influence compel the U.S. to undertake a range of short- and long-term initiatives that will enhance our leverage in Tehran, and, if possible, minimize that of the Soviets. Particular attention must be paid to avoiding situations which compel the Iranians to turn to the Soviets. Short-term measures should be undertaken in a manner that forestall Soviet prospects and enhances our ability, directly and indirectly, to build U.S. and Western influence in Iran to the maximum extent possible in the future. Planning for the following initiatives should therefore proceed on a fast and longer-term track. The components of U.S. policy will be to:

- (1) Encourage Western allies and friends to help Iran meet its import requirements so as to reduce the attractiveness of Soviet assistance and trade offers, while demonstrating the value of correct relations with the West. This includes provision of selected military equipment as determined on a case-by-case basis.⁽²⁵⁾
- (2) Strengthen cooperation with friendly intelligence services to improve our ability to act inside Iran, especially to counter clandestine Soviet activities.⁽²⁶⁾ Make explicit U.S. interest in not permitting use of Soviet troops in Iran under any circumstances.
- (3) Increase contacts with allies and friends (U.K., France, Japan, etc.) on the evolution of the Iranian situation and possible means for influencing the direction of change, and be ready to communicate with Iran through these or other countries (e.g., examine utility of asking the Japanese to pass a message to Majlis Speaker Rafsanjani during his July visit to Tokyo).⁽²⁷⁾
- (4) Take advantage of growing political fragmentation by:

- discreetly communicating our desire for correct relations to potentially receptive Iranian leaders;
- establishing links with clerical, Army, leftist and Bazaar leaders; and
- providing support to elements opposed to Khomeini and the radicals.⁽²⁸⁾

(5) Avoid actions which could alienate groups potentially receptive to improved U.S.–Iranian relations.

(6) Respond to Iranian-supported terrorism with military action against terrorist infrastructure in Lebanon as well as Iran.⁽²⁹⁾

(7) Enhance our effort to discredit Moscow’s Islamic credentials with a more vigorous VOA effort targeted on Iran.⁽³⁰⁾

(8) Develop action plan in support of the basic policy objective, both for near-term contingencies (e.g., death of Khomeini) as well as the long-term restoration of U.S. influence in Tehran.⁽⁸⁾

(9) With respect to the Gulf war:

- Continue to encourage third-party initiatives to seek an end to the war;
- Increase military cooperation with Gulf Cooperation Council countries, and bolster U.S. military capabilities in the Gulf area to enable CENTCOM to be fully capable of carrying out its mission; and⁽³¹⁾
- Seek to curb Iran’s collaboration with its radical allies (i.e., Syria and Libya).⁽¹⁴⁾
- Make explicit lack of U.S. hostility to Islam or to the system of the Islamic Republic as long as it eschews terrorism and subversion of its neighbors.

Notes

1. **NIO/NESA.** The National Intelligence Officer for Near East–South Asia served on the **National Intelligence Council**, integrating community analysis for senior policymakers.
2. **SNIE.** A **Special National Intelligence Estimate**—short-fuse, interagency judgments on an urgent topic; here, near-term instability in Iran amid the **Iran–Iraq War**.
3. **NSDD.** A **National Security Decision Directive** was the Reagan administration’s instrument for formal Presidential policy guidance. This draft was staff-level, circulation **eyes-only**.
4. **SIG(FP) / NSPG.** The **Senior Interagency Group (Foreign Policy)**, chaired by State, prepped issues for the **National Security Planning Group** (President, VP, key Cabinet, NSA).
5. **Robert C. McFarlane.** Then **National Security Advisor** (1983–85).

6. **“Gulf war” (1985 usage).** Refers to the **Iran–Iraq War (1980–88)**, not the 1990–91 Kuwait crisis.
7. **Regional ripple effects.** A major Soviet gain in Iran would stress **Turkey (NATO flank)**, **Pakistan (Afghan war neighbor)**, and **Saudi Arabia (Gulf oil)**.
8. **Khomeini succession.** Ayatollah **Khomeini** was elderly and ill; succession planning (eventually **Khamenei** as Supreme Leader, **Rafsanjani** as President in 1989) created policy windows and risks.
9. **Buffer function.** A cohesive, independent Iran limits **Soviet reach** to the **Strait of Hormuz** and Gulf oil fields.
10. **Soviet leverage.** Moscow could offer **trade, arms, Afghanistan quid pro quo**s and exploit Tehran’s isolation; the U.S. lacked ties after 1979.
11. **Hormuz chokepoint.** ~20% of globally traded oil transits the **Strait of Hormuz**; keeping it open is a core U.S. interest.
12. **Terror sponsorship.** U.S. policy in the 1980s attributed attacks (directly or via proxies) to Iran’s **IRGC/Qods networks** in Lebanon and the Gulf.
13. **Reintegration aim.** Long-term goal: Iran as a **non-aligned but non-Soviet** energy producer, moderating OPEC policy and regional conduct.
14. **Afghanistan & radical allies.** The U.S. backed Afghan **mujahideen**; Iran’s ties to **Syria/Libya** underpinned a “radical front” Washington sought to weaken.
15. **War end state.** U.S. opposed a Soviet-brokered settlement and opposed outcomes that dramatically shifted the Gulf balance.
16. **Human rights.** Documented abuses by the Islamic Republic (executions, repression of minorities/opposition).
17. **Eventual normalization.** A distant objective, contingent on major behavior change.
18. **Hague Tribunal.** The **Iran–U.S. Claims Tribunal** (The Hague) adjudicated assets/claims post-1979.
19. **OPEC moderation.** Lower price/production policies align with U.S. economic interests.
20. **“Tilt” toward Iraq.** U.S. policy in mid-1980s included **intelligence sharing**, credits, and export facilitation to Baghdad to balance Iran.
21. **Power centers: Artesh vs. IRGC.** The regular military (**Artesh**) retained some institutional nationalism; the **IRGC** was ideologically revolutionary—both pivotal to any succession contest.
22. **May 1983 expulsions / Tudeh.** Iran expelled many Soviet diplomats amid the crackdown on the **Tudeh** (Iranian communist) Party; Moscow sought restoration of presence/influence.
23. **Ethnic leverage.** The USSR could play on **Azeri, Kurdish, Turkmen, Baluchi** cross-border ties to pressure Tehran (a tool of influence, not necessarily partition).

