



Chapter 15

William J. Casey

William J. Casey served as director of central intelligence from January 1981 until he resigned on January 29, 1987, incapacitated by a brain tumor. Casey had been director of President Reagan's successful 1980 campaign, but his appointment as CIA director was not seen as a political reward. During World War II, Casey had a distinguished record in the Office of Strategic Services, the forerunner of the CIA, serving as intelligence chief for Europe. He also was an experienced Washington hand, having served as head of the Securities and Exchange Commission and as under secretary of state for economic affairs in the Nixon Administration. As CIA director, Casey and President Reagan shared similar world views, at the center of which was their determination to roll back communism and bring about the collapse of the Soviet Union.

The Iran/contra investigations and prosecutions could not have been pursued without developing evidence on Casey's role, particularly guidance or authorization he may have provided in the commission of illegal acts. Because Casey did not have the opportunity to answer questions arising from the evidence, however, Independent Counsel did not conduct his investigation with an eye toward establishing Casey's guilt or innocence.¹

¹ For example, North, at his trial, testified to conversations with Casey. By that time in his investigation, as indicated below, Independent Counsel did not use his resources just to check the truth of some of North's statements.

There is evidence that Casey played a role as a Cabinet-level advocate both in setting up the covert network to resupply the contras during the Boland funding cut-off, and in promoting the secret arms sales to Iran in 1985 and 1986. In both instances, Casey was acting in furtherance of broad policies established by President Reagan.

There is evidence that Casey, working with two national security advisers to President Reagan during the period 1984 through 1986 -- Robert C. McFarlane and Vice Admiral John M. Poindexter -- approved having these operations conducted out of the National Security Council staff with Lt. Col. Oliver L. North as the action officer, assisted by retired Air Force Maj. Gen. Richard V. Secord. And although Casey tried to insulate himself and the CIA from any illegal activities relating to the two secret operations, using there is evidence that he was involved in at least some of those activities and may have attempted to keep them concealed from Congress.

Casey, North and the Contras

There is abundant evidence that President Reagan was determined that the contras be sustained as a viable military force during the period of the Boland cut-off, from October 1984 to October 1986.² When President Reagan was asked in written interrogatories from Independent Counsel whether he authorized Casey, among others, to take action with respect to the contras during the Boland cut-off period, Reagan said the question was too broad to answer specifically. He conceded that Administration policy was to support the contras: "Thus, Administration officials were generally authorized to implement that policy."³

² The Boland Amendment was signed into law by President Reagan as part of Public Law 98-473. It expressly prohibited the use of appropriated funds from being obligated or expended in support of military or paramilitary operations in Nicaragua, stating in relevant part:

During fiscal year 1985, no funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual.

3 Answers of the President of the United States to Interrogatories, In re Grand Jury Investigation, Answer to Question 9 (hereafter, ``Reagan, Grand Jury Interrogatories"). President Reagan stated: ``As I have stated in these Interrogatory answers, it was the consistent policy of my Administration to advocate the support of the Freedom Fighters by the Congress, the American people, and our friends and allies abroad. Thus, Administration officials were generally authorized to implement that policy."

But the President also stated that he never authorized the transfer of CIA contra duties to the NSC and did not recall discussing such a transfer with anyone. The President also stated that he did not authorize anyone to violate the Boland Amendment or other laws in implementing his policy to support the contras.⁴

4 Ibid., Answers to Questions 14-17.

There is evidence that Casey welcomed North's taking over some of the activities done by the CIA prior to enactment of the Boland Amendment. North testified that in the spring of 1984, as CIA funds appropriated by Congress to assist the contras began to run out, he was directed by McFarlane to set up a secret account for the contras to accept Saudi Arabia's \$1-million-per-month contribution. McFarlane directed North to contact Casey to find out which of the contra leaders should receive the contributions and get foreign accounts for the money transfers.⁵

5 North, North Trial Testimony, 4/6/89, pp. 6778-79.

Casey and McFarlane in the spring of 1984 were aware that contra funds were running out and discussed alternative means of financing.⁶ In a March 27, 1984, memo to McFarlane, Casey endorsed McFarlane's plan to seek funding from third countries, including Israel. Casey stated that the CIA was exploring possible contributions from the Israelis and another country.⁷

6 In a June 11, 1984, memo, CIA General Counsel Stanley Sporkin advised Casey that the \$24 million FY 1984 appropriation for CIA assistance to the contras had virtually run out, and told Casey further that under the Anti-Deficiency Act, 31 U.S.C. 1341-1519, sanctions could be imposed directly on CIA officers if spending beyond the \$24 million cap occurred. (Memorandum from Sporkin to Casey, 6/11/84, ER 46099.)

7 Memorandum from Casey to McFarlane, 3/27/84, ER 13712.

At a June 25, 1984, meeting of the National Security Planning Group (NSPG), Casey debated with Secretary of State George P. Shultz the legality of obtaining contra funding from third countries in the face of the Boland restrictions. Shultz declared that White House Chief of Staff James Baker, who was not at that meeting, had said that soliciting aid from third countries might be ``an impeachable offense." Casey insisted that ``[w]e need the legal opinion which makes clear that the U.S. has the authority to facilitate third country funding for the anti-Sandinistas. . . ." ⁸ The following day, Casey and CIA General Counsel Stanley Sporkin met with Attorney General William French Smith and legal advisers from the Justice Department to press for such an opinion, framing the issue in terms of aid from ``other nations in the region." Smith expressed the view that discussions with third countries for such assistance would be permissible as long as it was made clear that the countries must spend their own funds and would not be reimbursed by the United States.⁹

8 Minutes of NSPG meeting, 6/25/84, ALU 007863-76.

9 Memorandum from Sporkin to the Record, 6/26/84, ALV 035917.

While the CIA was, in May 1984, still able to supply, direct, and advise the contras, it was already apparent to the Administration that Congress was going to pass very restrictive legislation, perhaps even an outright ban on contra assistance in the coming fiscal year. North testified that in the spring and summer of 1984, he was instructed on the CIA's contra operation, introduced to the CIA officials with whom he would be dealing and brought together with contra leaders.¹⁰ North said Casey also gave him the names of CIA assets in Central America with whom to work. North said Casey "told me to work with them because they were totally reliable people, that they had worked with the CIA before, that they were people who we could trust in Central America."¹¹

¹⁰ North, North Trial Testimony, 4/6/89, p. 6781-6782:

Through the summer, as a consequence of my having been sent down and meeting with resistance [contra] leadership, having given Mr. McFarlane the accounts to set up funding for them, slowly but surely more and more of that CIA responsibility had been, I suppose, passed on to me. I don't recall that there was any specific break point up until late in the summer where I was finally told, Okay, you have got it all, but it did occur just before the bill [the Boland Amendment] passed into law, having been fought bitterly by the Administration and by some supporters up in Congress. There was finally a point in time where Director Casey set up a number of meetings with me and the resistance, some of them down south in Central America, some in Miami, some in Washington, through he and his people. And basically, what we would call a hand off, just like in basketball, I suppose, you got the ball, go on with it. And certainly that was fully in force by October when the bill was passed.

¹¹ Ibid., p. 6826. Independent Counsel was unable to corroborate North's story.

North testified that at Casey's direction in late summer 1984, he recruited Secord, a retired Air Force major general skilled at clandestine operations, to set up his contra-supply network.¹² According to North, Secord's operation was modeled on prior CIA operations, using a series of organizations to obtain weapons and deliver them to the contras.

¹² Ibid., p. 6815. According to a North computer message, Casey also later approved Secord's involvement in the covert arms sales to Iran, designating him as a CIA agent to serve as an intermediary in 1986. (PROFs Note from North to Poindexter, 1/15/86, 012.) Under the January 17, 1986, Presidential Finding, which Casey and CIA General Counsel Stanley Sporkin helped North put together, the U.S. Army sold the TOW missiles to the CIA, who in turn passed them on to Secord, the unnamed "third party" in the Finding, who then delivered them to Iranian agents.

In late July 1984, Casey took North to a meeting in a Central American location of all of the CIA's senior field officers in the region. "Director Casey told me he wanted me to see them eyeball-to-eyeball and them to see me, so we would know each other in the event, his words were, something went wrong," North said.¹³ North testified that Casey advised him to set up a secret account to accept foreign contributions to the contras so that arms and other purchases would be controlled by him rather than the contra leaders.¹⁴ North testified that at the end of 1984, he also set up an operational account in his office to provide funds for the contra and later the hostage-release operations.¹⁵ North said Casey gave him a ledger to keep an accurate account of the cash and traveler's checks disbursements from the fund. North said he destroyed the ledger in October or November 1986 at Casey's direction when it appeared that the secret contra-supply effort would be publicly exposed following the downing over Nicaragua of one of the operation's aircraft and the capture of crew-member Eugene Hasenfus.¹⁶

¹³ North, North Trial Testimony, 4/6/89, p. 6841.

14 Ibid., 4/10/89, pp. 7267-68, 7273-84.

15 Ibid., 4/6/89, pp. 6841-49.

16 Ibid., 4/10/89, pp. 7138-39. Independent Counsel was unable to corroborate North's testimony concerning the ledger or Casey's instruction to destroy it.

