

MEMORANDUM OF <sup>THE</sup> RECORD

RD: 1/30 draft (not reviewed by CMEF or Board)

FROM: RHETT DAWSON AND W. CLARK MCFADDEN II

SUBJECT: MEETING OF THE SPECIAL REVIEW BOARD WITH PRESIDENT RONALD REAGAN, OVAL OFFICE, <sup>THE WHITE HOUSE</sup> JANUARY 26, 1987, ~~11:03 A.M.~~

The members of the President's Special Review Board, along with Mr. Rhett Dawson, Director, and Mr. Clark McFadden, General Counsel, met with President Reagan in the Oval Office of the White House at approximately 11:00<sup>3</sup> a.m. Mr. Peter Wallison, Counsel to the President and Mr. Charles Brower, <sup>Deputy Special</sup> Counsel, ~~to Ambassador Abshire,~~ were also in attendance.

*After pleasantries and compliments about the President's health and recovery*

Chairman Tower began by stating that the Board was seeking in a non-adversarial way and pursuant to his instructions to obtain the facts about recent events involving the National Security Council (NSC) staff. He expressed his appreciation for the President's cooperation and his hope that the President may be able to shed light upon various questions facing the Board, that only he can answer. Chairman Tower reminded the President that the final product of the Board will be presented to the President. He emphasized that the Board had been trying to carefully follow its mandate from the President and had been actively engaged for several weeks. He noted that the Board had met with a variety of individuals including those, like former Presidents, who had been

*Komani Shorbanifor*

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major participants in the National Security Council system.

President Reagan inquired if the Board had talked with Mr. Carlucci. Chairman Tower indicated that the Board had done so and felt that Mr. Carlucci had been moving in the right direction.

Chairman Tower asked the President about how he had perceived his goals, short and long<sup>⊖</sup><sub>^</sub> term, in pursuing the Iran initiative? What were the President's expectations and how did they change as the process developed?

President Reagan indicated that he had been thinking about this subject, what he termed "woodshedding" and digging up his notes. He indicated that he simply could not recall certain things, but had been able to verify some memories. He stressed that these were very sensitive matters and <sup>asked</sup> ~~pleaded~~ for the Board's support in preventing inappropriate disclosure.

The President began by noting that his first contact with this subject came by way of Israel. According to the President, the Israelis have been hesitant<sup>A</sup> to disclose material on this subject. The Israeli's concern does not relate to the laying of blame. Indeed, the President said he could understand their concerns and acknowledged that we have concerns about disclosure as well.

The President explained that U.S. interests in this matter go back to previous Administrations. Others have tried for some time to establish contact with Khomeni and the Soviets have continued to move in.

Chairman Tower asked when word came to us to contact Iran?

President Reagan responded that we gave the go-ahead. President Reagan recalled that his predecessor in 1979 had sent representatives to Iran to reestablish contacts. The President stressed that this current initiative was "not picked out of the blue." The idea was that there would be a channel of communications with Iran, according to the President, and that is exactly what he thought we should be doing by not missing an opportunity.

To proceed The President stated that we needed to know that these contacts in Iran were legitimate; we had to be assured ~~that~~ we were not dealing with people pursuing their personal interests. The President maintained that we were not trading arms for hostages. Instead we were searching for how we could establish that the <sup>with whom we were dealing</sup> Iranians had a legitimate basis as we looked askance at any country that supported terrorism.

The President noted that the Iranians have been helpful in certain respects. For example, they prevented a hijacked plane from Karachi

from landing. They have done other things as well.

The President said that he suggested that one way to ensure the legitimacy of the Iranians was to have them prevail on the Hezbollah to release the American hostages. According to the President, this is how the hostage exchange came into being.

The President stated that the Israeli's sent 18 HAWK missiles to Iran. According to the President, we objected to that; we <sup>did not</sup> ~~didn't~~ want countries reselling arms we had sold. As a result of our objections, the missiles were returned from Iran.

