



IRAN-CONTRA AFFAIRS

IRAN-CONTRA AFFAIRS, the linkage in the mid-1980s of two separate and distinct U.S. covert operations in Iran and Central America. These operations became linked when funds generated by the sale of weapons to Iran were diverted to help finance the so-called Contra war in Nicaragua. This entry will focus on the Iranian aspects of the affair.

Background. The U.S.-Iran arms-for-hostages deals of 1985-86 resulted from a temporary convergence of interests between the two governments, which had shared a deep mutual antagonism since the events of 1979. For Iran's part, Iraq's invasion in September 1980 threatened the country's independence and created a chronic need to acquire military supplies for its largely U.S.-equipped armed forces. Having exploited the international black market, the regime ultimately was forced to turn in secret to its avowed enemies, Israel and the United States (Bill, pp. 306-15).

For the United States, legal and policy barriers arising from Iran's designation as a supporter of terrorism militated against dealings with the Islamic regime. Beginning in the early 1980s, a wave of kidnappings of Americans in Lebanon by Islamic fundamentalist groups reinforced bitter memories of the earlier Iran hostage crisis (q.v.). However, the abductions also sparked a strong personal reaction on the part of President Ronald Reagan, who despite public vows never to negotiate with terrorists, made clear to his aides that he intended to liberate the hostages regardless of the political consequences (Walsh, *Final Report*, vol. 1, p. 410; Reagan, pp. 490-92). While broader strategic goals—forging closer ties to Iran, preventing Tehran from turning to the Soviet



Union for aid, and jointly supporting the Afghan Mojāhedīn—provided further incentive, the president’s commitment to free the hostages proved to be the main stimulus for American participation in the Iran initiative (Kornbluh and Byrne, p. 215).

The catalyst for the arms deals emerged in July 1985, when Israel informed the U.S. that certain circles within Iran were open to re-establishing contacts with the United States (McFarlane, *Special Trust*, pp. 17-21). These “moderates,” according to the Israelis, hoped to enhance their standing within the regime by acquiring weapons for the war with Iraq. Of more immediate appeal, in return for a modest quantity of missiles, this group was prepared to help gain the release of the Lebanon hostages. Over the objections of his secretaries of state and defense, President Reagan approved Israel’s proposal, writing in a diary entry for 23 August: “now we must wait” (Walsh, *Final Report*, vol. I, p. 466).

Main actors. Operational control of the Iran arms deals fell to Lt. Col. Oliver L. North, a staff member of the National Security Council. North relied mainly on two private individuals—retired Air Force Maj. Gen. Richard V. Secord and Albert Hakim—to help implement the activity. Together, they directed a network of off-shore corporate entities dubbed “the Enterprise,” which helped to mask the involvement of the U.S. government. North reported in detail to both National Security Adviser Robert C. McFarlane and his successor, Vice Adm. John M. Poindexter, who approved all of his activities. Numerous other senior U.S. officials knew about the secret program. President Reagan supported it until its public exposure in November 1986. Vice-President George H. W. Bush, CIA Director William J. Casey, and White House Chief of Staff Donald T. Regan also endorsed it. Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger objected to the arms sales at various stages but nevertheless went along with the president. Lower-level officials in several agencies also became aware of the program in the course of its implementation (Walsh, *Final Report*, Vol. I, Part I; *Report of the Congressional Committees*, Part III).

On the Iranian side, then-Speaker of the Parliament ‘Ali-Akbar Hāšemi Rafsanjāni reportedly brought senior leaders into the arms-for-hostages initiative out of a simple desire to share responsibility for it. Indeed, given the high priority of obtaining weapons for the war and the sensitivity of establishing contacts with Washington and Israel, this certainly is plausible. Officials from the offices of Prime Minister Mir Ḥosayn Musawi and the Revolutionary Guards, among others, played direct operational roles. In short,



all factions were represented, not just a supposed group of “moderates.” Manuchehr Ghorbanifar (Manučehr Qorbānifar), an arms dealer with prior ties to the CIA and possibly Israeli intelligence, served as principal intermediary for the Iranian regime for most of the operation (*Report of the Congressional Committees*, Part III).