24. **U.S.–Iraq diplomatic restoration.** Full diplomatic ties restored **Nov. 26, 1984**, reinforcing Tehran’s belief in a U.S. tilt against Iran.
25. “**Allied arms door.**” Encouraging **European/Japanese** economic ties, selective arms/spares (short of war-changing systems) aimed to **preempt Soviet monopolies** on access/leverage.
26. **Intelligence cooperation.** Deepened liaison with **U.K., France, Germany, Turkey, Pakistan, GCC** services to counter **Soviet activities** and better read Iran’s internal scene.
27. **Rafsanjani’s Tokyo trip.** Majlis Speaker Akbar Hashemi Rafsanjani visited **Japan** in **July 1985**, offering a discreet conduit for messages.
28. “**Providing support.**” Any covert aid to Iranian factions would require a **Presidential covert-action finding** under U.S. law (post-**Hughes-Ryan/IOA**), and careful risk assessment (the period soon overlapped the **Iran–Contra** timeline).
29. **Counter-terror response.** The memo countenances **military retaliation** against terrorist infrastructure; 1980s U.S. practice ranged from public warnings to select strikes (e.g., **Libya 1986**).
30. **VOA to Iran. Voice of America** Persian broadcasting sought to undermine Soviet/Iranian narratives and reach Iranian audiences with U.S. positions.
31. **CENTCOM/GCC posture.** Bolstering **CENTCOM** access/agreements with **GCC** states (Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, Oman) prefigured later U.S. Gulf posture (e.g., reflagging, bases).



Robert “Bud” McFarlane

Reactions to the Draft NSDD

1. George Shultz (from his memoirs)

On June 17, 1985, McFarlane circulated a draft National Security Decision Directive (NSDD) proposing a change in our policy toward Iran to involve the “provision of selected military equipment as determined on a case-by-case basis.”¹ I opposed this forcefully, stating in writing that

to reverse our present policy and permit or encourage a flow of Western arms to Iran is contrary to our interests, both in containing Khomeinism and in ending the excesses of his regime. It would seem particularly perverse to alter this aspect of our policy when groups with ties to Iran are holding U.S. hostages in Lebanon. I therefore disagree with the suggestion that our efforts to reduce arms flows should be ended. I cannot agree that the NSDD as drafted should be signed by the President.²

Cap Weinberger was more blunt. He called the proposal “absurd” and said that this would be like “asking Qaddafi over for a cozy lunch.”³

Instead, I proposed another course of action, a two-track policy that would (1) continue to try to restrain arms flows to both Iran and Iraq and to support a mediated end to their war and (2) encourage the Europeans and the Japanese to broaden their commercial contacts with Iran as a means to end Iran’s isolation and offer Iran an alternative to the Soviets.⁴ I heard no more about this proposed NSDD, nor to my knowledge did anyone else at the State Department. I concluded that the matter had been dropped.⁵

2. Caspar Weinberger (from his memoirs)

On June 17, 1985, Robert McFarlane, then national security adviser, transmitted a draft NSDD to Secretary of State George Shultz and to me. In it, a number of well-known points were made about the strategic importance of Iran. Then the proposed NSDD discussed the desirability of opening a “dialogue” and making an effort to reestablish a good working relationship with Teheran—even to the extent of giving Iran arms. There was also apparently a belief that dealing with Iranian “moderates” might bring about the release of some of our hostages.⁶

I felt that this was one of the more absurd proposals yet circulated, and so noted in the margin of my copy, adding that this would be similar to “asking Qaddafi over for a cozy chat.”³ In my formal written reply, I said,

Under no circumstances should we now ease our restrictions on arms sales to Iran. Such a policy reversal would be seen as inexplicably inconsistent by those nations whom we have

urged to refrain from such sales, and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence.⁷

I argued that there were no “moderates” left in the Iranian government, because anyone with “moderate” tendencies had long since been killed by Khomeini and his forces. Secretary Shultz, in a memorandum of his own, also objected sharply to the entire proposal.⁸

Since Secretary Shultz and I heard nothing more about the idea, we assumed it had died. I recall a White House meeting later that summer with the President, Shultz, McFarlane, Don Regan, and either Bill Casey or John McMahon, his deputy. The question of arms deals came up. Again, Secretary Shultz and I argued as forcefully as possible that the whole silly idea would completely violate our accepted policy of not ransoming hostages.⁹ I made the further point that nothing indicated any change in the virulently anti-Western attitudes of Iran’s leadership. Moreover, supplying arms to Iran while urging our friends and allies to honor our arms boycott of the very same country was absurd. Finally, if the President were implicated in a secret deal, future administration policy could be blackmailed by anyone who knew. It seemed to me that the President again agreed with me....¹⁰

When people ask me how the will of the secretaries of state and defense could be so easily subverted, I can say only that people with hourly access to the President, such as McFarlane, could phrase their agenda in the most favorable terms. In addition to this, they could report to the President all manner of “hopeful indications” and generally lead a busy President occupied with many other things (including preparations for the Geneva meeting with Gorbachev) to believe that “progress” was being made and that ultimately our hostages would be released.¹¹

At a January 7, 1986, meeting with the President, Secretary Shultz and I again argued against arms deals with Iran. But this time—for the first time—the President gave me the clear impression that he had approved the idea.¹²

3. Bud McFarlane (from his memoirs)

It's reasonable to ask why these two men [Shultz and Weinberger], who opposed the shipping of weapons to Iran so strongly, did not speak out against the Iran initiative more forcefully and continually. It's not hard for me to imagine the answer.