At the same time, the President pointed out that the Iranians needed to have some assurance that we were sincere. They needed to establish our bona fides, especially with the Iranian military.

(2 words)

The President emphasized that no gift <sup>of arms</sup> was made to the Iranians. We received money for the replenishments that we made. We replaced the weapons ourselves. The President stated he was advised that this was within the law.

The President asked if the Board members were familiar with Mr. McFarlane's testimony before the Senate Foreign Relations Committee? He recommended it to the Board members. He indicated

that he had read it himself, having seen Mr. McFarlane on television. The President also had notes and a chronology that he proceeded to go through in the subsequent discussion.

The President explained, for example, that many of his contacts during July and August 1985 with Mr. McFarlane were of no relevance to the Iranian situation. The President related several telephone calls with Mr. McFarlane that had nothing to do with Iran. For example, the President received a call late one night about a possible Soviet submarine attack; he received a call from Prime Minister <sup>NAKASONE</sup> ~~Nakasone~~ in which the President asked for <sup>his</sup> help in gaining the release of U.S. hostages; he received a call from Helsinki from Secretary Schultz about meetings with Soviet Foreign Minister Schvernadze; and other calls regarding planning.

In August 1985, the President recalled having received a call from Mr. McFarlane explaining that an Iranian <sup>G</sup>overnment official had said he could deliver all the U.S. hostages to a beach north of Tripoli. Arrangements by the U.S. military were made to evacuate the hostages but nothing ever happened.

Chairman Tower asked what the President knew about a draft NSDD on Iran. He asked if the President had been briefed about it, whether he had seen it, or if he knew of its origin?

President Reagan responded that his chronology begins later that he could recall a request from Israel about Iran, to which he did not say yes or no. Rather he sought more information about the bona fides of people with whom we were not in contact before we made any agreements.

Chairman Tower then intervened to explain that the draft NSDD was a document that had been transmitted to Secretaries Schultz and Weinberger. Secretary Weinberger had reportedly written "absurd" in the margin. Mr. Wallison interjected that they had no way of knowing if the President had seen this document. General Scowcroft added that the Board was not making any suggestion that the President had seen the document, but was merely seeking to obtain the President's recollection.

The President responded that he could not recall ever seeing such a document.

Chairman Tower inquired whether such a document could have been drafted without submission to the President? President Reagan said yes, that was possible under existing procedures.

The President went on to explain that Secretaries Schultz and Weinberger <sup>had been reluctant and</sup> were [reluctantly and] frankly, openly opposed to an arms transfer to Iran. The President remarked that he was aware that the

United States had gone to other nations to prevent the sale of arms to Iran. At the same time, he pointed out that a great deal of weapon sales were prevalent to Iraq and Iran. Twelve billion dollars in arms had been sold to Iran and almost <sup>three</sup> times that much to Iraq. According to the President, various nations, especially members of the <sup>C</sup>ommunist <sup>B</sup>loc, were selling arms to both sides. But Secretary Schultz and Secretary Weinberger said that this would be a departure for the United States to sell arms.

President Reagan returned to the subject of hostages by underlining that the hostage connection as to these people - the Iranians involved - was for purposes of improving their stature in their country. According to the President, the Iranians had made it plain that they were in great risk or danger in their own country. President Reagan recalled his panic when this matter came into the open: these people could have been killed.

The President hastened to point out that it was not as if we were doing business in Iran. We were seeking to provide support to certain elements within Iran. The initiative was in the context of giving support to those particular elements, elements that were tied to the Iranian military, which are distinct from the revolutionary military. These same Iranian military officers had been closely tied with the Shah.

Chairman Tower indicated that the Board had encountered much uncertainty as to meetings with the President on August 6, 1985. Chairman Tower specified that some people had remembered meeting with the President in his quarters or with the President wearing his bathrobe. Senator Tower asked if the President had a specific recollection of any such meeting.