Casey demonstrated his high regard for North as a Central American player by asking Presidential counselor Edwin Meese III in the spring of 1984 to intercede when North was scheduled to be detailed back to the Marines. A Meese notebook entry on May 15, 1984, shows a call from Casey: ``Critical problem g008re Central America: Keep Ollie North from being trf'd back to USMC. Will F [follow up] + call GEN Kelley [P. X. Kelley, Commandant of the Marine Corps]." Although he had misgivings about extending North's tour at the NSC, Kelley agreed to do so.¹⁷

17 Meese Notes, 5/15/84, 55301467 (emphasis in original); Kelley, North Trial Testimony, 4/3/89, pp. 6272-74.

The only testimony linking the President to Casey's purported decision to install North as the action officer for the contras was the hearsay testimony of CIA official Vincent Cannistraro at the North trial. Testifying as a defense witness, Cannistraro described a series of meetings in the spring and summer of 1984 in which he said the ``hand off" to North was effected. Cannistraro said in June 1984 in a meeting in Casey's office attended by Duane R. (Dewey) Clarridge, then head of the CIA's Latin American Operations Division; Joseph F. Fernandez, then an officer in the CIA's Central American Task Force; and contra leader Adolfo Calero, Casey had told Calero that

speaking on behalf of the President of the United States, [Casey] wanted to assure the freedom fighters [the contras] that the United States government would find a way to continue its support to the freedom fighters after the 30th of September, 1984, if the Boland Amendment became part of the operational restrictions against the involvement of the CIA.¹⁸

18 Cannistraro, North Trial Testimony, 4/3/89, pp. 6404-5.

Cannistraro said that Casey explained that North, ``as a member of the National Security Council, would not be subject to those restrictions and that North would be a principal point of reference." <sup>19</sup> Casey said that ``he had discussed this with the President of the United States and that it was agreed with the President that this was how it should be handled." ²⁰

19 Ibid., p. 6405. Casey and President Reagan took the position that the President and the NSC were not covered by the Boland restrictions, an interpretation not shared by Congress or Independent Counsel.

20 Ibid., pp. 6409-10. Independent Counsel was unable to corroborate Cannistraro's testimony.

Aside from North's testimony, the most important evidence of Casey's role in handing off to North the CIA's contra-support operations is testimony from Alan D. Fiers, Jr., chief of the CIA's Central American Task Force.²¹ Fiers was appointed to that position by Casey in late August 1984, about a month before the Boland cut-off became effective. Fiers, following his guilty plea, testified that shortly after he assumed his new position in approximately mid-September 1984, he was called at his home by Clarridge, and was asked to come in to the office. Once there, Fiers was introduced to North by Clarridge. ``He [Clarridge] said, `He's [North] someone you need to get to know. He's got responsibilities at the NSC for Central America and you'll be working with him.' " <sup>22</sup> In early November 1984 Fiers said he was again called into Clarridge's office and told: ``Alan . . . you've got to cooperate with Ollie [North]. Ollie has got special responsibilities here for -- for things in Central America and I want you to work with him." ²³ Fiers said he was concerned that Clarridge's directive

``would draw me into a collaboration with Ollie North that took me beyond the bounds of that [the Boland cut-off] restriction." 24

21 Fiers pleaded guilty on July 7, 1991, to two charges of withholding information from Congress, including facts about secret Government efforts to support the contras during Boland. He was a key Government witness in the trial of Clair E. George, the former deputy director for operations at the CIA. George was convicted on December 9, 1992, of two felony charges of perjury and false statements before Congress. Both George and Fiers were pardoned by President Bush on December 24, 1992.

22 Fiers, George Trial Testimony, 10/28/92, pp. 1254-57.

23 Ibid., pp. 1257-58.

24 Ibid., p. 1261.

Shortly after Fiers reported his concerns about North to Clarridge's successor as chief of the Latin American Division and to Clair E. George, CIA deputy director for operations, Fiers was summoned to a meeting with Casey, George, the new chief of the Latin American Division, and North. Fiers gave this account of the meeting:

. . . the director sort of leaned back in his chair and said, ``Ollie, Alan says you're operating in Central America" or words to that effect. ``Are you operating in Central America?" And then the director said to me, ``Alan, tell Ollie what you told -- what you said." And I was sort of taken aback and kind of rounded the edges off -- softened -- the conversation that had taken place between Dewey [Clarridge] and myself . . . Well, the director then said, ``Now Ollie, I don't want you operating in Central America. You understand that?" And Ollie said, ``Yes, sir. I understand it." 25

25 Ibid., pp. 1263-64.

After the meeting, George told Fiers that he had just witnessed a charade: ``Alan, you've got to understand what happened in there. What we saw was for our consumption. Sometime in the dark of night Bill Casey has told the President: I'll take care of Central America, Mr. President; don't worry about it. And what you saw was essentially for our consumption." Fiers said he replied to George, ``Wow, if that's true and if it blows it will be worse than Watergate." 26

26 Ibid., p. 1264.

To Fiers, the message from George, the third highest ranking officer in the CIA, was clear: North, with Casey's support and direction, was taking on the CIA's role of supplying and advising the contras during the period of the Boland prohibitions.

This message was underscored to Fiers shortly after the ``charade" meeting by two separate incidents. The first involved a request from North for CIA-produced intelligence on Nicaraguan air defenses, which would have been valuable to the contras but which Fiers could not produce under the Boland restrictions. When Fiers declined to produce it, within 24 hours he was summoned to bring the requested intelligence to George's office. Describing the incident, Fiers said: ``I took it upstairs and gave it to him [George] and said, `What are you going to do with it?' And he said, `Never mind, just give it to me.' " 27

27 Ibid., p. 1269.

The second example cited by Fiers involved a policy paper he was asked to write by Casey on what the United States ought to do to advance its goals in Central America. While his task force was in the final process of completing the paper, Fiers said, North called and asked for a copy. After Fiers refused to provide it to North, Fiers got a call from Casey asking him to bring the policy paper to the

director's office in the Old Executive Office Building adjacent to the White House. After working into the night to complete the paper, Fiers gave this account of delivering it to Casey the following morning:

I went down with it and he [Casey] looked at it and he said, ``Now, take it down and give it to Ollie North." And I thought to myself, wow, I just got rolled big time. I took it down and gave it to Oliver North. And I came away with two conclusions: that Ollie North had the ability to work down in my chain of command and to cause to override me if and when I didn't do something.²⁸

²⁸ Ibid., p. 1271.

Casey was aware that North was raising money for the contras. He referred a potential contributor, beer magnate Joseph Coors, to North, explaining to Coors that he, Casey, could not be involved in assisting the contras because of the Boland restrictions.²⁹

²⁹ North, North Trial Testimony, 4/10/89, pp. 7220-21.

Casey, like other Administration witnesses when asked by congressional committees how the contras were managing to prosper during the Boland cut-off period, professed ignorance.³⁰

³⁰ See, for example, Letter from Casey to Hamilton, 8/28/85, ER 11618 (explaining that Casey was not ``in a position to answer in any authoritative way" inquiries whether the NSC was providing support to the contras).

In September 1986, in response to allegations that the CIA had provided \$50 million to the contras over the past two years, Casey replied to the Senate Intelligence Committee: ``The CIA has not provided any assistance whatsoever to support military or paramilitary operations in Nicaragua beyond that which was specifically authorized by Congress in the FY86 Intelligence Authorization Act. This Agency has scrupulously adhered to congressional restrictions in the past and will continue to do so in the future." ³¹

³¹ Letter from Casey to Durenberger, 9/25/86, DDO TS8366-86.

In August 1984 CIA General Counsel Stanley Sporkin determined that a draft version of the Boland prohibition and the subsequent congressional floor debate ``make it clear that this restriction is intended by its sponsors to halt CIA activities supporting the Contras." ³² While strict Agency guidelines were issued to appraise CIA field personnel of this reading, Casey's increased contacts with North show that he did not regard himself as cut off from the contras.³³

³² Memorandum to Sporkin, 8/10/84, DO 182616-13.

³³ Disregarding unrecorded Casey-North meetings and telephone calls, the number of recorded contacts between them is impressive. In 1984, nine meetings with North are noted on Casey's schedule; in 1985, there were six meetings; in 1986, nine meetings are recorded. These do not include group meetings at the NSC or elsewhere where both were present. North and Casey were also in frequent telephone contact. There were numerous phone calls between Casey and North in the fall of 1984, after Boland went into effect. Between October 12 and October 31 they spoke on the phone 12 times and met twice, according to Casey's schedules. Another spurt of contacts occurred in April 1985, when 13 calls with North are recorded on Casey's schedules. According to Casey's official schedules, Casey spoke with North 67 times on the phone in 1984, 54 times in 1985, and 44 times in 1986. Independent Counsel did not attempt to ascertain the substance of these contacts on a meeting-by-meeting or phone-call-by-phone-call basis.

By the late summer of 1986, Congress was prepared to lift the Boland restrictions, put the CIA back fully in play in Central America and appropriate \$100 million in contra assistance. As the CIA

prepared to move back into contra support and the North/Secord Enterprise was preparing to phase out, North attempted to sell the Enterprise's resupply assets to the CIA. North prevailed on George, Deputy CIA Director Robert M. Gates and Casey to intercede on behalf of the Enterprise. Fiers fought North off. "All three times I told each one the same thing, that they were not the right airplanes, they were heavy on maintenance, I didn't want to contaminate the old program with the new program," Fiers said. "They all understood the points . . . there was no argument, they all nodded their head [sic]. And this time Ollie didn't roll me in other words." 34

34 Fiers, George Trial Testimony, 10/28/92, pp. 1333-34.

Casey and the Iran Arms Sales

Casey was an early advocate of finding an opening to Iran. He worked closely with McFarlane, who shared his view that the policy that existed at the end of 1984 was not adequate. The Iran policy then in effect essentially called for direct U.S. response with force if Iran should undertake terrorist attacks against the United States and a U.S.-led international embargo on all arms sales to Iran. The policy was based on a State Department study completed in October 1984, which concluded that the death of Ayatollah Khomeini was a precondition for any improvement in the Iran-U.S. relationship.