It is difficult to tell the President that he is wrong. As a Cabinet officer, if you have done it once, you tend to tell yourself: “He knows what I think. Why nag him? He was elected, not I.” The Secretary of State may tell himself that he has an obligation to stay on to tackle the myriad other problems that confront the United States all over the globe. I must say that both Shultz and

Weinberger, and particularly the latter, were deeply loyal to President Reagan and would have done virtually anything for him within the law. They knew that possible successors would not necessarily feel the same way. They profoundly wanted for the President to succeed, they wanted to help him succeed, and they also wanted to share in his success. At the end of the day, this was not a matter of sufficient import to either of them to prompt their resignations. I am sure that if Shultz had threatened to resign, this move would have convinced the President to halt the Iran initiative. But the central responsibility for initiating it was undeniably mine, and I am equally sure that if I had not left the government, as I was soon to do, I could have brought the initiative to a close by orchestrating the persistent resistance of these two Cabinet officers and feeding it into the Oval Office. And so the fault for all that subsequently happened was most heavily my own.

Notes

1. **The draft NSDD's hinge point.** McFarlane's **June 17, 1985** draft **National Security Decision Directive** mirrored interagency ideas circulating in May–June 1985 (e.g., **Graham Fuller's** options) about regaining **leverage in Tehran**, including **selective arms** via allies to blunt **Soviet inroads**. The draft's "provision of selected military equipment" clause was the lightning rod.
2. **Hostages context / no-concessions policy.** In 1985 multiple Americans were held by **Hezbollah/ Islamic Jihad** in Lebanon (e.g., CIA Station Chief **William Buckley**—kidnapped 1984—and others). U.S. doctrine publicly rejected **ransom or concessions**, making any arms overture to Iran—seen as **patron of the hostage-takers**—politically radioactive.
3. **“Qaddafi over for a cozy lunch/chat.”** Weinberger's shorthand equated **arming Iran** with consorting with **Libya's Muammar Qadhafi**, then a premier **state sponsor of terrorism** (U.S.–Libya tensions peaked with the **April 1986** U.S. airstrikes).
4. **Shultz's two-track alternative.** Shultz favored **continuing to constrain arms to both belligerents** in the **Iran–Iraq War** while encouraging **European/Japanese commercial re-engagement** with Iran to reduce **Tehran's isolation** and **Soviet leverage**—roughly the “**open up through allies**” track without arms that some analysts had floated.
5. **Perception that the idea ‘died.’** Both Shultz and Weinberger recount hearing **nothing further** on the NSDD in mid-1985. In practice, covert channels soon **proceeded outside normal interagency processes** (the **Iran–Contra** initiative).
6. **‘Moderates’ and arms-for-hostages.** Proponents (within parts of **NSC**, some **Israeli interlocutors**, and intermediaries like **Ghorbanifar**) argued that engaging **Iranian ‘moderates’** with arms could unlock **hostage releases** and a **strategic opening**—the kernel of the later **arms-for-hostages** scheme.
7. **Strategic-balance risk.** Weinberger's written rebuttal stressed **alliance coherence** and **regional balance**: any U.S. easing would **license others** to sell to Iran, risk **prolonging the war**, and shift capabilities **while Khomeini ruled**.
8. **Convergence of State and Defense.** On this issue **Shultz** and **Weinberger** aligned—rare but

decisive—against NSC staff proposals to **arm Iran**, as later noted by the **Tower Commission**.

9. **No-ransom argument.** The administration’s stated policy rejected **trading arms for hostages**; both secretaries warned that any such move would **invite more kidnappings** and undercut U.S. counter-terror posture.
10. **Secrecy and blackmail concern.** Weinberger feared that a **covert presidentially blessed arms deal** could make the White House vulnerable to **coercion** once exposed—a risk borne out during the **Iran-Contra** revelations (late **1986**).
11. **Access and agenda-setting.** The memo highlights **process**: NSC staff with **frequent presidential access** could shape perceptions with **optimistic reporting** while the President’s agenda (e.g., **Geneva Summit, Nov 1985**) limited bandwidth for dissenting **State/Defense** pushback.
12. **January 7, 1986 turning point.** Weinberger’s note tracks the shift that preceded the **Jan 17, 1986 Presidential Finding**, which authorized a covert initiative to **engage Iranian intermediaries** (and led to the **TOW/HAWK** shipments via Israel and the U.S.)—the formal launch point of the **Iran-Contra** arms transfers, despite State/Defense objections.