President Reagan responded that he did have notes about meetings on that day. He recalls one meeting but it had nothing to do with Iran, rather, it had to do with planning for the upcoming summit conference. He also recalled, referring to his notes, an NSPG meeting on August 7. Again, the President said his meeting was not about Iran. Finally, he remembered a meeting on the same day, August 7, with Messrs. McFarlane and Schultz regarding the presence of Soviet agents in the United States and how to get rid of some of them.

Next the President remembered a telephone call with Mr. McFarlane on August 23, where Mr. McFarlane informed him that an Iranian official claimed that all the U.S. hostages would be available off a beach in Tripoli. The President had previously mentioned this phone call.

Chairman Tower then asked if the President had authorized a transfer of arms to Iran or did he give an indication of a U.S. intention to replenish such arms?

The President replied that he did "OK" the shipment. He allowed that he was still digging for the precise date or other facts surrounding this.

Senator Muskie then asked if this decision had involved others?

President Reagan replied that it had, and he knew that there were various meetings on the subject, that concerns were expressed about how this would look and what would happen if <sup>it</sup> were disclosed. The President stressed the difference <sup>between</sup> ~~of~~ selling arms to someone we feel could exert influence and help with respect to the hostages, and, on the other hand, ~~to~~ dealing directly with kidnapers that would <sup>it</sup> make it pay <sup>to</sup> take hostages. In other words, the President said that the Iranians could do something that we could not. This was not a trade, it was a sale. The President said he still believes this to be the case. The argument about this would take place sitting right where we are sitting now (in the Oval/Office).

Chairman Tower asked the President if he felt that he were adequately informed by his advisors of the down-side risks in the operation, particularly the political risks and the adverse impact on our allies?

The President responded that it was made very plain that we would sell token amounts of arms. These arms would not alter the balance of the war. The President noted that they included spare parts, that the first shipment was less than two million dollars, and that the total amount shipped was less than twelve million dollars. He compared this to arms transfers by other nations to Iran of approximately twelve billion dollars. At the same time, Iraq received approximately three times this amount.

General Scowcroft asked if the President received specific advice as to the effect of these arms on the balance of the Iran/Iraq war?

The President answered yes. He mentioned that the TOWs transferred were older versions of the missile. He further indicated that he had asked several times for assurances that the arms would not alter the balance in the war. He recalled asking Cap Weinberger specifically. Moreover, Mr. Weinberger had said that the arms would fit into one cargo aircraft.

The President stated that he had approved replenishment of the arms if Israel went ahead with the transfer to the Iranians. According to the President, the Israeli<sup>s</sup> had assured us that they needed to make these shipments in order to establish the stature of the Iranians with whom they were dealing.

General Scowcroft then asked if anyone had raised whether this arms transfer would undercut Operation Staunch? President Reagan affirmed that this had been brought up in discussions.

The President said he felt we had to go forward with this.

The President went on to state that on September 15 he received a call from Mr. McFarlane regarding the release of Mr. Weir. The U.S. government held and kept this news secret because an unverified source had told us that six other hostages would be released too, and premature disclosure of Weir's release may jeopardize the fate of the other hostages. But a leak to the press of the Weir release occurred. Nevertheless, the U.S. government maintained its silence for 48 hours, but no further hostages were released.

(Incidentally, the President commented that he had not been happy with Mr. Weir's recent interview where he criticized U.S. policy and initiatives.)

Proceeding to November 22 and 23, 1985, the President stated we were expecting a hostage release momentarily<sup>ly</sup> (reading from a log). He received a telephone call at Camp David on the secure phone that day about the expected Egyptian hi<sup>c</sup>jack<sup>c</sup>ing. The hi<sup>c</sup>jack<sup>c</sup>ers had assembled the passengers in the rear of the aircraft and then tossed hand gr<sup>c</sup>na<sup>c</sup>des into the crowd. Fifty-seven (57) people were killed. The President remembered receiving a telephone call from President Mubarak asking for a fighter escort to accompany the return of the victims. The President remembered saying, "Hell yes."

General Scowcroft asked if the President received any information about the shipment of HAWKS to Iran?