In the spring of 1985, reports began filtering back to the CIA that hostage William Buckley, a former CIA station chief in Lebanon, was being tortured. According to former Attorney General Edwin Meese III, Buckley's fate was of special concern to Casey.³⁵

35 Meese, Grand Jury, 11/20/87, p. 83.

In early spring 1985, Casey directed CIA National Intelligence Officer Graham Fuller to draft a paper suggesting a new Iran policy. Fuller, in a May 17, 1985, memorandum to Casey, suggested that the Iranian arms embargo might work against U.S. interests by moving the Iranians, who were desperately seeking arms on the world market to carry on their war with Iraq, toward a closer relationship with the Soviet Union. The Fuller memorandum to Casey, which was circulated as a Special National Intelligence Estimate (SNIE) to the NSC, State and Defense, contained several themes that were later picked up by McFarlane and Casey in support of the arms-for-hostages proposal. The first was that Iran was losing the war with Iraq; second was the notion that encouraging U.S. allies to resume arms sales to Iran would stop an Iranian drift toward the Soviet Union; third was the concept that the "arms door" was an opening which "might encourage the emergence of Iran's moderates into a greater policy role." 36

36 Memorandum from Fuller to Casey and McMahon, 5/17/85, ER 15478-83.

On May 30, 1985, Casey asked in a meeting with Poindexter about the status of a new National Security Decision Directive (NSDD) on Iran. Poindexter replied that the NSC was pulling together a policy paper on Iran.³⁷ Two weeks later in a memorandum to Chief of CIA's Near East Division titled, "Release of Hostages," Casey described a conversation with his personal friend, John Shaheen, about an offer from indicted Iranian arms trader Cyrus Hashemi to set up contact with "leading figures in the Iranian Government." Shaheen had been told the Iranians were interested in obtaining TOW missiles.³⁸

37 Memorandum from McMahon to the Record, 5/31/85, ER 25830-31.

38 Memorandum from Casey to Chief, Near East Division, DO, 6/17/85, ER 15126-27. In the memo, Casey noted Hashemi's claim that Vice President Bush's brother, Prescott, had approached the Iranians. Casey's schedules indicate that Casey received calls from Prescott Bush on March 1, 1985, and May 15, 1985. They are the only calls from Prescott Bush noted in the Casey schedules from 1984 to 1987.

In mid-June 1985, the NSC produced a draft NSDD entitled "U.S. Policy Toward Iran," proposing, among other things, a resumption of limited arms sales to Iran as a means of seeking an opening. It adopted much of Fuller's memorandum to Casey. Casey supported the draft NSDD in a July 18 memorandum to McFarlane, stating: "I strongly endorse the thrust of the draft NSDD on U.S. Policy Toward Iran, particularly its emphasis on the need to take concrete and timely steps to enhance U.S. leverage in order to ensure that the USSR is not the primary beneficiary of change and turmoil in this critical country." Casey did not mention Fuller's "arms door" concept.³⁹ Both Shultz and Defense Secretary Caspar Weinberger strongly opposed the draft NSDD. The opposition of Shultz and Weinberger effectively blocked any formal change in U.S. policy and the draft NSDD was abandoned.

39 Memorandum from Casey to McFarlane, 7/18/85, AKW 00075-79.

While the discussion over whether to use the "arms door" to Iran was taking place, McFarlane was acting. He authorized Michael A. Ledeen, a part-time NSC consultant on anti-terrorism, to ask Israeli Prime Minister Shimon Peres to check on a report that the Israelis had access to good sources on Iran. By early August 1985, Ledeen's talks had led to a direct approach by Israeli officials to McFarlane, to obtain President Reagan's approval to ship U.S.-supplied TOW missiles to Iran in exchange for the release of American hostages in Beirut. McFarlane said he briefed the President, Regan, Shultz, Weinberger, Casey and perhaps the Vice President about the proposal in July and August 1985.⁴⁰ McFarlane said that Casey recommended that Congress not be informed of the arms sales.⁴¹

40 See McFarlane, Shultz, and Defense Department chapters.

41 McFarlane, Select Committees Testimony, 7/14/87, pp. 243-45 ("It seems to me that at the July and August meetings in 1985 with the President and his Cabinet officers that Mr. Casey expressed the view that Congress should not be advised [of the arms initiative], and the President agreed with him, that -- I don't recall any dissent from that position at the time.").

In testimony to the House Permanent Select Committee on Intelligence (HPSCI) on November 21, 1986, Casey said he was first informed about contacts with Iran by McFarlane in the early fall of 1985, after the Israeli shipment of 504 TOWs in August and September.⁴²

42 Casey, HPSCI Testimony, 11/21/86, p. 5.

Charles Allen, the CIA national intelligence officer for counterterrorism, was asked by North in early September 1985 to arrange for collection of intelligence about arms broker Manucher Ghorbanifar, his Iranian contact Mohsen Kangarlu, and their contacts in Lebanon. North said the request was related to a possible release of hostage Buckley.⁴³

43 Allen, Grand Jury, 12/18/87, pp. 19-21.

On September 13, 1985, Allen informed Casey of North's request when he called Casey in New York to tell him that the intelligence reports ordered by North indicated a possible hostage release⁴⁴ and arms transaction. Allen testified that North had directed him to restrict the intelligence reports to McFarlane, North, Casey and his deputy John McMahon, the secretary of defense and his senior military adviser, but to exclude Shultz and the State Department.⁴⁵

44 Hostage Benjamin Weir was released two days later.

45 Allen, Grand Jury, 12/18/87, pp. 22-25, 128-29.

The year-long intelligence effort initiated by North provided a steady stream of information. It included information as to bank accounts and weapons shipments and, beginning in the summer of

1986, references to a price spread between what the Iranians were paying for the equipment and what was being charged by the Department of Defense. Although Casey was among the listed recipients of this intelligence, it is not known how closely he followed the reports. A note from Defense Secretary Weinberger's diary of September 20, 1985, written after Weinberger learned of "strange" reports about an arms-for-hostages swap, indicated that Casey followed at least the early reports: "Called Bill Casey - he too is surprised by [intelligence reports] + suspects Bud [McFarlane] is not telling us all he knows or has promised."⁴⁶ The reports at that time contained information about the Israeli TOW shipments to Iran and the release of hostage Benjamin Weir.

⁴⁶ Weinberger Note, 9/20/85, ALZ 0039671.

Casey and McMahon met with McFarlane and Poindexter on November 14, 1985. According to McMahon's Memorandum for the Record:

McFarlane then briefed on Ollie North's visit to London [Classified Information Withheld] ** [McFarlane then told us about the Israeli plan to move arms to certain elements of the Iranian military who are prepared to overthrow the government].⁴⁷

⁴⁷ Memorandum from McMahon to the Record, 11/15/85, ER 32809-10 (second set of brackets and asterisks in original).

The following morning, Casey had breakfast with Israeli Defense Minister Yitzak Rabin, who was in Washington to learn whether the President still approved the Israeli arms sales to Iran. Later that day, McFarlane assured Rabin of the President's continuing approval.⁴⁸

⁴⁸ McFarlane, Grand Jury, 5/6/87, pp. 34-35.

Casey was on a trip to Asia when the delivery of 18 HAWK missiles from Israeli stocks was finally made on November 24, 1985. The proposed shipment of 80 HAWK missiles ran into trouble when the El Al 747 cargo aircraft that the Israelis had commissioned for the task could not obtain landing rights in a European city. Neither Casey nor his deputy McMahon were available the weekend of November 21, 1985, so Clarridge undertook a series of operations largely on his own -- including granting an NSC request to use an Agency proprietary airline.⁴⁹ When McMahon, on Monday, November 25, learned that a CIA proprietary was involved, he decided a presidential Finding authorizing the covert action was required. He called Sporkin, who agreed that a Finding was necessary.⁵⁰ A Finding drafted by Sporkin the next day described the Iran initiative as a straight arms-for-hostages arrangement.⁵¹

⁴⁹ See Clarridge chapter.

⁵⁰ McMahon, Grand Jury, 9/18/91, pp. 8-12.

⁵¹ Draft Finding, ALV 014320. Sporkin's draft Finding for the President provided:

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

DESCRIPTION

The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the

provision of transportation, communications, and other necessary support. As part of these efforts certain foreign material and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of American hostages.

All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

Casey agreed with the necessity of the Finding and forwarded it to Poindexter the same day, November 26, 1985.⁵² Poindexter testified that the President signed the Finding on December 5, 1985.⁵⁴ Poindexter also testified that he destroyed the Finding on November 21, 1986, after the Iran arms sales had been publicly revealed and Congress was initiating inquiries on the matter.⁵⁵ President Reagan did not recall signing the Finding ⁵³ and no copy of the signed Finding was ever located by the OIC.

⁵² Memorandum from Casey to Poindexter, 11/26/85, AMY 000651-52. Casey directed that it ``should go to the President for his signature and should not be passed around in any hands below our level." The CIA never received a copy of the signed Finding. But in a December 7, 1985, Memorandum for the Record, McMahon noted, ``After repeated calls to NSC personnel on 27 November and during the week of 2 December continuously receiving assurances of the President's intent to sign the Finding, we were notified on 5 December that indeed the Finding was signed." (Memorandum from McMahon to the Record, 12/7/85, ER 32388-89.)

⁵³ Reagan, Poindexter Trial Deposition, 2/17/90, pp. 230-33. When presented with his response to interrogatories posed by Independent Counsel in which he did not deny signing the Finding, Reagan responded that he still did not deny signing the Finding, but simply did not recall it.

⁵⁴ Poindexter, Select Committees Deposition, 5/2/87, pp. 105-07.

⁵⁵ Poindexter, Select Committees Testimony, 7/15/87, pp. 46-48. North said he was present at the time Poindexter destroyed the Finding. (North, North Trial Testimony, 4/12/89, pp. 7616-18.)

The Administration in December 1985 and January 1986 continued to weigh alternatives on how to pursue the Iran arms sales. McFarlane, who resigned as national security adviser on December 4, 1985, had soured on the arms-for-hostages deals and had become skeptical that arms broker Manucher Ghorbanifar and his Iranian contacts were interested in anything except buying additional arms from the United States. This left Casey and Poindexter, who succeeded McFarlane as national security adviser, as the two main protagonists for going forward with the arms deals. Weinberger and Shultz remained opposed. But the President, ever sensitive to the plight of the hostages, seemed willing to be convinced. It was against that backdrop that a second phase of the Iran arms sales began, this time under direct U.S. auspices and control.