Right to left: Shultz, Reagan, Weinberger

The December 7, 1985 White House Meeting

10:00 a.m. to 11:58 a.m.¹

Attending: President Reagan (*in pajamas and a bathrobe*), Chief of Staff Donald T. Regan, Secretary Shultz, Secretary Weinberger, Deputy Director of Central Intelligence John N. McMahon, newly appointed Assistant to the President for National Security Affairs V. Adm. John M. Poindexter, and Robert C. McFarlane (who had just resigned as National Security Advisor on December 4, 1985).²

While no contemporaneous notes were taken, there are three more-or-less contemporary sources:³

A. Secretary Shultz followed his usual pattern of “back-briefing” his close aide, Charles Hill, who in turn made copious notes.⁴ Hill noted that Shultz, Weinberger, and Don Regan strongly opposed the arms transfers, followed by the note, “Against the law.”⁵ McFarlane, Poindexter, and the President are listed as “in favor.” There is a further note: “no decision yet.” There is then a discussion of McFarlane going to London, followed by, “[the President] said American people won’t understand if 4 hostages died because I did not break the law.”⁶

B. Secretary Weinberger discussed the meeting with Richard Armitage, who passed along Weinberger’s recollection to a State Department aide, Arnie Rafel, who in turn briefed Chris Ross (State), who wrote this note reflecting Weinberger’s recollection:⁷

On the legal issue, the President has said that the American people would understand if he broke the law to get the hostages back; they would not understand it if four hostages died because he refused to break the law. The President said, “they could impeach him if they wanted; visiting hours in prison were on Thursdays.” Weinberger pointed out that, in such a case, the President would not be alone.

C. Later, there surfaced handwritten notes made by Weinberger himself. His note of this meeting:⁸

met with President, Shultz, Don Regan, John McMahon, McFarlane, John Poindexter—in Upstairs residence of WH (end of corridor sitting room)—re NSC Iran proposal. President wants to free hostages. Thinks HAWKS + TOWs would only go to “moderate elements in Army” + would help overthrow Iranian govt. I argued strongly that we have an embargo that makes arms sales to Iran illegal + President couldn’t violate it—+ that “washing” transaction thru Israel wouldn’t make it legal. Shultz, Don Regan agreed. President sd. he could answer

charges of illegality but he couldn't answer charge that "big strong President Reagan passed up a chance to free hostages."

Notes

1. **Date/time & venue.** The meeting occurred **Saturday morning, Dec. 7, 1985**, in the **Residence**; it is cited in investigations as the "**pajamas meeting**." It followed the late-November **HAWK shipment debacle**, which had forced urgent policy deliberation.
2. **Transitions at the NSC.** **McFarlane** resigned **Dec. 4, 1985**; **Poindexter** had just taken over as **National Security Advisor**. Their joint presence reflects a **handoff** during an inflection point in the Iran channel.
3. **Lack of official record.** The absence of formal minutes is a recurrent Iran-Contra problem; subsequent reconstructions rely on **personal notes and recollections** assessed for credibility by the **Tower Commission** and the **Congressional committees**.
4. **Shultz–Hill backbriefs.** **Charles Hill**'s contemporaneous note-taking after Shultz briefings became a key **primary source** used by the investigative bodies; the practice was routine in Shultz's office.
5. "**Against the law.**" The objection referenced multiple constraints then in force: the **U.S. arms embargo on Iran** (under **ITAR**/sanctions stemming from **IEEPA** and post-1979 measures); the **Arms Export Control Act (AECA)** limits and **third-party transfer** prohibitions; and, for covert action, the need for a **Presidential Finding** and **congressional notification** under **Hughes–Ryan/Intelligence Oversight** statutes—none of which had yet occurred by **Dec. 7, 1985**.
6. "**American people won't understand...**" Variants of this quote appear in the **Hill notes** and in other accounts; it captures the President's **moral/political framing**: better to risk **legal exposure** than be seen as failing to save **U.S. hostages**.
7. **Armitage–Rafel–Ross chain.** This State Department note reflects **Weinberger's** immediate **after-action recollection** and repeats the **impeachment/visiting hours** line—one of the most cited formulations of the President's **hostage-first** logic.
8. **Weinberger's handwritten note.** His **diary notation** records the President's belief that **HAWKs/TOWs** would reach "**moderate elements in the Army**" (the "**moderates theory**," often tied to intermediaries like **Ghorbanifar**) and **overthrow** the regime—an assumption later judged **dubious**. It also records the **legal argument**: that **routing via Israel ("washing")** would not cure **AECA/embargo** violations without proper **U.S. authorization**.
9. **Immediate operational backdrop.** The meeting came on the heels of a bungled **HAWK** shipment (Nov 24–25, 1985), including mis-shipped items and air traffic irregularities that **exposed** and **embarrassed** the channel, forcing a decision whether to **regularize** (via a **Finding**) or **terminate**.
10. **Covert-action law context.** A **Presidential Finding** formally authorizing support and/or arms was not signed until **Jan. 17, 1986**; thus, at the time of the Dec. 7 meeting, there was **no** duly authorized **covert action** covering **U.S. participation** in transfers.

11. **Policy contradictions.** The meeting starkly displayed the tension between the Administration's **no-concessions counter-terrorism policy** and the **arms-for-hostages** logic pressed by Iran intermediaries—one of the core “**contradictory policies**” later condemned by the **Tower Report**.
12. **Participants' alignments.** The contemporary sources consistently place **Shultz, Weinberger, and Donald Regan** as **opposed**, and **Reagan, McFarlane, Poindexter** as **inclined in favor**—but with **no formal decision** recorded that day.
13. **Legal “washing” via Israel.** AECA §3(d) requires **prior U.S. consent** for **retransfer** of U.S.-origin defense articles by recipients (e.g., **Israel**) to third countries (e.g., **Iran**); without a **Finding** and **consent**, such retransfers would not be lawful—hence Weinberger's point.
14. **Subsequent trajectory.** Despite objections, the channel **continued**, and the **Jan. 17, 1986 Presidential Finding** sought to **retroactively regularize** a version of the effort (authorizing **CIA-facilitated TOW/HAWK transfers tied to hostage releases**), which later became central to the **Iran-Contra scandal**.