The President said that this was the shipment to which we objected. The President indicated that he could not remember how this came about. He told the Board to keep in mind that we were still a third party in this matter and that the Israeli<sup>s</sup> were able to get the HAWK shipment returned from Iran. According to the President, the Iranian spokesman had<sup>later</sup> offered a cover story that the parts had been returned because they were antiquated.

Chairman Tower then asked if President Reagan could comment on Mr. McFarlan<sup>e</sup>'s trip to Iran in December and the President's meeting

with Mr. McFarlane in Los Angeles on December 10? (Note to reader: this meeting occurs in Washington.)

The President explained that on December 7, there was a meeting with Messrs. Schultz, Weinberger, McMahon, Regan, Poindexter, Fortier, and McFarlane in attendance. The subject was the whole complex hostage plan proposed by the Iranians. In short, Iranian officials wanted weapons to be delivered in installments after which they would release U.S. hostages. The President remembers that Secretaries Schultz and Weinberger objected to this approach, and that it was the first time he noted down their disapproval. According to the President, the discussion at the meeting produced a stalemate. Mr. McFarlane flew to London <sup>with</sup> the following approach: the hostages should be released and no arms would be transferred.

The President recalls someone suggesting at that meeting that the British might be a good middleman for such a initiative, since they were under no constraints.

According to the President, Mr. McFarlane returned on December 10, and stated that the Iranian agent had said that the U.S. approach would kill the hostages. Mr. McFarlane said the person he met with in England was a devious character. According to the President, Mr. McFarlane had no confidence in him whatsoever. Furthermore, Mr. McFarlane did not trust the Iranian plan and said, "No go."

Chairman Tower asked if he remembered the names of Iranian individuals to whom McFarlane was referring. The President responded that he did not remember the names but <sup>they were</sup> described <sup>to</sup> him as a gun merchant and free lancer. He speculated that Ghorbanifar may have been one of them.

General Scowcroft asked if the President agreed with Mr. McFarlane's <sup>of the London meeting</sup> assessment? The President said, I had to.

The President then <sup>recalled</sup> ~~recalled~~ a NSC meeting on January 7, 1986.

The President observed that there were generally too many people in NSC meetings, and they rarely held such meetings<sup>s</sup>. There was another meeting following the NSC meeting which was held in order to hold down the number of participants. At the smaller meeting, the President remembered a highly convoluted plan whereby Israel would free 20 Hezbollah prisoners who had not been engaged in blood letting. Israel would also sell TOW missiles to Iran. The Hezbollah would free U.S. hostages, our five, stop kidnapping, and we would keep our mouths shut. He stated that he thought we were OK on that. Israel planned for us to sell to Iran.

Next, the President recalled a January 17<sup>✓</sup> meeting in which a plan was presented for the United States to sell arms to Iran. The President declared that he approved this plan.

Chairman Tower then inquired about any contacts that may have been made with Israeli's during the time<sup>#</sup>frame between December 10 and January 6 when it is off then on again. President Reagan responded that Israelis had been in this country at that time. According to the President, Mr. Nir came into the picture. The President went on to explain in February that we delivered TOWs to Israel. These were the TOWs we were going to sell.

Chairman Tower asked about a draft Finding of January 6, which the President signed? Chairman Tower mentioned that the Finding may have been amended slightly and then became the Finding of January 17 which was signed. In any event, Chairman Tower asked if President Reagan remembered what happened with respect to the January 6 Findings?

President Reagan stated that he had been wondering about whether he signed the January 6 Finding. He stated that he did not recall signing any such Finding, but that he did sign the January 17 Finding.

Chairman Tower then asked if the President had read the memorandum accompanying the <sup>January 17</sup> Finding, explaining that "RR" had apparently been placed on the memorandum by Admiral Poindexter.

President Reagan stated that he had not read the memorandum, but that Admiral Poindexter had briefed him orally about the Findings.

Chairman Tower intervened to ask if the various risks about the initiative had been fully described to him along with the opposition of the Secretaries of State and Defense. The President responded that he did not recall a briefing on the down-side risks; that on the basis of what he believed, he found no disagreement with what Admiral Poindexter told him.