Poindexter scheduled a meeting of the President's top national security officials for December 7, 1985, to discuss the future of the Iran arms sales. Casey could not attend. His deputy, John McMahon, described the Agency's negative views of Ghorbanifar's reliability and questioned the existence of a moderate faction in Iran. Poindexter claimed to have Casey's personal proxy in support of the proposal. A follow-up meeting was set for December 10, 1985, to hear McFarlane's report on an upcoming meeting with Ghorbanifar in London.

On December 10, 1985, McFarlane recommended that the Administration have no further dealings with Ghorbanifar. Casey's memorandum of the meeting indicated that McFarlane suggested other options. There was general support for a dialogue with other Iranian intermediaries on a ``purely intelligence basis being alert to any action that might influence events in Iran." But Casey indicated that another McFarlane option -- simply letting the Israelis continue the arms deals on their own -- was generally opposed because it would be a ``little disingenuous and still bear the onus of having traded with the captors and provide an incentive for them to do some more kidnapping. . . ." While

the President stated no conclusion at the meeting, Casey came away with probably the clearest reading of the President's mind, observing in his memorandum to McMahon:

As the meeting broke up, I had the idea that the President had not entirely given up on encouraging the Israelis to carry on with the Iranians. I suspect he would be willing to run the risk and take the heat in the future if this will lead to springing the hostages. It appears that Bud [McFarlane] has the action. 56

56 Memorandum from Casey to McMahon, 12/10/85, ER 10409.

Despite Casey's report that McFarlane "has the action," the record indicates that some of the "action" as far as continuing the Iran arms sales stayed with Casey. There were two troubling aspects of continuing the Iran arms sales through the Israelis and Ghorbanifar: (1) Ghorbanifar's unreliability and (2) legal problems stemming from selling weapons from Israeli stocks, on account of congressional reporting requirements under the Arms Export Control Act. Casey took steps to defuse these problems. On December 18, Casey was called by North, according to Casey's schedule. It was their first documented telephone conversation since early October 1985. While there is no direct proof of the substance of the conversation, the following day, Casey met with Ledeen and asked Ledeen to talk to Ghorbanifar about taking a lie-detector test at the CIA.⁵⁷ Later that day, Casey met at the White House with Poindexter and McMahon. On the next day, December 20, Casey met with Secord to discuss both the Iran arms sales and the contra-resupply operation.⁵⁸ Before taking his Christmas holiday, Casey met on December 23 with Clair George, the chief of the CIA's Near East Division, and the chief of the CIA's Iran Branch, to be briefed on the branch chief's meeting with Ghorbanifar in Washington the previous day.⁵⁹

57 Ledeen, Grand Jury, 9/18/87, pp. 170-73.

58 Secord, OIC Deposition, 4/30/87, pp. 1-5; Secord, Select Committees Testimony, 5/5/87, pp. 192-97.

59 Iran Branch Chief, FBI 302, 12/4/86, pp. 2-3. The CIA administered a polygraph examination to Ghorbanifar on January 11, 1986. The results indicated that Ghorbanifar showed deception on 13 of 15 questions. The only two questions for which no deception was noted were his name and place of birth.

On the more complex question of how to avoid the legal problems created by arms sales to Iran from Israeli stocks, North and CIA General Counsel Sporkin began drafting "an expanded Finding" on January 2, 1986.⁶⁰ Casey, who was in Florida, sanctioned the collaboration by phone, but instructed Sporkin to keep him advised.⁶¹ North and Sporkin opted for sales from Defense Department stocks to the CIA under the Economy Act. This gave control of the sales and pricing to the United States.

60 Sporkin, Select Committees Testimony, 6/24/87, pp. 37-38.

61 Ibid., pp. 49-50.

The proposal to resume arms sales to Iran was formally discussed at a White House meeting on January 7, 1986, attended by the President, Vice President Bush, Regan, Poindexter, Weinberger, Shultz, Meese and Casey. Weinberger memorialized the meeting in his diary notes for January 7 in succinct terms:

Met with President, Shultz, Poindexter, Bill Casey, Ed Meese, in Oval Office -- President decided to go with Israeli-Iranian offer to release our 5 hostages in return for sale of 4000 TOWs to Iran by Israel -- George Shultz + I opposed - Bill Casey, Ed Meese + VP favored -- as did Poindexter.⁶²

62 Weinberger Note, 1/7/86, ALZ 0039883.

Despite being informed of Ghorbanifar's failing a polygraph test on January 11, Casey noted that Ghorbanifar nevertheless appeared to have information on terrorist threats. He directed Charles Allen to meet with Ghorbanifar and learn more about him.

Casey was involved in planning how the new Iran arms sale operation would be conducted. In a memorandum dated January 13, 1986, Casey outlined two options for proceeding with TOW sales to Iran from U.S. stocks. Option 1 would have the Israelis buy improved TOWs from the United States and have the Israeli's ship older, basic TOWs in their arsenal to Iran. Casey pointed out that the Iranians had already placed \$22 million for the transaction into a Swiss account, which was sufficient to pay for the basic TOWs but was not enough for the improved TOWs, which would cost about \$44 million. Casey noted that Sporkin "feels that the most defensible way to do it from a legal standing" was through a CIA purchase of the weapons from the Defense Department. But he added: "We prefer keeping the CIA out of the execution even though a Presidential Finding would authorize the way Defense would have to handle the transactions." 63

63 DCI Talking Points, 1/13/86, ER 10410-11. Leaving the execution of the initiative to North and Secord paved the way for profiteering and the diversion.

On January 15, North reported to Poindexter that Casey said that Weinberger would continue to be a roadblock in the Iran arms sales unless Weinberger was informed that the President had ordered it to go forward. North also reported that Casey saw no problem with having Secord deal directly with the Department of Defense in the missile purchases as an "agent of the CIA." 64 On January 16, Casey met with Poindexter, Weinberger, Attorney General Meese and Sporkin at the White House to discuss the Iran arms sales.65

64 PROFs Note from North to Poindexter, 1/15/86, 012.

65 Sporkin, Grand Jury, 3/2/88, pp. 61-64.

President Reagan signed the third and final Iran arms sales Finding on January 17, 1986. The President, Vice President, Chief of Staff Regan and Poindexter's deputy, Donald Fortier, were briefed by Poindexter from a cover memo which stated that the CIA would purchase 4,000 TOWs from the Department of Defense and deliver them to Iran through "an agent of the CIA." 66 Casey informed Clair George that the President had signed the new Finding and directed George to attend a meeting at the White House Situation Room on January 20 to discuss its implementation. George, Sporkin and Thomas Twetten, deputy chief of the CIA's Near East Division, attended the meeting, which was presided over by Poindexter. To the surprise of the CIA contingent, Secord also attended. The meeting concluded with the understanding that the CIA should make the financial and logistical arrangements necessary for the TOW missiles to be transported to Iran.67 Thus, despite protests by virtually all of the Agency's top officials, Secord and Ghorbanifar were to play key roles in the Iran arms sales.

66 Memorandum from Poindexter to Reagan, 1/17/86, AKW 001918-20.

67 Twetten, Grand Jury, 1/22/88, pp. 27-34; Twetten, George Trial Testimony, 8/6/92, pp. 2315-23; Sporkin, Grand Jury, 3/2/88, pp. 69-74.

There is evidence that Casey followed the meetings and subsequent arms transfers connected with the Iran initiative throughout 1986. On January 25, while Casey was overseas, McMahon cabled Casey to inform him that as a result of a meeting between North and Ghorbanifar in London, North had agreed that the CIA would furnish highly sophisticated intelligence to the Iranians, including "a map depicting the order of battle on the Iran/Iraq border showing units, troops, tanks, electronic installations. . . ." McMahon noted that "[e]veryone here at headquarters advises against this

operation not only because we feel the principal involved [Ghorbanifar] is a liar and has a record of deceit, but, secondly, we would be aiding and abetting the wrong people." Notwithstanding McMahon's strong objections, Casey did not change his mind. As a result, Allen passed the intelligence to Ghorbanifar in London on January 25.⁶⁸

68 DIRECTOR 705774, 1/25/86, ER 24834-35; Allen, SSCI Testimony, 12/5/86, pp. 14-15.

On January 27, Casey met at various times with McMahon, Gates, George, and Clarridge. He spoke on the phone with Twetten three times and with Poindexter and the President, but Independent Counsel was unable to learn the subject of these meetings. The following day, Casey met with Gates, George and Allen to discuss Allen's meetings with Ghorbanifar in London.⁶⁹

69 Allen, Select Committees Deposition, 4/24/87, pp. 360-62.

In early February, Casey participated in meetings with Allen, George and Twetten to discuss the Iran arms sales. He also talked to North before North, Secord and Nir were to meet in London on February 5. On February 18, the day after the first direct U.S. shipment of 500 TOWs was delivered in Tehran, Casey met with North. After the February 25 meeting of North, Secord, Hakim, Twetten and Nir with Ghorbanifar and Iranian representatives in Frankfurt, Casey was briefed by North and Twetten. Casey also met with North, Poindexter, George and Twetten at the White House. The same day, Casey met privately with the President. Talking points prepared for Casey by McMahon indicate that he suggested to the President that the Israelis and Ghorbanifar should not be included in the initial meetings with Iranian leaders in Iran. Casey suggested that the American party consist of McFarlane, North, Twetten, a staffer for McFarlane, and CIA annuitant George Cave. He also suggested that Secord fly to Tehran to set up a secure communications facility.⁷⁰

70 DCI Talking Points, 2/27/86, ER 1997-98.

Casey spent the first two weeks of March abroad. Immediately upon his return on March 15, he met on hostage-related matters with McMahon, Gates, George, Clarridge and Twetten. During the remainder of the spring and summer, Casey was kept informed on progress and problems with the Iran initiative by North and CIA officers involved with the project, particularly Cave, Allen and Twetten.

