


THE WHITE HOUSE

WASHINGTON

July 10, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: WILLIAM B. LYTTON III 

SUBJECT: TESTIMONY OF LTCOL NORTH  
JULY 10, 1987 (MORNING SESSION)

I. Overview

There was extensive questioning by Senate Counsel Arthur Liman apparently intended to build a circumstantial case that the President had been informed about the diversion (see Section II.A, below).

North testified that he recognized the need to have a give-and-take with the Iranians, and that the U.S. never had evidence that Iran enjoyed sufficient control over Hizbollah to effect the immediate release of all the U.S. hostages. Liman noted that, in planning for the McFarlane trip, Poindexter insisted that the only acceptable sequence of events was a meeting with McFarlane, release of the hostages and--only then--an arms delivery. North testified that he told Poindexter that this would be the sequence, but realized when he arrived in Tehran that Ghorbanifar had lied to both sides to make the meeting occur. Liman -- perhaps insinuating that North had misled his superiors about the prospects for release of the hostages--pointed out that North knew Ghorbanifar was a liar, but North countered that he had not anticipated the extent to which Ghorbanifar was lying on this occasion. Liman also suggested that North continued to press for arms sales to Iran despite the misgivings of his superiors because of the need to use the proceeds for the Contras.

Liman questioned whether the Iran arms sales degenerated into, or were originally conceived as, arms-for-hostages transactions. North stated that the broader purposes of the sales were articulated to North by Michael Ledeen as early as the summer of 1985, and that the November 1985 Finding unduly minimized those broader purposes.

North again testified that Casey wanted an overseas entity independent of appropriated funds to support U.S. foreign policy objectives. He testified that one such covert project undertaken by this entity--the purchase of a ship for broadcasting into a

foreign country--was not (unlike CIA covert operations) briefed to Congress or covered by a Finding, and North did not know whether the President had been informed about it.

## II. The President's Involvement

### A. Diversion

North again testified that he recalled no discussion with the President about the use of residuals from the Iran arms sales for the Contras.

North confirmed that an attachment to the April "diversion" memorandum--the "terms of reference" with negotiating instructions for the Tehran trip--was eventually approved by the President. He stated that a memorandum covering the May 1986 transaction and mentioning diversion went up the line with these same "terms of reference" attached. The insinuation was that the President thus may have approved a memorandum that discussed diversion to the Contras.

North testified that, in early discussions with Poindexter about use of the proceeds from the Iran arms sales for the Contras, Poindexter said, "This had better never come out." He testified that Poindexter was ordinarily a cautious man who "played by the book," but that he was willing to take risks. North sometimes showed Casey important memoranda before submitting them to Poindexter. North again testified that Casey did not advise him to delete recommendations that Poindexter brief the President when reviewing memoranda prepared by North which described the diversion.

### B. Boland Amendment

Nothing to report

### C. Iran Operation

North denied that, despite what he told Hakim, Koch and others, the President said he wanted the hostages out by Christmas, the State of the Union Message or the 1986 elections. North testified that the President's concerns about the hostages were purely humanitarian, and that he was willing to take great political risk in pursuing the Iran initiative.

North said he assumed the President made the decision ~~not to notify Congress under the January 1986 Iran Finding.~~ He was not, however, present when the President made this decision.

### D. Third Country Aid to Contras

Nothing to report.

E. Private Support to Contras

Liman read the PROFS note in which North stated that "the President obviously knows why he has been meeting with several select people to thank them for their support." North testified that he did not recall having ever told the President that the people with whom he was meeting were providing money only for advertising.

F. November 1986 Chronologies

Nothing to report.

III. Procedural Matters

Several Republican members criticized committee counsel for monopolizing the questioning. In a separate matter, Chairman Inouye took under advisement a suggestion that North be allowed to present to the committee the 20 minute pro-Contra briefing that North used to present to potential contributors.

IV. Continuation of Hearing

The hearings will resume at 2:00 p.m.