Chairman Tower <sup>o</sup> proceeded to ask if the President fully agreed with what was to be carried on under this Finding? The President said yes.

Chairman Tower asked if the President knew how the initiative once authorized would be implemented? Was he told that the operational responsibility would devolve to the NSC, not the CIA? Did the President know about all of the unsavory characters that would be involved in the operation?

The President replied, no, but went on to say that he knew that some of them were government officials of <sup>Iran?</sup> Israel, people who had a deep concern about making changes in Iran. The President noted that he learned only afterward about the use by the Israelis of a plane that had been leased from the CIA. He stated that this plane had flown some of the Israeli missiles.

Chairman Tower again asked if it <sup>was</sup> ~~was~~ depicted to him and he was fully informed about the operational security risks of the operation.

The President stated that he thought we were on our guard now against people like those Mr. McFarlane had met with when he went to London. The President underscored again that he did not know specifically who was involved, but that since we were proceeding that others then involved were acceptable.

Chairman Tower asked if the circumstances surrounding the initiative had changed in his mind?

The President responded that from his awareness of the breaking off of the meeting with the Iranians in London he felt that we were well aware of the situation. Moreover, Israel was still a go-between. The President said incidentally that he had learned only later that

Israel had leased a CIA plane to take one of their shipments from a storage place  25X1, E.O.13526

Chairman Tower asked if once the project was underway, did the President know <sup>that</sup> ~~who had~~ operational responsibility <sup>had</sup> ~~was~~ devolved to the NSC or CIA? The President replied that he just accepted the mix of those who had been dealing on this matter.

Chairman Tower asked if Mr. Casey had suggested that the CIA assume operational responsibility for the initiative? President Reagan said he did not recall ever discussing anything of that kind. He reiterated that he still does not know what happened to the money, that is, where the excess money went and how was it handled? According to the President, Mr. Ghorbanifar was evidently involved with the matter. The President learned later that the CIA did not trust Ghorbanifar and that he had failed a lie detector test. This knowledge came after Attorney General Meese came to him and we immediately made public announcements (began investigating). All we learned was that more than twelve million dollars was provided to an Israeli bank and that the money went from there to a sterile bank account <sup>then</sup> to DOD. The President stated that Mr. Meese wanted to make sure there had been no violations of law.

The President declared that he understood that he had the right to defer notification of the Congress. The President said he believed opening this matter up could kill the people we were dealing with in Iran.

According to the President, Mr. Meese had a hint of the Swiss bank accounts. The President explained it as follows. There was excess money due to the difference of a wholesale price which the U.S. received and a retail price. <sup>the</sup> President then speculated that anything that was done to the excess money may have been done by the go-betweens or others. To this day, the President said he still does not know what happened to this money. He also observed that he did not have much trust that the Congressional <sup>investigators</sup> ~~committee~~ would get to the bottom of the matter. It would be best left to the ~~Special~~ <sup>Independent</sup> Counsel.

Chairman Tower then asked if anyone told the President that this matter would be operated out of the White House by the National Security Council staff? Did the President know that this could cause a potential embarrassment?

President Reagan replied that it would not have been unusual at all to have the matter run out of the White House. President Nixon's

opening to China had come out of the White House. The President said it was clear to him that we could not have had State Department officials dealing with these people, the Iranians.

Chairman Tower asked if there had been any discussion as to whether the NSC or the CIA should run the operation; any discussing of the downsides? The President replied that he did not recall that ever came up.

Chairman Tower asked if providing funds to the Contras had ever been discussed in connection with this initiative?

The President stated that he did not recall anything of that kind being said. The President was clear that there had been no discussion that the money from Iran could be used to help the Contras. According to the President, Attorney General Meese raised the first hint of such a possibility and that he is still waiting to find out.