Casey was out of the country from July 4 to 15, 1986. The day after his return, Casey met with his Near East experts -- including Clarridge -- then followed up with a private session with North at the Old Executive Office Building. Independent Counsel could not prove the substance of these meetings.

The release of American hostage Father Lawrence Jenco on July 26, 1986, was attributed to the Iranians, in a July 28 Casey memorandum to Poindexter. The memorandum advised that the United States maintain the Ghorbanifar-Kangarlu contact in order to facilitate the release of the rest of the hostages and provide an opening to factions in Iran that could be dealt with in the future.⁷¹

71 Memorandum from Casey to Poindexter, 7/28/86, ER 31324-26.

In late July and throughout August, Ghorbanifar complained repeatedly about the price of the HAWK spare parts that had been sold to the Iranians. The overcharging complaints of the Iranians were presented in the intelligence reports which were delivered to the executive suites of the CIA. On September 8, 1986, Casey was briefed by Allen and Cave. Since early July, Cave had been involved in negotiations with Iranians who eventually became "the second channel" into Iran. On September 9, North informed Allen that Poindexter had approved use of the second channel. Allen expressed his concern that an unhappy Ghorbanifar might pose a security threat and North conceded he might have to take money out of "the reserve" to solve this problem. In a memo on this exchange

sent to Casey the next day, Allen stated that "[t]o cut Ghorbanifar out, Ollie will have to raise a minimum of \$4 million." 72 Allen called Casey early that same afternoon.

72 Memorandum from Allen to Casey, 9/10/86, ER 19179. It is not known whether Casey saw the memo.

On September 17, Casey met with Allen, Cave, and CIA lawyer Bernard Makowka to discuss gathering intelligence during a visit by a nephew of Iranian Majlis Speaker Rafsanjani. Casey talked to both North and Poindexter about the arrangements. Casey was asked to ensure that the nephew was cleared to come into the United States.⁷³ Following the meetings with the nephew on September 19 and 20, George Cave briefed Casey and Clair George on September 22. According to a computer note from North to Poindexter that same day, Casey reportedly was concerned about "bringing the Sec State [Shultz] up to speed on results. I told him this was your call. Casey is urging a [meeting] on Wed[nesday] among you, Casey, Cave and me to discuss situation prior to discussion w/ Shultz." ⁷⁴ The following day, Casey met with Poindexter, Cave, North and Twetten at the White House "re George Cave discussion." ⁷⁵

73 PROFs Note from North to Poindexter, 9/17/86, AKW 021694. See also PROFs Note from Poindexter to North, 9/17/86, AKW 2021696.

74 PROFs Note from North to Poindexter, 9/22/86, AKW 021708.

75 Casey Schedules, 9/23/86, ER 411-12.

On October 2, Casey was called by North. A North memorandum to Poindexter on the same day proposed a trip to Frankfurt by North, Secord and Cave to meet with the nephew. The memorandum asked Poindexter to tell Casey to prepare "an appropriate intelligence package" for the Frankfurt meeting.⁷⁶ On October 9, Casey and Gates had lunch with North in Casey's office at Langley to discuss the Frankfurt talks with Rafsanjani's nephew.⁷⁷

76 Memorandum from North to Poindexter, 10/2/86, AKW 007234-50. The memorandum does not indicate whether Poindexter approved North's recommendation.

77 Gates, Grand Jury, 6/26/87, pp. 7-11.

Casey and the Diversion

In 1986, the CIA arranged for the sale of 2,008 TOW missiles and a variety of HAWK spare parts to Iran in three separate transfers on February 13, May 23 and November 3. Agents acting for Iran deposited \$28.6 million in the Swiss accounts controlled by Secord; approximately \$1.7 million more was deposited by Israel for replenishment weapons.⁷⁸ Only \$12,237,000 was deposited in CIA accounts. This enormous price differential -- approximately \$18 million -- paved the way for the Iran/contra "diversion."

78 See Flow of Funds chapter.

North testified that the idea of using "residuals" from the Iran arms sales to assist the contras was first suggested to him by Israeli official Amiram Nir or Ghorbanifar in late 1985 or January 1986.⁷⁹ North said both Casey and Poindexter endorsed the idea.

79 North, Poindexter Trial Testimony, 3/12/90, p. 1092.

Independent Counsel obtained no documentary evidence showing Casey knew about or approved the diversion. The only direct testimony linking Casey to early knowledge of the diversion came from North. When asked by the Select Committees when Casey learned of the diversion, North replied:

Actually, my recollection is Director Casey learned about it before the fact. Since I am confessing to things, I may have raised it with him before I raised it with Admiral Poindexter, probably when I returned from the February -- from the January discussions.

Q. You are referring now to the trip during which you had the discussion with Mr. Ghorbanifar in the bathroom?

A. Yes, I don't recall raising the bathroom specifically with the Director, but I do recall talking with the Director and I don't remember whether it was before or after I talked to Admiral Poindexter about it.

I was not the only one who was enthusiastic about this idea and I -- Director Casey used several words to describe how he felt about it, all of which were effusive. He referred to it as the ultimate irony, the ultimate covert operation kind of thing and was very enthusiastic about it.⁸⁰

80 North, Select Committees Testimony, 7/8/87, p. 124.

North indicated that Casey not only saw the profits from arms sales as a source of aid to the contras, but also as a means of financing other similar unauthorized covert operations:

At various times, he [Casey] and I talked about the fact that it might be necessary at some point in the future to have something, as he would put it, to pull off the shelf and to help support other activities like that. And none of those aside from the ones we talked about in terms of cooperation with Israel, the ones I referred to in my notes as TA-1, 2, and 3, or TH-1, 2, and 3, I don't recall exactly which -- aside from those operations, he was looking forward to the possibility of needing to support other activities beyond that, and that is why I am not exactly certain as to what perhaps was intended beyond the use of those moneys for support of the Nicaraguan Resistance and the other purposes that I described to you earlier, in that I had, I think, communicated that to General Secord and he did prepare a layout which showed how other of those commercial entities could be used to support activities in other places besides Central America and besides U.S.-Israeli operations, besides the hostage recovery operations.⁸¹

81 Ibid., pp. 126-27.

The credibility of North's testimony is weakened by the fact that he never made such assertions while Casey was alive. In fact, when questioned by Attorney General Meese on November 23, 1986, about the diversion, North said the only persons in Government who knew about the diversion were McFarlane, Poindexter and himself. However, North did tell one of his NSC staff associates, Lt. Col. Robert L. Earl, that he had told Casey about the diversion. In testimony at North's trial, Earl said that North told him in May or June 1986 that he had informed Casey of the use of profits from the Iran arms sales to assist the contras. Referring to North, Earl said:

He said that he had talked to Director Casey about the provision of certain parts of the money paid by the Iranians to -- in support of the contras and that Director Casey had -- had been impressed by the manipulation of the situation to the disadvantage of the Ayatollah, that we were taking some of the Ayatollah's money and applying it to a cause that the Ayatollah did not support.⁸²

82 Earl, North Trial Testimony, 3/28/89, p. 5601.

Another person who was told of the diversion by North was Fiers, but North did not tell Fiers about Casey's knowledge.⁸³

83 Fiers, George Trial Testimony, 10/28/92, p. 1338. Fiers said after North mentioned the diversion a second time, in late summer 1986, Fiers told his superior and Clair George. Fiers said George's response was, ``Well, Alan, now you're one of a handful of people that know that, and keep it under

your hat or keep it to yourself." (Ibid., p. 1340.) Fiers said he believed George's response was in reference to the fact of the Iran arms sales, not the diversion.

Casey denied knowledge of the diversion. While he did not seem surprised on November 24, 1986, when Regan informed him that Meese had learned about the diversion, Regan reported that Casey did not admit prior knowledge. He denied knowing about the diversion in his congressional testimony following the public disclosure by Meese on November 25, 1986. He also denied knowing about the diversion to Clair George and CIA General Counsel David Doherty during a meeting on November 20, 1986.⁸⁴

⁸⁴ Doherty, FBI 302, 11/13/87, p. 6.

Regardless of his knowledge, Casey was at least instrumental in setting up a situation which made the diversion possible. North testified that Casey directed him in mid-1985 to take control of the funds going to the contras from third-country solicitations and contributions from private citizens. Casey approved North's suggestions in December 1985 and January 1986 for restructuring the Iran initiative, resulting in North and Secord's effective control of the funding for the arms purchases from Defense stocks and the payments from the Iranians.

Casey's meetings with North were also frequent during the crucial period leading up to and following the creation of the so-called "diversion memo" prepared by North in early April 1986 for approval by Poindexter and President Reagan. The month before, George Cave wrote a memo for the record reporting Ghorbanifar's proposal "that we use profits from these deals and others to fund support to the rebels in Afghanistan. We could do the same with Nicaragua." ⁸⁵ Casey's schedule shows a private meeting on April 7, 1986, with the President, after a Casey meeting with Clarridge and Allen. Independent Counsel could not obtain direct evidence of the purposes for these meetings. That same day, North wrote a computer note to McFarlane which stated, "Per request of JMP [Poindexter] have prepared a paper for our boss which lays out arrangements." ⁸⁶ On April 9, Casey met privately with North at the OEOB after having met with President Reagan in the morning. Again, Independent Counsel could not obtain direct proof of the purpose of this meeting.

⁸⁵ Memorandum from Cave, 3/7/86, DO 25936-37 (dated by Cave on December 11, 1986). Cave wrote a second memo in April referring to Ghorbanifar's "scheme to use the profits to support the Afghan rebels." This memo did not refer to the contras. There is no evidence that Casey ever saw either of the Cave memos.

⁸⁶ PROFs Note from North to McFarlane, 4/7/86, AKW 01145.