Left to right: McFarlane, Reagan, Poindexter

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER [initial] [National Security Adviser]

SUBJECT: Covert Action Finding Regarding Iran

January 17, 1986

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran.¹ The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.²

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention.³ To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the arms relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the providers to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replacements for the stocks that they sell to Iran.⁴ We have researched the legal problem of Israel's selling U.S.-manufactured arms to Iran. Because of the requirement of U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan.⁴ However, there is another possibility. Some time ago Attorney-General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales.⁵ The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.⁶

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed.⁷ The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.⁸

The Israelis are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of five Americans. Both sides understand that all the hostages will be immediately released upon completion of a deal. You have been unable to achieve any success in dealing with Hezbollah; with the course of nearly two years of kidnappings, murders and threats, the overture to Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.⁹

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4,000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1,000 weapons, further transfers would cease.¹⁰

On the other hand, since hostage release is in some respects a by-product of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.¹¹

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding.^{12 13} Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogatives to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.¹⁴

Recommendation

OK NO

That you sign the attached Finding.

Prepared by:
Oliver L. North¹⁵

Attachment
Tab A – Covert Action Finding

[handwritten] 1000 17 Jan 86¹⁶

[handwritten] President was briefed orally from this paper

[handwritten] VP, Don Regan and Don Fortier were present

[initial]

Finding Pursuant to Section 662 of
The Foreign Assistance Act of 1961
As Amended, Concerning Operations
Undertaken by the Central Intelligence
Agency in Foreign Countries, Other Than
Those Intended Solely for the Purpose
of Intelligence Collection¹⁷

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and, due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.¹⁷

SCOPE: Iran

DESCRIPTION: Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government Interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran; (2) obtaining from these elements intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to the strategic region; and (3) seeking the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related material in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain

requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the material for purposes other than that provided by this Finding.¹⁸

The White House
Washington, D.C.
Date January 17, 1986

[signature]
Ronald Reagan

Notes

1. **Israeli interlocutor.** Peres's "special advisor on terrorism" was widely reported to be **Amiram Nir**, who, together with U.S. NSC staff, became a key conduit in **Iran engagements** later scrutinized by the **Tower Commission**.
2. **Israeli strategic calculus (1985–86).** Jerusalem feared that a collapsing Iran could tilt toward **Soviet influence** or empower **radicals**, undermining the regional balance against **Iraq** and threatening Israel's security.
3. **"Moderates" theory.** Proponents argued that **arms + access** could strengthen pragmatists in Tehran; critics at State/Defense doubted such **moderates** existed or could be empowered via covert arms.
4. **Third-party transfer problem.** Under the **Arms Export Control Act (AECA)** and end-use agreements, Israel could **not** retransfer U.S.-origin arms to Iran **without U.S. consent**; hence the memo's search for an alternative mechanism.
5. **Legal pathway via a Presidential Finding.** The memo cites an earlier opinion by **AG William French Smith** that a **covert action finding** could authorize **CIA** arms transfers **outside** normal **FMS/AECA** procedures (reportable to Congress under intelligence oversight laws). Smith had left office in **Feb. 1985**; by Jan. 1986 the AG was **Edwin Meese**.
6. **Economy Act mechanics.** The **Economy Act (31 U.S.C. §1535)** allows interagency transactions; here, DoD would sell **TOW** missiles to **CIA**, which would **retransfer** them covertly to Iran via an **agent**.
7. **Covert Action Finding. A Presidential Finding** under the **Hughes–Ryan/Intelligence Oversight Act** framework was required to authorize covert action; the attached text grants broad authority for **support and arms provision** to Iranian elements.
8. **"4,000 basic TOW."** TOW anti-tank missiles were the centerpiece of the proposed transfer; earlier **Israeli shipments** (Aug–Sept, Nov 1985) had already moved TOWs/HAWK parts to Iran.

9. **Hostage context.** The memo links the plan to the **Beirut hostages** (e.g., **Benjamin Weir**, released **Sept. 1985**) and asserts a subsequent lull in **Shia terrorist attacks**—a central element of the **arms-for-hostages** logic later condemned by investigations.
10. **Sequencing/cessation clause.** The “**1,000 first**” tranche and the promise to **cease** if “all hostages” were not released mirrored the **arms-for-hostages sequencing** that unfolded in 1986.
11. **Strategic opening aim.** The text frames hostage release as a **by-product** of a broader bid to **cultivate Iranian ‘moderates’**, anticipating potential **redirects** of support to other Iranian elements.
12. **Internal split.** **Shultz** (State) and **Weinberger** (Defense) opposed the plan; **Meese** (AG) and **Casey** (DCI) supported it—an alignment reflected in the **Tower Commission**’s later findings.
13. **Casey’s role.** As **CIA Director**, Casey argued that both **short-term (hostages)** and **long-term (strategic opening)** benefits justified the risks and supported the **Finding**.
14. **Withholding Congressional notice.** The memo recommends limiting prior notice to Congress under the **extraordinary circumstances** clause—an issue central to later **congressional oversight** criticism (notice was not provided until the affair became public in **Nov. 1986**).
15. **Oliver North.** NSC staffer **Lt. Col. Oliver North** drafted and managed operational details (financing, logistics, third-country/third-party roles); proceeds from some transactions were later **diverted** to the **Contras**.
16. **Handwritten note (“1000 17 Jan 86”).** Interpreted by investigators as denoting the **initial 1,000-TOW** tranche tied to the **Jan. 17** Finding; the note also records that the **President, VP, Don Regan, and Don Fortier** were briefed orally.
17. **Legal citations.** **Section 662** of the **Foreign Assistance Act** (Hughes–Ryan) and **Section 501** of the **National Security Act** govern **covert action findings** and **congressional notification**; the Finding invokes authority to **limit prior notice** due to “extreme sensitivity.”
18. **Substance and aftermath.** The Finding explicitly authorizes **providing arms** to Iranian elements via **third parties**, formalizing the **arms-for-hostages** architecture; later investigations (**Tower Commission, Congressional/Independent Counsel**) concluded the operation violated administration policy, skirted legal constraints, and precipitated the **Iran-Contra** scandal (exposed **Nov. 1986**).