Chairman Tower asked if the President could recall saying anything that might have led the staff to attempt such a diversion saying words that would indicate he might be supportive of it? The President said no. Such action with respect to the funding would have been unlawful. The President stated that he did ~~not~~ know of

private funding for non-lethal aid for humanitarian purposes to the Contras.

General Scowcroft intervened to ask if the President knew that the NSC staff was engaged in helping the Contras? The President replied no, but stated that he knew of State Department efforts. The President knew that State was trying to persuade other countries to help. The President speculated that North may have thought this could have happened; that he thought this should open the door. The President then asked, was it the go-betweens that gave the money to the Contras? If so, we were not involved; we were instead preyed upon.

The President declared that it would be a different picture if our people were involved in the diversion of funds. This would get right down to law breaking. According to the President, we are waiting to find out.

Returning to his notes, the President stated that on May 26, we were still waiting for word on the hostages. On May 27, the President said he learned from Mr. McFarlane that the two Iranians who had involved us were phonies. They had made outrageous demands that Israel give up certain territory in the Golan Heights and that  release the Da'wa prisoners. According to the President

Mr. McFarlane had said "no way." With this, the President said, <sup>the</sup> discussion went back to arms. The President recalled that later Admiral Poindexter and Don Fortier told him that the new Iranian contact had asked for weapons and spare parts before hostages were released and McFarlane said the deal is off. According to the President, Mr. McFarlane said that these people, the new contact, did want a long term relationship with the United States. The President recalled a suggestion that the plane would take off loaded with arms -- the President said that he believed that this was an Israeli shipment -- and the hostages would be released. The President stated his recollection was that the plane was called back and no hostages were released.

General Scowcroft then asked the President if he were aware of the intricate connection between the shipment of arms and the release of hostages? President Reagan replied yes.

Chairman Tower raised a question regarding <sup>whether</sup> ~~the~~ the President had considered ~~regarding~~ notifying Congress in a timely fashion at some point. The President stated that yes, Congress would be notified <sup>when the</sup> ~~whether~~ hostages were safe; that he was concerned about leaks and noted that even the Congress had admitted that everything they know leaks.

Chairman Tower then asked what was the President's expectation about the time<sup>\*</sup>frame for this operation, in other words, did the President expect this initiative to occur in a short time. The President replied that he expected a short time, but recognized that the matter seemed to stretch out. The President noted that Mr. Jenko, upon his release, had brought out a tape. The tape consisted of Mr. Jacobson dressing down the United States. According to the President, we felt he was trying to give us a signal. The President remembered on ~~the~~ <sup>Monday July</sup> 28<sup>th</sup> that he telephoned Mr. Jenko in Germany. When he met Mr. Jenko the President was given a copy of a message for the Pope, a message the President said he should have brought down from upstairs to the meeting with the Board. (C) (C)

The President noted that this activity encouraged us to believe in what we were doing. Contact had been made with the Hezbollah. At this point, however, the President remembers that he had to go off to begin campaigning in earnest and that he did not make any <sup>further</sup> notes. (C)

The next event mentioned by the President was a November 7 delivery of 500 TOW missiles as replacements. The President recalls that the press began screaming questions at him at about this time. The President had no inclination to respond to questions when Mr. Jacobson was released for fear of jeopardizing the release of

further hostages. The President noted that he had not clued in Mr. Jacobson to this concern, but that nevertheless Jacobson had teed off against the press himself →

Chairman Tower asked the President about his personal contact with Lieutenant Colonel North? The President responded that he did not want to say anything that might prejudice a person before he had his day in court. He observed, however, that he had never had a solo meeting with North and never recalled hearing from him. The President remembered that North came to meet with Jacobson, but that he, the President had no great conversations with North. The President could not think of anything that was ever said to North that could have motivated him in any particular way.

Chairman Tower intervened to ask if the President had ever directed an individual NSC staff member? The President replied that he had not. He acknowledged that he knew of North, that he knew he was actually "honchoing" meetings.

Senator Tower asked if the President knew about <sup>Lieutenant</sup> Lieutenant Colonel North's involvement with the Contra? The President responded no.