In October and November 1986 Casey was confronted with growing evidence from a variety of sources of a diversion. His inactivity in responding to this evidence has yet to be explained. On October 1, Allen informed Gates of his mounting concerns regarding a diversion from the arms sales. After hearing his concerns, Gates advised him to speak with Casey as soon as possible.⁸⁷ Allen and Gates did not meet with Casey until October 7, when Allen briefed Casey on the reliability of the "second channel" into Iran. Allen told Casey of his concerns over a possible diversion of Iran arms sales funds to the contras, explaining that he had only a series of indicators, but no hard evidence. Allen said Casey seemed disturbed and called it a dangerous situation. Gates stated that if reports of the diversion were true, North had gone too far. Casey agreed.⁸⁸

⁸⁷ Allen, FBI 302, 6/24/87, pp. 4-5.

⁸⁸ Ibid., p. 5. Gates disputed this account. See Gates chapter.

Casey then disclosed that Roy Furmark, a New York businessman and former client, had told him earlier that day that Adnan Khashoggi was a financial backer of Ghorbanifar and that Khashoggi and his Canadian investors were owed money by Ghorbanifar.⁸⁹ In describing his initial conversation

with Furmark to the House Appropriations Committee, Casey later said that Furmark was informed by Khashoggi that the Canadians were threatening a lawsuit, which could publicize the Iran initiative. Following his meetings with Furmark and Allen, Casey called Poindexter that same afternoon.⁹⁰ In a memo dated October 8, Casey also informed the chief of the CIA's Near East Division, Tom Twetten, of his conversation with Furmark.⁹¹

⁸⁹ Ibid.

⁹⁰ Casey, House Appropriations Committee Testimony, 12/8/86, pp. 19-20.

⁹¹ Memorandum from Casey to Twetten, 10/8/86, DO 84625. In the memo, Casey said Furmark believed the Canadian investors had been talking to Senators Leahy, Cranston and Moynihan, claiming that on the latest arms shipment they came up \$10 million short.

On October 9, Casey and Gates met for lunch with North to receive a report on the Iran arms sales ``second channel" into Iran. According to Gates, the discussions also focused on security problems posed by a dissatisfied Ghorbanifar and unhappy Canadian investors and the claim by Eugene Hasenfus, who had been shot down over Nicaragua and captured that week, that he was working for the CIA. North told Gates the CIA was ``absolutely clean" in the Hasenfus matter. North also made a passing reference to Swiss bank accounts and the contras, according to Gates. After the meeting, Gates said he asked Casey about the meaning of North's mention of the Swiss bank accounts:

I mentioned the comment about the Swiss bank accounts, and because it was new information to me, or something that I hadn't been exposed to -- I asked him if he understood what North was talking about -- whether there was anything we should be concerned about in all of that. His reaction was that it gave me the impression that he hadn't even heard or had not picked up on what North had to say. Basically, in effect, said there was nothing to be concerned about then.⁹²

⁹² Gates, Grand Jury, 6/26/87, pp. 7-11.

On October 14, Allen sent identical memoranda to Casey and Gates outlining ``problems that I see with our initiative towards Iran." Allen described the threat posed by Canadian investors and expressed concern that Ghorbanifar's allegations would include the claim 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 U.S. and of Israel." ⁹³ Late in the day, Casey phoned Poindexter, then met with North, Twetten, and Cave at CIA headquarters.⁹⁴

⁹³ Memorandum from Allen to McMahon, 10/14/86, ER 127-34.

⁹⁴ Independent Counsel was unable to establish direct evidence of the purpose of this meeting.

Gates said he was so disturbed by the Allen memorandum that the following day he obtained permission from Casey to give the information to CIA General Counsel Doherty. Doherty recommended that the Allen memorandum be provided to Poindexter.⁹⁵ Later in the afternoon of October 15, Gates and Casey met with Poindexter in the Old Executive Office Building where Casey showed Poindexter the Allen memorandum and asked him to read it immediately. According to Gates, Casey then expressed concern that the project was out of control and urged that the whole Iran affair be made public.⁹⁶ On October 16, Casey directed Allen to meet with Furmark, who was in Washington at that time. Allen interviewed Furmark at the OEOB. Casey had three telephone conversations with Furmark that day and Furmark returned to New York on a flight with Casey and Casey's wife. The day after his meeting with Furmark, Allen wrote to Casey that his conversation with Furmark ``only served to underscore the serious concerns that I outlined to you in my memorandum of 14 October." ⁹⁷

95 Gates, Grand Jury, 6/26/87, pp. 19-20.

96 Ibid., pp. 20-21.

97 Memorandum from Allen to Casey and Gates, 10/17/86, ER 46446-48.

On October 20, Casey met with President Reagan and Poindexter at the White House. Two days later Casey met early in the day with Allen. Allen and Cave then flew to New York to meet again with Furmark. Among other things, Furmark told Allen and Cave that Ghorbanifar believed that millions of dollars from the arms sales were earmarked for Central America. The following day, Casey was briefed on the meeting with Furmark. Casey directed Cave to write a memorandum for Casey's signature for forwarding to Poindexter. In the memorandum, which apparently was not sent, Cave repeated Furmark's claim that Ghorbanifar believed the bulk of \$15 million in profits was earmarked for Central America.⁹⁸

98 Memorandum from Casey to Poindexter, ER 19051-53. On November 25, after Meese learned of the diversion, Casey appeared to be upset to learn that the memorandum had not been sent. But, according to Allen, he said, "Well, it doesn't matter, I briefed Admiral Poindexter on the substance of this." (Allen, Grand Jury, 1/4/88, pp. 107-8.)

On November 6, 1986, three days after the Iran arms sales were publicly exposed, Casey met with Gates and Poindexter at the White House, where Casey recommended that Poindexter have White House Counsel Peter J. Wallison review the Iran affair. Poindexter said he did not trust Wallison to keep his mouth shut and that NSC Counsel Paul B. Thompson would conduct the review.⁹⁹ The next day, Allen wrote still another memorandum to Casey on his continuing debriefing of Furmark. Among other things, Allen wrote:

99 Gates, Grand Jury, 6/26/87, pp. 23-25.

The Canadians intend to expose fully the US Government's role in the backchannel arms transactions with Iran. They believe Lakeside [probably referring to Lake Resources, an Enterprise shell company] to be a proprietary of the US Government; they know that former Major General Richard Seccord [sic] is heavily involved in managing the arms transactions to Iran for Oliver L. North, and that Secord is also involved in assisting North in the support the [sic] Contras in Nicaragua.¹⁰⁰

100 Memorandum from Allen to Casey and Gates, 11/7/86, ER 46449-52.

On November 10, Casey attended a meeting with the President, Vice President, Poindexter, Poindexter's deputy Alton G. Keel, Shultz, Weinberger, Meese and Regan. It was at this meeting that Poindexter, at Reagan's request, gave an account of the Iran arms sales. Poindexter falsely stated that they began in 1986 with the signing of the January 17, 1986, Finding, leaving out the 1985 Israeli shipments. There was no mention of a diversion.

On November 12, Poindexter repeated his performance for the same group but with congressional leaders present. Senator Robert Byrd asked if "anything happened" in 1985, and Poindexter answered that there were "contacts," but no materials were shipped.¹⁰¹

101 Weinberger Meeting Notes, 11/12/86.

On November 16, Casey departed on a three-day trip to Central America. Before he left, he directed Gates to take charge of preparing testimony on the Iran arms sales for Senate and House intelligence committee hearings set for November 21. While Casey was in Central America, Shultz emerged as the sole dissenter to a cover story that the President did not have prior knowledge of the 1985 HAWK shipment and did not authorize it.

Casey returned from his Central American trip on the evening of November 19. En route, he rewrote the proposed testimony which had been prepared under Gates's direction and had been flown down to Casey by Norman Gardner, a special assistant to Clair George. At a meeting held November 20 to help prepare Casey's testimony, North suggested that Casey state that "no one in the U.S. Government" knew the nature of the cargo in the November 1985 HAWKs flight "until January 1986." Casey, who had been prepared to state that no one in the CIA knew the nature of the cargo until January 1986, marked North's suggested change into his documents.¹⁰²

¹⁰² North, North Trial Testimony, 4/12/89, pp. 7628-33. Casey's executive assistant later testified that Casey returned to CIA Headquarters with this draft and promptly misplaced it. Casey's Executive Assistant Statement to SSCI, as set forth in Nomination of Robert M. Gates to be Director of Central Intelligence, Sen. Exec. Rpt. 102-19, 102d Cong., 1st Sess., pp. 65-66 (Oct. 24, 1991). Evidence uncovered by Independent Counsel supports this officer's testimony. See Conduct of CIA Officers in November 1986 chapter.

The proposed statement brought Casey into direct conflict with Shultz, who contended that he was briefed in Geneva by McFarlane prior to the shipment in November 1985 and told that the cargo would be missiles. It also was at odds with Sporkin's recollection that he learned soon after the November 1985 flight that the cargo was missiles. Conflicts such as these led to a very thin description of the CIA's 1985 activities in Casey's November 21 testimony.¹⁰³

¹⁰³ See *ibid.*

Casey was so angry at Shultz's public airing of his opposition to the Iran arms sales that in a letter to the President on November 23, 1986, he urged that Shultz be fired.

On Friday I spent over five hours discussing and answering questions for the House and Senate Intelligence Committees on our effort to develop a relationship with important elements in Iran. I was able to deal with all of their questions with no problem while, at all times, insisting on the value and need for this. A full house of each of the Committees was present throughout and, except for the expected partisan posing by Bobby Byrd and Jim Wright, when they went out to speak to the cameras, the members took it well.

As to the manner in which Shultz had conducted himself regarding the Iran disclosures, Casey said:

The public pouting of George Shultz and the failure of the State Department to support what we did inflated the uproar on this matter. If we all stand together and speak out I believe we can put this behind us quickly. Under Secretary of State Armacost sat through my briefing like a bump on a log, opening his mouth only to deny any involvement or knowledge. . . . Rich Armitage, who accompanied me for Defense, was helpful in explaining the rules on arms transfer and was forthcoming and supportive whenever he had the opportunity. . . . You need a new pitcher! A leader instead of a bureaucrat. I urge you to bring in someone like Jeane Kirkpatrick or Paul Laxalt, who you may recall, I recommended for State in 1980.¹⁰⁴

¹⁰⁴ Letter from Casey to Reagan, 11/23/86, AKW 020592.