In Israel, involvement also reached to the highest levels of government. Prime Minister Shimon Peres first suggested the contacts, which led to the secret deals. David Kimche, director general of the Foreign Ministry, pressed McFarlane to go forward with the idea in mid-1985. For much of the operation, Peres’ counterterrorism adviser, Amiram Nir, was a direct participant, while others such as Defense Minister Yitzhak Rabin and senior military officers were involved at various times. Two well-connected private individuals, Adolph Schwimmer, founder of Israel Aircraft Industries, and Yaakov Nimrodi, an arms dealer with extensive experience in Iran, helped execute the deals during the first few months (*Report of the President’s Special Review Board*, App. B).

Another key player in the initiative was Saudi billionaire arms dealer Adnan Khashoggi, who worked closely with Ghorbanifar and provided crucial financing for some of the transactions (*Report of the President’s Special Review Board*, App. B).

The arms-for-hostages deals. From August 1985 to November 1986, seven shipments of military equipment were delivered to Iran, originating from the United States or Israel. Iran received a total of 2,004 TOW and 18 HAWK missiles plus over 200 spare HAWK parts, as a result of which three American hostages gained their freedom. But the operation was hardly an unqualified success. Three more Americans were kidnapped in Lebanon during this same period, while numerous problems arose with the arms deliveries, generating further mistrust among the participants (Walsh, *Final Report*, Vol. I, Part I; *Report of the Congressional Committees*, Part III).

The weapons transactions themselves were complex undertakings based on intensive negotiations among government representatives and private middlemen, requiring multi-party financial transactions, and utilizing a variety of covert tactics to disguise the true nature of the shipments.

The first deliveries—in August, September, and November 1985—were arranged by Israel taking U.S.-made missiles from Israeli stocks, which



Washington agreed to replenish with more modern versions. As with all of the transactions, financial profit was the principal motivation for the private intermediaries. For the early shipments, Ghorbanifar agreed to pay \$10,000 per missile, substantially more than the \$6,000 rate Israeli middlemen had paid to the Israeli Defense Ministry, but less than the \$12,000 per missile charged the Iranian government. Saudi financier Khashoggi posted a \$1 million loan to help the deal go forward (Walsh, *Final Report*, Vol. I, pp. 12-16).

The August shipment consisted of 96 TOW (tube-launched, optically-tracked, wire-guided) anti-tank missiles, packed in pallets of 12 apiece. They arrived without incident in Tehran in an unmarked Israeli DC-8 aircraft. However, no hostages were released as a result. Ghorbanifar, whom the CIA considered a fabricator, claimed that the Revolutionary Guards had seized the missiles at the airport and that the moderate officials he claimed to represent had concluded that the terms of the contract had not been fulfilled. The Americans and Israelis accused Ghorbanifar himself of failure to live up to the agreement. Nevertheless, they swiftly agreed to a second transaction involving a larger number of missiles and fewer hostages (*Report of the Congressional Committees*, pp. 168-70).

The September shipment consisted of 408 TOWs, for which just a single captive would be released. This time Ghorbanifar arranged for the missiles to go to Tabriz, away from Revolutionary Guard control. Hours after the delivery, the first American hostage, Rev. Benjamin Weir, was freed. American officials were “elated” and more determined than ever to proceed.

The November shipment of HAWK (homing-all-the-way-killer) missiles was disastrous on several counts, due to haphazard planning and poor execution. Portugal refused to grant transshipment rights through Lisbon. Then the lease for the waiting Israeli aircraft expired, leading North to obtain a CIA proprietary aircraft that turned out to have a cargo capacity of only 18 missiles, a fraction of the original figure envisaged. Upon the aircraft’s arrival in Iran, the Iranians discovered that the model shipped did not have the high-altitude capabilities they expected. Furthermore, the missiles had Israeli “Star of David” markings. After test-firing one missile, they returned the rest. Not surprisingly, no hostages were freed after this episode (*Report of the Congressional Committees*, pp. 176-88).