From George Shultz's memoirs

That Saturday afternoon [November 6, 1986]¹ I mulled over the crisis. "This has all the feel of Watergate," I said. "People close to the president get hooked into something and then start lying because they think they'll never be called to account."² I thought the situation over and over and, as I talked, Charlie Hill carefully wrote down my assessment of where we stood and what we must do.³

- The exposure of this deal has revealed that major aspects of the president's foreign policy constructed over six years have been gravely damaged. If we do not act now, some of his major achievements will not endure. And the morale and structure of his administration could start to collapse.⁴
- After years of work, the keystone of our counterterrorism policy was set: No deals with terrorists. Now we have fallen into the trap. We have voluntarily made ourselves the victims of the terrorist extortion racket. We have spawned a hostage-taking industry. Every principle that the president praised in Netanyahu's book on terrorism has been dealt a terrible blow by what has been done.⁵
- We have assaulted our own Middle East policy. The Arabs counted on us to play a strong and responsible role to contain and eventually bring the Gulf War to an end. Now we are seen to be aiding the most radical forces in the region. We have acted directly counter to our own major effort to dry up the war by denying the weapons needed to continue it. The Jordanians and other moderate Arabs are appalled at what we have done. And our hopes of getting united allied action against Syria have foundered as the allies see us doing precisely what we have relentlessly pressured them not to do.⁶
- We appear to have violated our own laws. Certainly we have corrupted ourselves in the eyes of the law. At this moment there are Israelis and others on trial in U.S. criminal courts for doing what the U.S. government has now revealed itself to be doing.⁷
- Our credibility is shot. We have taken refuge in tricky technicalities of language to avoid confronting the reality that we have lied to the American people and misused our friends abroad. We are revealed to have been dealing with some of the sleaziest international characters around. They have played us for suckers. There is a Watergate-like atmosphere around here as the White House staff has become secretive, self-deluding, and vindictive.²

So it must be stopped. How?

1. A statement by the president is needed reaffirming his policies on terrorism and the Middle East.⁸

2. I am prepared to back the president all the way, with the public, with Congress, with other nations, as having undertaken an effort for humanitarian reasons that we will now close out.

3. The operation must be totally closed out and Ollie North returned to the Marine Corps. Counterterrorism policy will have to be explicitly returned to the management of the State Department.⁹

If this operation is the wrong way to achieve our goals, how do we achieve them?

Iran: There are signs of a new post-Khomeini situation. We have a channel through Yaqub Khan [the Pakistani foreign minister] that can most reliably assess the facts there and the real possibilities for progress.¹⁰ There is an unavoidable geostrategic fact: any Iranian government that wants to stay free of Soviet influence has to turn to the U.S. But in this operation we have put ourselves in the role of petitioners.¹¹

Terrorism: We have been hurt badly, but if we move quickly, we can recover. The fact that Syria has been caught red-handed by the British offers us an immediate objective that can restore allied unity, calm the moderate Arabs, and pressure those holding the hostages who cannot function over time without Syrian acquiescence and help.¹²

But almost every aspect of our foreign policy agenda will suffer unless the president makes the decision now to halt this operation and let me clean up the mess.

Notes

1. **Timing of exposure.** Shultz's Saturday note (Nov. 6, 1986) came three days after the Lebanese weekly **Ash-Shiraa** published the first detailed exposé of the **Iran arms channel** (Nov. 3, 1986), triggering the U.S. crisis that soon broadened into **Iran-Contra**.
2. **Watergate analogy.** Shultz's comparison underscored concerns about **cover-ups, evasions, and legal exposure** inside the White House once the covert program was revealed, echoing patterns from **1972–74**.
3. **Charles Hill notes.** As Shultz's executive assistant, **Charles Hill** regularly produced detailed **back-brief** notes that became key primary sources for the **Tower Commission** and congressional investigations.
4. **Foreign-policy damage.** By late 1986 the administration's positions on **terrorism, the Iran–Iraq**

war, allied cohesion, and legal compliance were simultaneously under strain—threatening Reagan's broader agenda (e.g., NATO unity, Geneva/Reykjavik momentum with the USSR).