In response to conflicting accounts over the 1985 Israeli arms shipments to Iran, President Reagan on November 21, 1986, directed Meese to conduct an inquiry to develop a "coherent" account of the Iran initiative.¹⁰⁵ During the weekend of the Meese inquiry, Casey had contact with all of the principals involved in the initiative except McFarlane. There are no notes on these contacts. Testimony that exists about these contacts is often illogical, or not believable, in the context of the weekend's dramatic developments. Casey's schedules and witness testimony show:

¹⁰⁵ Meese, Grand Jury, 2/17/88, pp. 47, 122.

Friday, November 21:

4:25 p.m. Call to Poindexter

5:20 p.m. Call to Regan

Evening Meese called Casey about inquiry

Saturday, November 22:

9:55 a.m. Call to Meese

10:05 a.m. Meeting with Gates

10:05 a.m. Call from Sporkin

10:10 a.m. Call to Meese

10:10 a.m.

Meeting with Gates, George, Twetten, Clarridge, Kerr, Layton, Allen, Cave, Gries, and Kinsinger

10:15 a.m. Call to Poindexter

12:25 p.m. Call from Sporkin

12:35 p.m. Call to Poindexter

12:50 p.m. Call to Cave

12:52 p.m. Call to Allen

12:55 p.m. Meeting with Cave

1:15 p.m. Lunch with Poindexter and North

3:46 p.m. Call to Meese

Evening meeting at residence with Meese

Sunday, November 23:

10:20 a.m. Call to Meese

10:25 a.m. Call to Allen

10:30 a.m. Meeting with Allen and Doherty

10:37 a.m.

Meeting with Cooper, Allen, Doherty, Jameson

10:55 a.m. Call to Allen

11:05 a.m. Call from Michael Deaver

11:07 a.m. Call to Deaver

11:12 a.m. Call from Sporkin

11:17 a.m.

Meeting with Doherty (joined by Allen at 12:10 p.m.)

12:30 p.m. Meeting with Doherty and Jameson

1:20 p.m. Call to President Reagan

3:30 p.m. Meeting with Deaver

Monday, November 24:

10:25 a.m.

Meeting with Twetten and Casey Executive Assistant

10:30 a.m. Meeting with Allen and Cave

10:35 a.m.

NSPG pre-brief with George, Kerr, Twetten

12:45 p.m. Meeting with Allen and Cave

2:00 p.m. NSPG meeting, White House

5:10 p.m. Meeting with Furmark

5:20 p.m. Call to North

5:25 p.m. Call to Twetten

6:00 p.m. Call from George

6:15 p.m. Meeting with Cave

6:35 p.m. Meeting with Regan

7:05 p.m. Call to Poindexter

Tuesday, November 25:

6:30 a.m. Call to Meese, who subsequently dropped by Casey's home

7:20 a.m. Meeting with Allen

7:25 a.m. Call to Richard Allen

8:00 a.m. Meeting with George

8:25 a.m. Call to Meese

8:30 a.m. Call to Twetten

8:45 a.m. Call to Doherty

8:46 a.m. Call to George

8:50 a.m. Meeting with Twetten

8:55 a.m. Call from Gates

9:00 a.m. Meeting with Doherty

9:15 a.m. Call to Weinberger

10:15 a.m. NSPG meeting, White House

11:00 a.m.

Meeting with Congressional Leaders at White House

11:58 a.m. Call from Allen

12:02 p.m. Call to Poindexter

3:00 p.m. NSPG meeting on interim restraint

5:10 p.m. Call from Clarridge

5:12 p.m. Call to Regan

5:25 p.m. Meeting with Allen and Cave

5:40 p.m. Call from Twetten

6:10 p.m. Call from Fred Ikle

Some of the more significant contacts were:

-- The evening of Friday, November 21, when Meese said he told Casey he was launching an inquiry into the Iran initiative at the President's request. Meese said he did not schedule an interview with Casey because he already had Casey's prepared remarks from the November 21 hearings before the Senate and House intelligence committees. Meese told Casey he wanted to speak with Sporkin and McMahon.¹⁰⁶

¹⁰⁶ Meese, Grand Jury, 12/21/87, pp. 101-4.

-- November 22, when Meese said he received calls from Casey at 9:55 a.m. and 3:46 p.m. and visited Casey that evening. Meese told the Grand Jury that the reason Casey called in the afternoon was that he wanted to provide information. Meese said he went to Casey's home that evening but did not take notes of their conversation. Meese said Casey disclosed to him the information given him by Furmark about the disgruntled Canadian investors. Meese did not recall Casey mentioning the contras or the diversion. Meese said he did not tell Casey about the diversion memo his staff had uncovered that afternoon at the White House because he was not certain where it would lead.¹⁰⁷ Meese said Casey told him he had spoken to Poindexter about the funds and that Poindexter had assured him that nothing wrong had occurred. Meese still did not discuss the diversion with Casey. Meese said Casey ``may have" discussed the December 1985 Finding with him at that time, but he wasn't sure. The December 1985 Finding ``wasn't particularly important at this stage because it really didn't alter anything that had happened," Meese said. He said Casey did not tell him about his two-hour meeting with Poindexter earlier that day.¹⁰⁸

107 Ibid., pp. 143-44.

108 Ibid., pp. 138-39, 141-52.

-- November 22, when Casey had lunch with Poindexter and North, Poindexter said that the topic of discussion was Casey's testimony from the day before. Poindexter said there was no discussion of the diversion. Poindexter said he did not tell Casey about his destruction the day before of the December 1985 Finding.¹⁰⁹

109 Poindexter, Select Committees Testimony, 7/21/87, pp. 71-75.

-- November 24, when Casey called Assistant Attorney General Charles Cooper. Cooper said Casey, who had never called him before, asked whether Cooper had come across the name "Lakeside Resources" in the course of the Meese inquiry. This was apparently a reference to the Enterprise's Lake Resources account, which was misidentified by Furmark to Allen, who subsequently used the name "Lakeside" in a memo to Casey on October 7, 1986. Cooper said the name had some familiarity, but he could not place it.¹¹⁰

110 Cooper, Select Committees Testimony, 6/25/87, pp. 147-49.

-- November 24, when at 6:35 p.m. Regan met with Casey at the CIA and told him what Meese had discovered about the diversion. Regan said Casey did not act surprised, but his reaction was one of concern for the impact on the contras. Casey also expressed concern that public disclosure would close down contacts with Iran. Regan said that Casey reminded him that he had mentioned Furmark and unhappy Canadian investors. Regan could not recall when Casey first mentioned Furmark to him. He has given various estimates of when this occurred, from late October 1986 to November 20, 1986.¹¹¹

111 Regan, FBI 302, 7/14/87, pp. 19-27, 92-94.

-- November 25, when Casey called Meese at home and asked him to drop by on his way to work. Meese told Casey about the diversion, and Casey told Meese he would send him a copy of a memo about Furmark's allegations. Meese said that while he was at Casey's home, Regan placed a call to Meese to tell him he would be asking for Poindexter's resignation that morning.¹¹²

112 Meese, Select Committees Testimony, 7/28/87, pp. 157-59.

-- Early on November 25, when Casey asked Allen to gather the Furmark memoranda so that he could send them to Meese immediately. Allen said that Casey told him some very serious developments were about to happen. Casey was frantically trying to find a copy of the memorandum of October 24, 1986, which outlined Furmark's diversion allegations and which Casey said he thought had been sent to Poindexter but apparently had not.¹¹³

113 Allen, Grand Jury, 1/4/88, pp. 74-75.

Casey's Testimony to Congress

Casey's virtually identical opening statements on November 21, 1986, to both the House and Senate intelligence committees ¹¹⁴ were incorrect or incomplete in several respects:

¹¹⁴ Casey appeared before HPSCI and SSCI with these CIA officers: George, Doherty, Comptroller Daniel Childs; Allen; a special assistant to George (called CIA Subject #2 in Conduct of CIA Officials in November 1986 chapter); David Gries; and another member of Gries staff. George's special assistant Norman Gardner was at the afternoon HPSCI hearing; W. George Jameson was at the SSCI session. Also present before both panels were Under Secretary of State Michael H. Armacost and his executive assistant; Assistant Secretary of State Richard W. Murphy; State

Department Legal Adviser Abraham D. Sofaer (morning session of HPSCI only); two deputy assistant secretaries of state; Assistant Secretary of Defense Richard Armitage; and a Department of Defense legal adviser. John Bolton of the Department of Justice attended the SSCI session only.

1. Casey concealed the U.S. role in the 1985 TOW and HAWK shipments. He limited the CIA's involvement to providing an Agency proprietary to transport ``cargo" from Israel to Iran. Casey failed to mention the September 1985 stepped-up intelligence on Iran and Lebanon and individuals involved in the Iran initiative.

2. In the responses Casey omitted the December 5, 1985, retroactive Finding:

-- Regarding the CIA's involvement in November 1985 Casey said that McMahon directed that no further flights take place without a Presidential Finding. But Casey did not mention that McMahon demanded a Finding to cover the November 1985 shipment, nor did he mention that he had sent a draft Finding to Poindexter with directions that the President sign it.

-- Casey stated there had been ``only two findings" in the past 10 years on Iran, which did not count the after-the-fact December 5, 1985, Finding. 115

115 There is, however, no direct proof Casey knew the December 5, 1985, Finding had been signed.

-- Again failing to mention the December 1985, Finding, Casey stated that the January 17, 1986 Finding was only the second time notice of a Finding was withheld from Congress by Presidential directive, the first time being President Carter's brief withholding of notification of a Finding regarding the aborted 1980 Iranian hostage-rescue effort.