# In light of the recent developments, Chairman Tower asked the President to assess the effectiveness of his National Security

advisors. The President began with Mr. McFarlane, noting that he was the most articulate person he had ever known. Mr. McFarlane would report to the President, was extremely capable, practical and never searched for words. The President noted that Admiral Poindexter was capable as well. The President explained that what caused the separation with Admiral Poindexter, however, was that the Admiral had known something of this matter and had never told the President. The President did not know if Admiral Poindexter was trying to protect him or just what. The President recounted that when Don Regan accosted Admiral Poindexter about the matter, the Admiral stood up like a <sup>NAVY ADMIRAL</sup> ~~naval~~ captain and took full responsibility. He resigned.

Chairman Tower noted that the President had concluded that mistakes had been made in this matter. Chairman Tower raised the question of whether the President thought any failures that occurred<sup>r</sup> were due to individuals or defects in the process.

The President expressed reluctance to answer that question until he knew what happened to the deposits that had been alleged to been diverted. General Scowcroft then asked for the President's assessment apart from the diversion.

The President stated that on the other part ~~the~~ the part not involving the diversion ~~we~~ we were succeeding. Out came Jacobson. We had got three hostages out and were expecting another two. Here we were negotiating. We had made our transfer and it was all happening. The President stated that we reasonably expected the other two hostages to be released. Then all of a sudden it all blew up.

The President said he had seen a report that the leak of the operation had come from a man on Khomeini's side. The newspapers had picked this up and then it hit. The President pointed out however that even then, it wasn't <sup>not</sup> a trade for hostages. At that time, however, the President felt he had to explain the matter and said exactly what it was on television from that very desk in the Oval Office. The President reiterated that all we knew is what has been said there and in ~~is~~ this meeting. There was excess money in Swiss bank accounts; one account had been used by the Contras to get money; and ~~X~~ <sup>he</sup> still ~~don't~~ <sup>does not</sup> know where the money went.

General Scowcroft asked, putting aside the diversion, would the President do this again? President Reagan replied yes. He explained that it went back to his predecessor. He stressed that before the opportunity arose we did not know how even to approach the Iranians. But when the Israeli <sup>re</sup>s contacted us, said these

people were reasonable and wanted a relationship, I said hell yes. And with the information he had, the President said he would do it again. That he would go for it, explore it. The President recognized that he had been called Satan; our intelligence pointed out that Khomeini was living on borrowed time; and 27 Soviet divisions were confronting Iran. In these circumstances, it was necessary to get a foothold and reestablish relationships. In addition, the President stressed that we are still, even today, trying to get an end of the war between Iran and Iraq before the bonfire gets out of control from everyone. Indeed, the President said that we had received word that the leader of Iraq would back down, that is, would be prepared to stop the war. Iran, ~~on the other hand~~ would not ~~until~~ <sup>however until</sup> the head of the Iraqi government stepped down. The President conceded that he did not know what the hell else may have gone on with this matter.

Chairman Tower asked if there had been any direct contact with Israelis, such as Messrs. Perez, Rabin and Shamir? President Reagan responded that this was a sensitive subject. The Israelis had made it very clear that they would suffer embarrassment if their involvement were known. The President stated, yes, they were aware and had had contacts. We have a healthy respect for Israeli intelligence.

Chairman Tower asked if anyone had cautioned the President as the Israeli's objectives in this matter, that is, that they might have had different objectives than the U.S.? The President acknowledged that we had to wonder. He stated however that we knew the Israeli's were attempting to protect the Jewish community in Tehran, and, were aware of this consideration. He also stated that we did not just blindly take the Israeli's word on these matters. And finally, the President noted that we had made our own proposals.

Chairman Tower indicated that the Board was attempting to focus on how the system functioned, that this was essential to fulfilling its charter. At this point however, Mr. Wallison pointed out that it was 12:19 and the President had other engagements.

After some discussions, it was agreed that the President would be prepared to meet the Board again.

The Board members thanked the President. The meeting concluded at approximately 12:19 p.m.