5. **“No deals” doctrine & Netanyahu.** The administration had reaffirmed a **no-concessions** policy in the **Vice President’s Task Force on Terrorism (Dec. 1985)**. Shultz references **Benjamin Netanyahu’s edited volumes** on counterterrorism—*International Terrorism: Challenge and Response* (1981) and *Terrorism: How the West Can Win* (1986)—widely cited within the administration as articulations of the principled **no-deals** approach.
6. **Gulf War & Syria context.** “Gulf War” here means the **Iran–Iraq War (1980–88)**; U.S. policy had pressed allies to **deny arms to Iran**. The call for “united allied action against **Syria**” reflected the fallout from the **Hindawi affair** (foiled El Al bombing plot in London, April 1986), after which the U.K. severed ties with Damascus (Oct. 1986) and Washington sought broader sanctions—complicated once U.S. Iran transfers became public.
7. **Legal exposure & parallel prosecutions.** Shultz alludes to contemporaneous U.S. prosecutions for **illegal exports to Iran** (e.g., cases arising from embargo/AECA violations and the “**enterprise** network), highlighting the perceived hypocrisy of the U.S. government engaging in analogous transfers. He also flags exposure under **AECA** third-party transfer rules and **covert action** notification laws (**Hughes–Ryan/Intelligence Oversight Act**).
8. **Damage control.** Shultz pressed for a presidential reset—**reaffirming counter-terror and regional policies**, acknowledging humanitarian motives, and **terminating** the covert channel—to staunch reputational and policy damage.
9. **Back to State on CT.** Shultz’s call to end the NSC-run operation and return **counterterrorism** lead to State’s **Office of the Coordinator for Counterterrorism** (then Amb. **L. Paul Bremer**) sought to restore **process discipline** and interagency oversight.
10. **Yaqub Khan channel.** **Sahibzada Yaqub-Khan**, Pakistan’s foreign minister, intermittently served as a **discreet conduit** for U.S. assessments/messages on **post-Khomeini Iran**, separate from the arms channel run via Israeli and private intermediaries.
11. **“Petitioners” problem.** Shultz’s critique was that **arms-for-hostages** inverted leverage: rather than positioning the U.S. for a **strategic opening** with credible reciprocity, the covert transfers made Washington appear **dependent** on interlocutors and intermediaries.
12. **Syrian “caught red-handed.”** Refers to British exposure of Syrian state involvement in the **Hindawi plot**; Shultz saw swift allied action against **Damascus** as a way to **rebuild unity**, reassure **moderate Arab states**, and indirectly pressure **Lebanese hostage-holders** whose operations depended on **Syrian tolerance/logistics**.

Tower Report (excerpt from findings)

The Tower Commission was announced by President Reagan on November 25, 1986 “to conduct a comprehensive review of the role and procedures of the National Security Council staff in the conduct of foreign and national security policy.” Its report was published on February 27, 1987.¹

WHAT WAS WRONG

The arms transfers to Iran and the activities of the N.S.C. staff in support of the contras are case studies in the perils of policy pursued outside the constraints of orderly process.²

The Iran initiative ran directly counter to the Administration’s own policies on terrorism, the Iran-Iraq war, and military support to Iran.³ This inconsistency was never resolved, nor were the consequences of this inconsistency fully considered and provided for. The result taken as a whole was a U.S. policy that worked against itself.

The Board believes that failure to deal adequately with these contradictions resulted in large part from the flaws in the manner in which decisions were made. Established procedures for making national security decisions were ignored. Reviews of the initiative by all the N.S.C. principals were too infrequent. The initiatives were not adequately vetted below the Cabinet level. Intelligence resources were underutilized. Applicable legal constraints were not adequately addressed. The whole matter was handled too informally, without adequate written records of what had been considered, discussed, and decided.⁴

This pattern persisted in the implementation of the Iran initiative. The N.S.C. staff assumed direct operational control. The initiative fell within the traditional jurisdictions of the Departments of State, Defense, and C.I.A. Yet these agencies were largely ignored. Great reliance was placed on a network of private operators and intermediaries. How the initiative was to be carried out never received adequate attention from the N.S.C. principals or a tough working-level review. No periodic evaluation of the progress of the initiative was ever conducted. The result was an unprofessional and, in substantial part, unsatisfactory operation.⁵

In all of this process, Congress was never notified.⁶

A FLAWED PROCESS

1. Contradictory Policies Were Pursued

The arms sales to Iran and the N.S.C. support for the contras demonstrate the risks involved

when highly controversial initiatives are pursued covertly....⁷

Arms Transfer to Iran

The initiative to Iran was a covert operation directly at odds with important and well-publicized policies of the Executive Branch. But the initiative itself embodied a fundamental contradiction. Two objectives were apparent from the outset: a strategic opening to Iran, and release of the U.S. citizens held hostage in Lebanon. The sale of arms to Iran appeared to provide a means to achieve both these objectives. It also played into the hands of those who had other interests—some of them personal financial gain—in engaging the United States in an arms deal with Iran.⁸

⁹

In fact, the sale of arms was not equally appropriate for achieving both these objectives. Arms were what Iran wanted. If all the United States sought was to free the hostages, then an arms-for-hostages deal could achieve the immediate objectives of both sides. But if the U.S. objective was a broader strategic relationship, then the sale of arms should have been contingent upon first putting into place the elements of that relationship. An arms-for-hostages deal in this context could become counter-productive to achieving this broader strategic objective. In addition, release of the hostages would require exerting influence with Hezbollah, which could involve the most radical elements of the Iranian regime. The kind of strategic opening sought by the United States, however, involved what were regarded as more moderate elements.^{10 11}

While the United States was seeking the release of the hostages in this way, it was vigorously pursuing policies that were dramatically opposed to such efforts. The Reagan Administration in particular had come into office declaring a firm stand against terrorism, which it continued to maintain. In December of 1985, the Administration completed a major study under the chairmanship of the Vice President. It resulted in a vigorous reaffirmation of U.S. opposition to terrorism in all its forms and a vow of total war on terrorism whatever its source.¹² The Administration continued to pressure U.S. allies not to sell arms to Iran and not to make concessions to terrorists.¹³

No serious effort was made to reconcile the inconsistency between these policies and the Iran initiative. No effort was made systematically to address the consequences of this inconsistency—the effect on U.S. policy when, as it inevitably would, the Iran initiative became known.¹⁴ The Board believes that a strategic opening to Iran may have been in the national interest but that the United States never should have been a party to the arms transfers. As arms-for-hostages trades, they could not help but create an incentive for further hostage-taking.^{15 16} As a violation of the U.S. arms embargo, they could only remove inhibitions on other nations from selling arms to Iran. This threatened to upset the military balance between Iran and Iraq, with consequent jeopardy to the Gulf States and the interests of the West in that region.¹⁷ The arms-for-hostages trades rewarded a regime that clearly supported terrorism and hostage-taking.¹⁸ They increased