3. Casey testified that the Agency's proprietary flight crew was told the cargo contained oil-drilling equipment. While Casey's testimony was technically correct -- the flight crew initially was told the cargo was oil-drilling equipment -- CIA field personnel quickly learned and communicated back that the cargo was missiles.116

116 See Clarridge chapter.

4. Casey's description of the Iran arms sales focused almost exclusively on the geopolitical rationale for seeking an opening to Iran. He mentioned the hostage issue only in passing, even though the initiative was an arms-for-hostages operation.

5. Casey's description of the money flow in the 1986 weapons shipments was inaccurate and incomplete. He did not mention the roles of Secord and the Enterprise in the arms deals. Casey testified that the Iranian funds were deposited in an Israeli account, then transferred to a sterile CIA account, when in fact the funds were deposited by the Iranians into the Enterprise's Swiss accounts controlled by Secord, operating as an ``agent for the CIA." Whether or not Casey knew the precise details of the money flow, he laid it out to the committees as if he did. He was accompanied by others who did know the flow but did not correct him, as they did on other occasions when he misspoke. Casey withheld from the committees a central aspect of the arms transfer -- the role of Secord as the CIA's ``agent."

Nor did Casey disclose his information of a substantial diversion. In fact, he assured the committees:

I would like to reiterate that the funds for the material I have enumerated as well as all associated costs were provided by the Iranians, funding for Iran was transferred to CIA for deposit in a covert funding mechanism. . . . This action provided secure means for controlled payment and accountability of all the funds associated with this program. The Iranian funds, a total of \$12,237,000 were deposited in a special account in a Swiss bank.117

117 Casey, HPSCI Testimony, 11/21/86, pp. 17-18.

While the House committee did not focus on the contents of the November 1985 shipment, they questioned Casey as to whether the President authorized the shipment. Casey alluded to a shipment made by the Israelis that ``violated our law." Later, Casey, without mentioning the HAWK shipment but apparently referring to it, said it was sent without the President's knowledge and ``we ultimately required the Israelis to reverse," meaning get the materials back. This led Representative Dwyer to ask:

Mr. Dwyer: One more point I would like to have cleared up in my mind, the Israelis transferred some equipment to the Iranians. We apparently were chagrined because they transferred that equipment and the Israelis got the equipment back. Is that what I heard?

CIA Subject #2: That is correct.

Mr. Allen: That is right.

Mr. Dwyer: There must be an excellent relationship between the Israelis and the Iranians to deliver the equipment and say, hey, look, we made a mistake; you got to give us the equipment back. Is that really what happened?

Mr. Casey: I don't know if they actually got the equipment back.

CIA Subject #2: We got it back.

Mr. Allen: The Israelis obtained back the equipment, 17 of them.

Mr. Casey: There is a good relationship between the Iranians and Israelis.

Mr. Dwyer: But how was it that -- how did they get it back? Does anybody know? I mean who went and got it?

Mr. Casey: They probably shipped it back. I don't know.

Mr. Allen: I think it was brought back in the February-March time frame by one of the flights that went in with TOW missiles. So that they were retrieved.¹¹⁸

¹¹⁸ Ibid., pp. 101-2.

When questioned about why the CIA played a support role in the Iran arms sales while the NSC supervised it, Casey conceded that the NSC's principal role is to advise the President, not to conduct operations. Asked by Representative McCurdy, ``Who headed the team? Who called the shots? Was it Poindexter or Casey?," Casey replied: ``I think it was the President." Asked by McCurdy if the NSC had managed similar operations, Casey replied, ``I am trying to think. Apart from the Central American thing which has NSC people involved in it, I don't know of any." <sup>119</sup> Pressed later by Representative Brown about how the NSC got involved in running the Iran initiative, Casey conceded, ``I don't think that is a good idea. It happened. It happened first because the Administration wanted to pursue something that the Congress that created the CIA and Defense Department should not do and that is this Central American business." ¹²⁰

¹¹⁹ Ibid., pp. 42-43.

¹²⁰ Ibid., p. 64.

Questioning of Casey by the SSCI focused more sharply on how the CIA could fail to know that the cargo in the November 1985 shipment consisted of HAWK missiles. Casey originally stated that the people ``running the airplane were told that they were oil field parts." ¹²¹

121 Casey, SSCI Testimony, 11/21/86, p. 32.

Casey incorrectly testified that McFarlane briefed him about the Israeli initiative before he left for a trip overseas ``without getting into the arms aspect of it." 122 This conflicts with McMahon's memo for the record on the McFarlane briefing which indicated that McFarlane made it clear that the initiative involved the shipment of arms.

122 Ibid., p. 62.

Casey also incorrectly testified about North's active participation in drafting the January 17, 1986, Presidential Finding. Asked who in the NSC participated in the drafting, Casey, who worked closely with North and Sporkin on the Finding, said: ``I really can't tell you all who might have been in. I would just be guessing." 123

123 Ibid., p. 76.

On December 8, 1986, Casey testified before the House Defense Appropriations Subcommittee. Casey denied all knowledge of a diversion. He stated that while he had heard reports of a diversion to Central America from Furmark in early and mid-October, he had no firm proof until told of Meese's discovery by Regan on November 24, 1986.

Casey continued to withhold information about Secord's role as an agent of the CIA in the initiative and to misstate the money flow for the 1986 TOW and spare HAWK missile parts. He withheld his knowledge of North's central role in the contra-resupply effort, attributing the flow of funds to the contras to unnamed ``private benefactors."

When he appeared before the House Foreign Affairs Committee on December 10, 1986, Casey's testimony on the diversion was similar to his account two days earlier to the House Defense Appropriations Subcommittee, except he did add that ``[i]t's barely conceivable" that North and Poindexter initiated the diversion on their own.<sup>124</sup> On contra support, Casey testified that the CIA learned in the spring of 1986 of ``private benefactor supply activity being conducted out of Ilopango" air base in El Salvador and said the Agency did not permit its people to become involved.¹²⁵ As to who the ``private benefactors" were, Casey said ``I have heard speculation over a period of time, various rich people, other countries, but it was all rumor." Asked if the Saudis ever contributed to the contras, he said, ``I have seen press reports to that effect," but he said he never inquired about those reports.¹²⁶

124 Casey, HFAC Testimony, 12/10/86, p. 53.

125 Ibid., pp. 20-21.

126 Ibid., pp. 154-55.

Casey's most difficult testimony came on December 11, 1986, before the House Permanent Select Committee on Intelligence, before whom he had previously testified on November 21, 1986.

Casey said he did not inform the committee of a possible diversion at his previous appearance because ``I had to protect the ongoing operation which the NSC and the President and everybody else hoped would bring additional hostages out." 127 Asked if he had informed Reagan about the rumors of a diversion, Casey said, ``No, I didn't tell the President. I didn't think it reached that order. . . . I don't bother the President about little details like that." 128

127 Casey, HPSCI Testimony, 12/11/86, p. 6.

128 Ibid., pp. 119, 184.

Casey faced tough questions over the December 5, 1985, Finding. The committee asked whether there were "any other covert activities or findings that this committee has not been informed of." Casey said "No," explaining that a November 26, 1985, draft Finding was "sent up and it didn't get completed until January 17th." 129 After being confronted with a copy of the November 26 draft Finding and asked whether it was sent to the President for signing, Casey replied:

129 Ibid., pp. 80, 89.

It wasn't this. It was the one he signed as far as I remember. I guess we just passed it around for discussion. There was an objection to this all prior action clause, I think on the part of the NSC and it was taken out before it was finally signed.

Casey said he did not think it was sent to the President: "It didn't get accepted. It was not accepted. It was redrafted." 130 Casey was shown a memo for the record from McMahon dated December 7, 1985, in which McMahon stated that the Finding was cleared by Casey, who "called McFarlane and Don Regan to ascertain that indeed [the shipment] had Presidential approval and to get assurances that a Finding would be so signed." The memo went on to say that the CIA was notified on December 5, 1985, that the Finding had been signed by the President. Casey's final word on the subject was: "Maybe that finding was signed but it was certainly signed on January 17th, the ultimate Finding. I don't think one was signed in between. . . . Maybe it was possible that it was signed and it was replaced by another Finding." 131

130 Ibid., pp. 92-94.

131 Ibid., pp. 155-56.

Conclusion

Casey's conduct in October and November 1986 certainly can be questioned. His actions when confronted with mounting evidence of a diversion were more consistent with the behavior of a person aware of the diversion and concerned with keeping it concealed, than with the behavior of a responsible official learning for the first time that one of the President's top covert foreign policy initiatives had been illegally subverted.

When Allen and Gates met with Casey in early October 1986 to share Allen's concerns about a possible diversion, Casey, who had independently received similar reports from his friend Furmark, did not request an immediate investigation. He did not call the President or the Attorney General. Instead, he directed Allen to write another memorandum. And Casey called Poindexter, the man in charge of the operation presumably gone bad. The next day, Casey and Gates had lunch with North, the man who was running the operation. Again, Casey did not confront North or demand to know what was going on. Instead, he talked about operational details, warned North about dissatisfied Canadian investors, and obtained from North a disingenuous clean bill of health for the CIA on any involvement in the illegal contra-supply operation.

In separate appearances before the House and Senate intelligence committees on November 21, Casey made no mention of his suspicions of a diversion. There is no evidence that he told the Attorney General even after he learned that Meese, at the President's direction, was conducting an inquiry to get a coherent picture of the Iran arms sales. It was not until after Meese publicly announced the diversion on November 25 that Casey made available to Meese the final Allen memorandum outlining a possible diversion.

The objectivity, professionalism, and integrity of the Central Intelligence Agency were compromised by Casey's attitude and behavior in connection with the Iran venture. To a large degree, the CIA's top professionals were dragged against their better judgment into supporting a questionable venture conducted by NSC staff who lacked competence and expertise in covert operations. At Casey's

insistence, two persons -- Ghorbanifar and Secord -- were placed in key roles, although Agency leaders considered them to be unreliable and unfit for such important and sensitive assignments. As a result, key Agency officials felt obliged to adopt a cynical see-no-evil, hear-no-evil, report-no-evil posture.