The HAWK shipment also had legal repercussions for the Reagan administration. Prior presidential authorization, as required by law, was



never obtained, nor was Congress notified of the operation. A presidential “finding” of dubious legal standing was prepared only after the fact, then later destroyed because it would prove “politically embarrassing” to the president (Walsh, *Final Report*, Vol. I, Part I, pp. 15-16; *Joint Hearings*, vol. 100-8, p. 20).

Following the HAWK fiasco, U.S. officials decided to eliminate the private Israeli middlemen and take over the initiative entirely. In their place, Prime Minister Peres’ counterterrorism adviser, Amiram Nir, assumed a more prominent role. On 17 January 1986, President Reagan signed a new finding authorizing continuation of the activity under American auspices and specifying, among other things, the goal of establishing contact with “moderate elements” in Iran (*Report of the Congressional Committees*, pp. 206-9).

The U.S.-led team put together another transfer of 1,000 TOWs in February, incorporating various logistical twists designed to avoid legal requirements such as the need to inform Congress. This time the deals also included provision of U.S. intelligence samples to Iran relating to the war with Iraq—another concession by the American side. As before, the transfer yielded no hostages (*Report of the Congressional Committees*, pp. 217-22).

One significant benefit for the American side did result, however. The shipment netted a multi-million dollar profit for the Enterprise. Although their legal claim to the funds was later challenged, North and his colleagues put the residuals to various uses, including supporting the Nicaraguan Contras—thus linking the two covert operations—and paying commissions to Secord and Hakim. The prospect of future windfalls undoubtedly served as an inducement for the Americans to continue the Iran deals (*Report of the Congressional Committees*, Part III, Chap. 15).

In May 1986, a U.S. delegation including McFarlane, North, a CIA Iran expert, and Amiram Nir made a dramatic journey to Tehran. Reflecting the high risks involved, they carried Irish passports issued under false names and were sequestered on an isolated floor in the former Hilton Hotel. (North brought a cake—but not a bible.) Their purpose was to establish direct contact with senior Iranian officials, including Rafsanjani, but once again their expectations were dashed. After three-and-a-half days, the delegation departed empty-handed, leaving behind a consignment of 200 HAWK spare parts (Kornbluh and Byrne, pp. 295-300).



McFarlane reported on this major setback to President Reagan. But despite his urgings, the United States still did not terminate the activity. Instead, the decision was made to remove Ghorbanifar from the operation and find another channel to Tehran. Problems continued to crop up, meanwhile, including Iran's discovery of significant overcharging for some of the equipment. The release of hostage Lawrence Martin Jenco in late July, after frantic maneuvering by Ghorbanifar and Nir, did not alter the administration's plans.

By September, the new channel, led by 'Ali Hāšemi Bahramāni, a nephew of Rafsanjani, was fully operational. The nephew so impressed the Americans that they arranged a clandestine visit for him to Washington featuring a North-led tour of the Oval Office. During this period, discussions ranged across broader strategic issues such as Afghanistan, oil prices, and the removal of Saddam Hussein. But hostages remained at the center of U.S. concerns. One last shipment of TOWs took place in late October, resulting in the release of hostage David Jacobsen. But the Americans were in for a final shock—after weeks of negotiations they learned that Bahramāni was in fact not a new channel but a conduit to the same consortium of political factions as before. The notion of working with “moderates” had been a myth (Walsh, *Final Report*, Vol. I, Part I; *Report of the Congressional Committees*, Part III).

Exposure and aftermath. The Iran initiative came to an abrupt end when the story of McFarlane's trip to Tehran appeared in a Lebanese publication, *Ash Shiraa*, on 3 November 1986. Apparently, the source was a political faction inside Iran associated with Mehdi Hāšemi, a relative by marriage to Ayatollah Ḥosayn-'Ali Montazeri. Khomeini himself ensured that there would be no broader recriminations from the initiative, although some reports indicated the disclosure affected the political succession after his death. In the United States, the scandal created major political difficulties for President Reagan and led to criminal proceedings against several of his advisers. U.S. credibility overseas suffered, particularly in the Arab world. However, it remains an open question whether the arms-for-hostages deals ultimately had any effect on prospects for a future opening in U.S.-Iran relations (*Report of the Congressional Committees*, pp. 277-80; Bill, pp. 306-15).



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