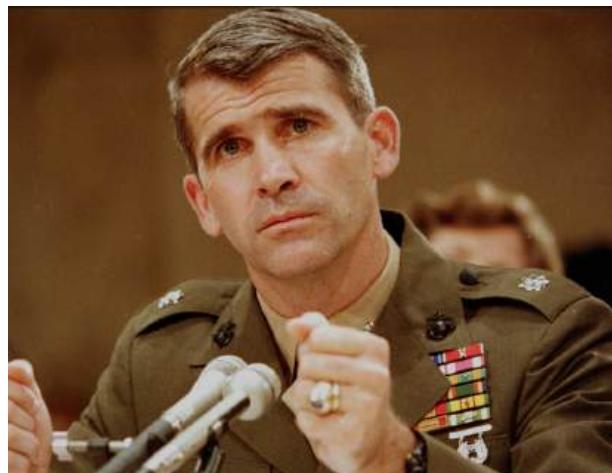
the risks that the United States would be perceived, especially in the Arab world, as a creature of Israel. They suggested to other U.S. allies and friends in the region that the United States had shifted its policy in favor of Iran.¹⁹ ²⁰ They raised questions as to whether U.S. policy statements could be relied upon....²¹

Notes

1. **The Tower Commission.** Formally the **President's Special Review Board**, chaired by **Sen. John Tower** with **Edmund Muskie** and **Brent Scowcroft**, established **Nov. 25, 1986**, reporting **Feb. 27, 1987**, to examine the **NSC staff's role and procedures** in the Iran-Contra affair.
2. **Orderly process & NSC system.** The report faulted deviations from the established **NSC interagency process** (policy development, principals/deputies reviews, documentation) that normally integrates **State, Defense, CIA, Justice** inputs and legal vetting.
3. **Policy contradictions.** The Iran initiative conflicted with: (a) the U.S. **no-concessions** counter-terrorism stance; (b) efforts to keep a **military balance** in the **Iran–Iraq War**; and (c) the **arms embargo** on Iran and pressure on allies to halt sales.
4. **Process & law gaps.** The Board highlighted bypassed reviews, underuse of **intelligence**, and inadequate attention to **legal requirements** (e.g., **Hughes-Ryan/Intelligence Oversight Act** notification, **AECA** third-party transfer limits), and poor record-keeping.
5. **Private network.** Implementation relied on a web of intermediaries (e.g., **Manucher Ghorbanifar**, **Maj. Gen. Richard Secord**, **Albert Hakim**, **Amiram Nir**), with the **NSC staff** assuming **operational control**—a role typically reserved for the **CIA**.
6. **Congressional notification.** The report found **no timely notification** to the intelligence committees as required for **covert actions**; subsequent briefings came only after public exposure (Nov. 1986).
7. **Covert controversy risk.** Pursuing contentious initiatives covertly magnifies risks of **policy incoherence, accountability gaps**, and **blowback** when revealed.
8. **Dual objectives.** The initiative sought both **hostage release** and a **strategic opening** to Iran; using **arms** to serve both aims created internal contradictions.
9. **Financial incentives.** The Board noted the presence of **private profit motives** and **diversions of proceeds** (e.g., to the **Contras**) among intermediaries, which distorted policy execution.
10. **Arms-for-hostages pitfalls.** Tactical hostage deals can **undercut strategic aims** if not nested within a negotiated framework that secures **reciprocal political steps** first.
11. **Hezbollah linkage.** Hostage release required leverage over **Hezbollah**—tied to **IRGC** hard-liners—while the “strategic opening” premise targeted supposed **moderates** in Tehran, pulling in opposite directions.
12. **VP's Task Force on Terrorism (Dec 1985).** The **Bush**-chaired study reaffirmed a strict **no-**

concessions posture and sought improved **interagency counter-terror coordination**, underscoring the contradiction with the Iran initiative.

13. **Allied pressure.** The administration had lobbied allies to **withhold arms** from Iran and avoid **concessions**, so U.S. participation in transfers undercut its own diplomacy.
14. **Anticipating exposure.** The report stresses the failure to **war-game** inevitable **public disclosure** and its consequences for U.S. credibility.
15. **Strategic opening vs. arms.** The Board allowed that a **diplomatic opening** could be in the **national interest**, but **arming** Iran—especially tied to **hostages**—was judged a fundamental **mistake**.
16. **Hostage incentives.** Paying in **weapons** risks **increasing** the incentive for future **kidnappings** by demonstrating efficacy.
17. **Embargo & balance.** Violating the embargo loosened restraints on others, potentially bolstering Iran's capabilities and **shifting the Iran–Iraq balance**, with knock-on risks to **Gulf allies**.
18. **Rewarding a sponsor of terror.** The report deemed the trades **legitimizing and enabling** to a regime implicated in **terrorism** and **hostage-taking**.
19. **Israel perception.** Israeli facilitation of early shipments risked the impression—especially in the **Arab world**—that U.S. policy was being advanced as an **extension of Israeli preferences**.
20. **Signal to allies.** Gulf and other partners could read the arms transfers as a **U.S. tilt toward Iran**, complicating **regional coalitions** and diplomacy.
21. **Credibility costs.** The inconsistency between **public policy** and **secret actions** damaged trust in U.S. assurances—central to alliance management and deterrence.



Oliver North testifying before Congress